2019
ANNUAL REPORT




BC GROUP

BC Technology Group Limited

Stock Code : 863

Incorporated in the Cayman Islands with limited liability

CONTENTS




CORPORATE INFORMATION

BC科技集團有限公司
BC TECHNOLOGY GROUP LIMITED

STOCK CODE: 863

BOARD OF DIRECTORS

Executive Directors

Mr. Madden Hugh Douglas *(Chief Executive Officer)*
Mr. Lo Ken Bon *(Deputy Chairman)*
Mr. Ko Chun Shun, Johnson
Mr. Chapman David James
Mr. Tiu Ka Chun, Gary

Independent Non-Executive Directors

Mr. Chau Shing Yim, David
Mr. Chia Kee Loong, Lawrence
Mr. Tai Benedict

BOARD COMMITTEES

Audit Committee

Mr. Chau Shing Yim, David *(Chairman)*
Mr. Chia Kee Loong, Lawrence
Mr. Tai Benedict

Remuneration Committee

Mr. Chau Shing Yim, David *(Chairman)*
Mr. Lo Ken Bon
Mr. Chia Kee Loong, Lawrence

Nomination Committee

Mr. Lo Ken Bon *(Chairman)*
Mr. Chau Shing Yim, David
Mr. Chia Kee Loong, Lawrence

Risk Management Committee

Mr. Lo Ken Bon *(Chairman)*
Mr. Chau Shing Yim, David
Mr. Tai Benedict
Mr. Sikora Marek *(Chief Risk Officer)*

AUTHORISED REPRESENTATIVES

Mr. Lo Ken Bon
Ms. Chau Wing Kei

COMPANY SECRETARY

Ms. Chau Wing Kei

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong)
China Merchants Bank
Bank of Communications Co., Limited
Signature Bank
Silvergate Bank

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

39/F, Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

Unit 1704,
Shanghai Times Square,
No. 99 Hwaihai Road,
Huangpu District,
Shanghai, China

SHARE REGISTRAR AND TRANSFER OFFICE

Principal Registrars

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

bc.group

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders and Partners:

For BC Technology Group Limited (the "Company") and its subsidiaries (the "Group"), 2019 was a successful year, and one in which we showed growth and resilience in the face of challenging global and local economic circumstances.

This was headlined by the Group's continued organic growth, with a 13.6% year-on-year ("YoY") increase in overall Group revenues and income from its digital assets and blockchain platform business. Our digital asset platform business, OSL, was the fastest growing part of the Group, with an increase of 736.9% in YoY revenues compared to 2018, and accounted for 43.5% of all Group revenues in 2019 compared to 5.9% in 2018.

The OSL platform is Asia's premier institutional gateway to global digital asset markets, providing comprehensive brokerage, automated trading, custody and software-as-a-service ("SaaS") solutions to professional investors, platform partners and traders in the sector. The digital asset platform business was started in 2018 and began generating revenue in last few months of that year.

Active customers for the OSL digital asset platform increased by 253.6% YoY, with overall digital asset trading volumes up 653.8% YoY to RMB48.3 billion for 2019, and averaging over RMB8.0 billion in volume per month in Q4 2019.

Our strong performance is a testament to our core commitment to security, risk management, compliance and licensing as well as accelerated business development and sales efforts. We view the introduction of licensing for digital assets in Hong Kong in 2020 as an inflection point for the ambitious growth of the Group and our OSL digital asset platform business, as well as the broader digital asset market.

The Group's China-focused advertising and business park management business performed adequately in 2019, despite an extremely challenging environment.

Other Group milestones for the year included the creation and launch of market-leading products and services for our OSL digital asset platform, and the submission of our application for a digital asset trading license to the Securities and Futures Commission ("SFC") in Hong Kong.

The strategic vision of the Group and our OSL digital asset platform is to drive the next generation of Asia's capital markets with digital assets, setting standards for performance, security and compliance. Our accomplishments over the past 12 months, coupled with the certainty of comprehensive global regulation of digital assets and an ongoing surge in institutional participation in the space, have reinforced our confidence in achieving this goal.

OSL is the platform of choice for institutions and professional investors to onboard into the digital asset economy, as both a market participant and a creator of infrastructure through our global-leading SaaS offering.

Institutional integration of our SaaS offering creates a multi-year sticky relationship, providing the Group access to upside as regulated institutions enter the market and outsource portions of their business to digital assets. We've seen this come to fruition in 2019, as our digital asset platform's SaaS offering was selected as the technology provider of choice for a major regional bank, and we aim to announce additional institutional client relationships during 2020.

Accordingly, our digital asset platform business will be the key driver of growth for the Group moving forward. Our approach to the market aligns to the broader global trend of increased capital inflow and institutional investment into both specific digital assets and 'picks and shovels' of digital assets industry infrastructure.

OSL Digital Asset Platform Business

The OSL platform business led the Group's growth and achieved exceptional performance for the year. Investments made by the Group in the digital asset platform business in the prior year continue to result in returns in the form of revenue growth, client acquisition growth and increased product creation. Complementing its brokerage business, the OSL platform launched three new digital asset products in 2019: SaaS services, insured digital asset custody and a market-leading matching engine.

Our digital asset brokerage business outperformed targets with RMB66.9 million in income, while the platform's SaaS and related services offering brought in RMB2.3 million in revenues with 10 signed contracts. Moreover, interest income from inventories financing and other digital assets and blockchain platform related business generated revenues of RMB1.4 million and RMB1.1 million respectively.

Advertising and Business Park Management Services

Our advertising business revenue declined 42.4% YoY to RMB57.9 million, due to very difficult market conditions in the People's Republic of China ("PRC") automotive market, the 2019 macroeconomic downturn as a result of the trade war with the United States and other factors. Business park management services revenue declined 2.3% YoY due to various tenancy changes during the year.

In 2020, we expect stable capital expenditure and revenues in our PRC businesses. However, in view of the rapidly evolving and wide-ranging uncertainties in global macroeconomic conditions recently, mainly as a result of the COVID-19 outbreak, we have to be prepared for headwinds for the China business.

STRATEGY AND OUTLOOK

Digital asset regulation further gained steam globally in 2019 and the asset class continues to be recognised and regulated in nearly all major financial markets. On April 3, the Securities and Exchange Commission in the United States released a framework for determining whether a digital asset is an investment contract. In June, the global Financial Action Task Force recommended mandatory licensing of virtual asset service providers for all 39 of its member states. In November 2019, Hong Kong's SFC announced its digital asset licensing regime.

This heralds a rapidly growing industry. When Japan introduced its digital asset exchange licensing framework in 2017, digital asset trading volumes grew by 450% over the next 12 months compared to 18% globally[1]. Comprehensive regulation and licensing is boon for market participation and growth in digital assets.

The year 2020 started strong, with the Group completing a HK$280 million share placement from a group of institutional investors and the advantage of well-advanced licensing efforts. The Group's digital asset business is poised to continue its outsized growth, ushering more institutional investors into the asset class. For the overall Group business, we expect to continue to see strong organic growth, while remaining open to high value non-organic opportunities to increase our distribution and market share.

1 Source: Bitcoin.jp

The Group is also strengthening its commitment to environmental, social and corporate governance in 2020 and beyond, an initiative that I will personally sponsor. We will announce our carbon neutral strategy throughout the first half of the year, and are seeking partnerships to use blockchain technology and security tokens to grow environmentally focused markets and instruments.

While the Group is cognisant that global economic conditions are highly uncertain as a result of COVID-19, it believes the financial services ecosystem will continue its evolution towards digital assets. Buoyed by greater global regulatory clarity, the Group's focus for 2020 will be to cement its position ahead of the regulatory curve, sharpen its focus on risk management and client acquisition, and drive greater institutional flows through the platform.

By combining our extensive experience, capability, and institutional levels of compliance, risk management and security with market-leading technology developed over the past few years under the stewardship of digital asset industry veterans and thought-leaders, the Group has laid a solid foundation for continued growth of the overall business and the OSL digital asset platform.

These actions will support the Group's continued diversification of revenue streams and increase its margins through scalable operations.

The Group is well-positioned to take advantage of the accelerating pace of digital asset regulation and institutional adoption and respond to changes in the landscape with positive growth prospects.

ACKNOWLEDGEMENTS

On behalf of the Executive Committee, I would also like to welcome our new investors and customers and thank our staff for their ongoing commitment and hard work.

Madden Hugh Douglas
Chief Executive Officer
BC Technology Group Limited

MATERIAL EVENTS

Change in Board Lot Size

With effect from 11 March 2019, the board lot size for trading in shares of the Company on the Stock Exchange was changed from 2,000 shares to 500 shares.

Change of Company Name

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 16 May 2019 and approved by the Registrar of Companies in Cayman Islands and the Registrars of Companies in Hong Kong, the name of the Company was changed from "Branding China Group Limited" to "BC Technology Group Limited" and the Chinese name was changed from "品牌中國集團有限公司" to "BC科技集團有限公司". The new company name better reflects the Group's future strategic direction and development plans.

Subscription of New Shares under General Mandate

Reference is made to the Company's announcement dated 27 May 2019 in relation to the subscription for new shares under general mandate.

On 27 May 2019, the Company entered into eight (8) subscription agreements with eight (8) subscribers, pursuant to which the Company conditionally agreed to allot and issue, and the subscribers have conditionally agreed to subscribe for 22,876,360 ordinary shares ("Shares") at the subscription price of HK$5 per Share. The closing price of Shares on the date of entering the agreement (i.e. 27 May 2019, being the last trading day for the Shares before entering the agreements) was HK$5.83 per Share. The aggregate nominal value of the 22,876,360 subscription shares was HK$228,764. The Group was indebted to one of the Subscribers a loan of principal amount of HK$100,000,000 which was due on 11 July 2019. Such Subscriber agreed to set-off the outstanding loan in the amount of HK$100,000,000 due to it to satisfy the consideration payable under its Subscription Agreement for 20,000,000 Subscription Shares. Apart from the set-off of the loan mentioned above, the gross proceeds and the estimated net proceeds from the subscription were approximately HK$14.38 million and HK$14.3 million respectively. The Company intended to use the net proceeds for the payment of regular and recurring monthly expenditure of the Group. The net price per subscription share was approximately HK$5. The regular and recurring monthly expenditure of the Group amounted to approximately HK$20 million. As at 31 December 2019 the subscription was completed and an aggregate of 22,876,360 ordinary shares were allotted and issued to the subscribers and net proceeds of approximately HK$14.3 million had been received by the Company.

Use of Net Proceeds of the Allotment and Issue of New Shares

Reference is made to the Company's announcement dated 27 May 2019 in relation to the subscription of new shares under general mandate. As at 31 December 2019, the net proceeds of HK$14.3 million were fully utilised by the Group. Set forth is a summary of the utilisation of the net proceeds:

Purpose of the net proceeds	**Amount of net proceed intended to be allocated** HK$ million (approximately)	**Actual utilised amounts as of 31 December 2019** HK$ million (approximately)	**Unutilised amount as of 31 December 2019** HK$ million (approximately)
Payment of regular and recurring monthly expenditures	14.3	14.3	–
	14.3	14.3	–

Subscription of New Shares and Convertible Note under Specific Mandate, and Issue of Unlisted Warrant under Specific Mandate

On 10 November 2019, the Company and the subscriber entered into the Subscription Agreement, under which the Company conditionally agreed to allot and issue, and the subscriber conditionally agreed to subscribe for, the 1,051,213 Subscription Shares for a total consideration of HK$7,800,000; and the Convertible Note in an aggregate principal amount of HK$15,600,000.

The Subscription Price was HK$7.42 per Subscription Share. The closing price of Shares on the date of entering the agreement (i.e. 10 November 2019, being the last trading day for the Shares before entering the agreement) was HK$8.13 per Share. The aggregate nominal value of the 1,051,213 Subscription Shares was HK$10,512.13. The Convertible Note was in a principal amount of HK$15,600,000 with the conversion price of HK$9.52 per conversion share. Based on the conversion price of HK$9.52 per conversion share, a maximum number of 1,638,655 conversion shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Note in full. The aggregate nominal value of the 1,638,655 Conversion Shares was HK$16,386.55. The Convertible Note beared interest at the rate of 5% per annum and will mature on 31 December 2020.

On the same day, the Company and the subscriber entered into the Warrant Subscription Agreement, under which the Company conditionally agreed to issue to the Subscriber the Warrants conferring the rights to subscribe for a maximum number of 11,526,270 Warrant Shares. The Warrant Price of HK$0.0067 per Warrant Share (based on 11,526,270 Warrant Shares and the total warrant price of HK$78,000 and the aggregate nominal value of the 11,526,270 Warrant Shares) was HK$115,262.7.

The subscriber is a member of the Jump Trading group of companies (the "Subscriber") and they are significant contributors to the orderly trade of a variety of asset classes worldwide and provide liquidity on over 100 global venues.

At the same time, the Company, the Subscriber, BC MarketPlace Limited ("BC MarketPlace") and OS Holdings Limited ("OS Holdings"), which are subsidiaries of the Company, entered into the Letter Agreement, pursuant to which: (a) immediately prior to Completion, OS Holdings shall repurchase from the Subscriber, and the Subscriber shall sell to OS Holdings, the convertible note in an aggregate principal amount of US$2,000,000 dated 14 December 2018 and issue to the Subscriber by OS Holdings ("OS CN") in consideration for an amount of US$2,000,000 for the repurchase of the OS CN to the Subscriber ("OS CN Repurchase Proceeds"); and (b) immediately prior to Completion, BC MarketPlace shall repurchase from the Subscriber, and the Subscriber shall sell to BC MarketPlace, the unlisted pre-paid warrant dated 14 December 2018 and issued by BC MarketPlace ("BC Warrant") in consideration for an amount of US$1,000,000 payable by BC MarketPlace to the Subscriber for the repurchase of the BC Warrant ("BC Warrant Repurchase Proceeds"); and (c) in lieu of the Subscriber directly receiving the OS CN Repurchase Proceeds, the Subscriber may elect to direct OS Holdings to pay all or any portion of the OS CN Repurchase Proceeds directly to the Company on behalf of the Subscriber in satisfaction of any portion of the Total Subscription Consideration; and (d) in lieu of the Subscriber directly receiving the BC Warrant Repurchase Proceeds, the Subscriber may elect to direct BC MarketPlace to pay all or any portion of the BC Warrant Repurchase Proceeds directly to the Company on behalf of the Subscriber in satisfaction of any portion of the Total Subscription Consideration; and (e) any Total Repurchase Proceeds so elected by the Subscriber to be so paid directly to the Company by OS Holdings or BC MarketPlace (as the case may be) on behalf of the Subscriber shall be deemed to have been paid directly by OS Holdings or BC MarketPlace (as the case may be) to the Subscriber, and then paid directly by the Subscriber to the Company in satisfaction of the applicable portion of the Total Subscription Consideration.

The Subscription Shares, the Conversion Shares and the Warrant Shares will be issued under the Specific Mandate. As a result of the Letter Agreement, the Total Subscription Consideration is wholly set-off against the Total Repurchase Proceeds, and, accordingly, there are no cash proceeds resulting from the Subscription. The gross proceeds and the estimated net proceeds from the Warrant Issuance are approximately HK$78,000. The Company intends to apply the net proceeds from the Warrant Issuance towards the general working capital of the Group.

In view of the development of the Group's digital asset business, the Company and the Subscriber agreed that repurchase of the BC Warrant and the OS CN, and the subscription for the Subscription Shares, the Convertible Note and the Warrant, together, had the effect of aligning the interests of the Subscriber with those of the Company and its businesses.

Please refer to the announcements of the Company dated 10 November 2019 and 25 March 2020 for more information.

The EGM is yet to be convened and the Subscription and the Warrant Issuance are yet to be completed.

REVIEW OF RESULTS

Overall Performance

For the year ended 31 December 2019 (the "Year"), the Group recorded total revenue and income of RMB164.7 million, representing an increase of approximately 13.6%, or RMB19.7 million, from RMB145.0 million for the year ended 31 December 2018 ("FY2018"), driven by better than expected performance from the digital asset business, which began in August 2018.

The operating loss of the Group was RMB206.6 million for the Year, representing an increase of RMB78.3 million or 61.0%, from net operating loss of RMB128.3 million for FY2018.

The net loss of the Group increased from RMB160.7 million for FY2018 to RMB245.1 million for the Year, an increase of RMB84.4 million or 52.5%.

Loss per share of the Group for the Year was RMB92 cents (FY2018: RMB64 cents).

Digital Assets and Blockchain Platform Business

The digital assets and blockchain platform business started in August 2018 and grew substantially in the Year, becoming the largest business revenue and income contributor to the Group. During the Year, the digital assets and blockchain platform business generated income of RMB71.6 million, which was up 736.9% as compared to income of RMB8.6 million in FY2018. The significant increase was driven by the increase in trading volume from the Group's digital asset trading services and the launch of SaaS business in the Year.

Income from facilitation of trading of digital assets, service fees from SaaS, interest income from inventories financing and other digital assets and blockchain platform related business were RMB66.9 million, RMB2.3 million, RMB1.4 million and RMB1.1 million, respectively. Of the RMB66.9 million income from facilitation of trading of digital assets, RMB1.5 million was generated from clients who licensed our automatic trading platform using our proprietary technology.

Advertising and Business Park Area Management Services Businesses

Revenue from the advertising business for the Year was RMB57.9 million, a decline of RMB42.5 million or 42.4% as compared with FY2018. During the Year, the Group was further affected by the slowdown in the automotive industry resulting in declining macroeconomic growth in China and the unresolved Sino-US trade conflicts, which caused a significant reduction and control on Group client budgets and expenditures for advertising and marketing activities.

Rental income from business park area management services for the Year was RMB35.1 million, remaining steady as compared with RMB36.0 million in the FY2018.

As of 31 December 2019, the Group's cost of generating revenues from advertising and business park area management services mainly comprised expenses and costs for procuring advertising space, staff remuneration, event organisation, lease expense, production costs and holding the lease on the Business Park Area. The Group's cost of revenue for the Period was RMB68.6 million, representing a decrease of 25.5% or RMB23.5 million as compared with RMB92.1 million in FY2018. The cost of revenue decreased correspondingly with the decline in revenue in the advertising business.

The gross profit for advertising and business park area management services for the Year was RMB24.4 million, representing a decrease of RMB19.9 million as compared to RMB44.3 million for FY2018. The Group's gross profit margin for advertising and business park area management services was 26.3% (FY2018: 32.5%). The decrease in the gross profit and gross profit margin was mainly attributable to the decrease in gross profit and gross profit margin in advertising business in the challenging business environment.

Selling and Distribution Expenses

Selling and distribution expenses increased by RMB10.2 million from RMB5.9 million for FY2018 to RMB16.1 million for the Year. The increase was mainly attributable to a full-year effect of expenses for the digital assets and blockchain platform business in the Year — compared to five months of expenses in FY2018 — and the increase in trading and sales staff for promoting the digital assets and blockchain platform business.

Administrative and Other Operating Expenses

Administrative and other operating expenses for the Year increased by RMB108.6 million to RMB277.3 million as compared to FY2018. The increase was mainly due to the increase in expenditures related to establishing the corporate and technical infrastructure for the digital assets and blockchain platform business, including technology, legal and compliance, marketing, licensing, rental and staff costs. Also, only five months of administrative and operating expenses for the digital assets and blockchain platform business were recorded in FY2018, as compared with the full-year effect of expenses in the Year.

During the Year, research and development costs (mainly included in employee benefit expenses) was RMB41.3 million. Out of the total research and development costs, RMB8.5 million was capitalised as intangible assets. The addition of research and development cost was driven by the Group's effort to expand its technical capabilities and resources in digital assets and blockchain industry.

Net Loss

As a result, the net loss of the Group for the Year was RMB245.1 million, an increase of RMB84.4 million as compared with RMB160.7 million for FY2018. Despite the significant increase in income from digital assets and blockchain platform business, the increase in net loss was primarily due to the decrease in revenue and gross profit from advertising and business park area management services and the increase in expenditure for the expansion of operations for the digital assets and blockchain platform business which started in the second half of 2018.

Human Resources Cost

As at 31 December 2019, the Group had a total of 133 employees in both Hong Kong and China offices (FY2018: 260 employees). The total staff cost during the Year was RMB167.2 million (FY2018: RMB85.8 million). The increase in staff cost was mainly due to the fact that only five months of expenses for the digital assets and blockchain platform business was recorded in FY2018, compared with a full year effect of expenses in the Year.

The Company operates a share option scheme for the purpose of providing incentives to, retaining, recognising and motivating eligible Directors and employees who make contributions to the Group. The Company has granted 2,851,111 share options under its share option scheme during the Year (FY2018: 17,148,889).

The Company also has adopted a share award scheme 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.

During the Year, no new Award Shares were allotted and issued. During FY2018, 9,836,474 new Award Shares were allotted and issued to the Trustee. Out of 9,836,474 Awarded Shares, 6,557,645 Awarded Shares will be vested on 3 September 2020. The remaining balance of 3,278,829 Awarded Shares will be vested on 3 September 2021.

Dividends

The board (the "Board") of directors (the "Directors") has resolved not to recommend final dividend in respect of the Year to the holders of ordinary shares of the Company.

BUSINESS REVIEW AND PROSPECTS

Overview

The digital asset industry is global and has grown significantly in size and scope over the past two years. Throughout 2019, market sentiment for digital assets continued to improve, with total digital asset market capitalisation increasing from US$126 billion at the end of 2018 to US$194 billion at the end of 2019, and the sector saw increased participation from professional and institutional investors.

Accordingly, the Group's digital asset and blockchain platform business, OSL, achieved exceptional performance and became the main source of income for the Group for the Year. The OSL platform provides institutional-grade digital asset brokerage, automated trading, and custody services, as well as technology solutions based on a SaaS model to professional investors and traders in the digital asset sector.

The platform is an institutional gateway driving the next generation of capital markets with digital assets, setting industry standards for security, performance and compliance.

The Group's total digital assets inventories in 2019 amounted to approximately RMB446.6 million. Most of such inventories represent client assets deposited with the Group and therefore, the price risk of digital assets inventories related to the digital assets business is partly offset by remeasurement of digital assets liabilities of approximately RMB357.1 million and collateral payable of RMB31.9 million owing to clients correspondingly. As a result, the net exposure of digital assets for the Group during the Year was not significant and price movements in digital assets are not expected to have a material impact on financial performance. Details can be referred to section headed "Price risk of digital assets inventories" on page 14 of this report.

As a result, and in view of the economic slowdown of the Mainland economy that will impact the Group's PRC-focused business, the Group continues to sharpen its focus on capturing growth in the digital asset sector.

This focus includes an expansion and diversification and investment in the OSL platform to capture market opportunities and grow income. As part of this effort, the Group, on behalf of its wholly-owned subsidiary OSL Digital Securities Limited ("OSL Digital"), was the first to submit in November 2019 an application for licenses to conduct Types 1 and 7 regulated activities under the SFC's new regulatory framework for virtual asset trading platforms.

Furthermore, geographic expansion remains a priority for the Group as the market for its businesses becomes more global and it opened an office in Singapore in July 2019.

With current global attention on the regulation of digital asset markets, the Group is optimistic the coming year will bring significant opportunity for growth for its digital asset business and the wider digital asset ecosystem.

OSL: The Group's digital asset and blockchain platform business

In second half of 2019, the Group consolidated its digital asset and blockchain platform business under the OSL brand. OSL is now the main digital asset platform service provider for the Group. The OSL platform and service mainly provides (1) trading in digital assets through manual over-the-counter ("OTC") brokerage services and automated trading platforms; and (2) digital asset trading and trading-related technology solutions based on a SaaS model to customers.

The OSL digital asset trading business generates income through trade commissions, fees or trading spreads from clients who buy and/or sell digital assets through the platform. Current clients include high-net-worth-individuals and professional investors. During the Year, the Group recorded income from digital assets and blockchain platform business of RMB71.6 million, representing a significant rise of 736.9% compared to FY2018.

OSL's SaaS and trading-related systems service clients that operate digital asset trading platforms. Included in the SaaS and related service offering is operation and maintenance of relevant systems provided, management of digital wallet infrastructure, and, in some cases, trading and custody services. Clients of SaaS and related services utilise these systems and services to provide digital asset trading services to their clients. Fees charged to customers may include, on a case by case basis, initial implementation fees and ongoing license and service fees. Part of such fees may be tied to, or calculated by reference to, the income earned by the clients from the operation of their respective digital asset trading services. The SaaS trading and trading-related system services started in the second quarter of 2019. Revenue generated from the provision of SaaS and related service was RMB2.3 million for the Year.

Active customers for the OSL digital asset platform also increased by 253.6% compared to the previous year, with overall digital asset trading volumes up 653.8% YoY and reaching RMB48.3 billion for the Year.

The Group's OSL digital asset platform business was also enhanced in 2019 through the achievement of key milestone launches of Asia's first insured custody services for digital assets and a leading-edge automated trade matching service to facilitate trading in non-securities digital assets. The insured custody service for digital assets ensures professional investors can store digital assets safely through the use of leading-edge technology and military-grade security protocols. Furthermore, and to demonstrate the new capabilities of the OSL platform, the Group also launched under the platform ANXONE MarketPlace ("MarketPlace"), an automated trade matching service to facilitate trading in non-securities digital assets.

These new capabilities allow professional investors to trade with confidence and with the knowledge that their digital assets are kept safe, with operational and control processes that adhere to stringent security protocols and compliance checks.

The success of 2019 builds off a strong year in 2018, when the Group made significant investments to establish requisite corporate and technical infrastructure for its digital asset platform business, including incorporating best-in-class risk management, market surveillance and compliance systems for its SaaS and digital asset trade facilitation services under the OSL brand.

PRC advertising and business park area management services business

The Group's PRC-focused business includes the provision of professional customised above-the-line, outdoor, print and digital advertising and marketing communication services to automotive and other companies and operation and management services in the Jingan District of Shanghai.

In 2019, the automotive industry experienced an overall downward trend as a result of a number of macroeconomic factors, such as the unresolved Sino-US trade conflict and an overall decline in consumer confidence. These factors in turn impacted the financial performance of many automobile companies, including customers of the Group, leading to stricter cost controls on customers' advertising, public relations and marketing activities. During the Year, revenue from the advertising and marketing communications business was RMB57.9 million, representing a decline of 42.4% compared to 2018. During the reporting period, the Group actively sought to identify new customer segments and broaden industry exposure to increase performance. In addition, the Group created a new business strategy for 2020 to identify and secure new customers from other sectors, specifically industrials, to further increase its revenue and client base.

Revenue generated from the Group's business park area management services segment during the Year was RMB35.1 million, representing a slight 2.3% decline in revenue compared to 2018. The slight decrease of revenue was mainly due to the weaker overall economic conditions leading to a drop in the occupancy rate of the business park office space during the first quarter of 2019. In the second quarter of 2019, an agreement was signed and executed under which Jingwei Park was fully leased and will be occupied by the real estate and shared workspace company, WeWork, until 2025. As such, revenue generated from this segment will be stable for the foreseeable future.

Risk Disclosures

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

(a) Business development and the associated risks in 2019

During the year, the Group strategically expanded its digital assets and blockchain platform business lines, particularly as a service provider of technology and software solutions and as a facilitator of trading of digital assets.

Management considers that the risks and uncertainties associated with the digital assets trading business are largely related to information technology, safekeeping of digital assets, fluctuation of asset prices, compliance, as well as the immature nature of the markets. As the industry is in a growth stage, the Group has been implementing an operational infrastructure to support business development and growth. These initiatives include identifying physical locations, expanding IT infrastructure and hiring additional management personnel with an emphasis on experience in legal, regulatory, compliance, financial reporting, operations and technology development.

(b) Risk management of the digital asset and blockchain platform business

(i) Regulatory risk in relevant jurisdictions

The Group's digital asset trading businesses currently operate in Hong Kong and Singapore. In Hong Kong, the SFC has implemented a licensing regime for the regulation and licensing of digital asset trading platforms. As previously disclosed by the Group, OSL Digital Securities Limited, a wholly owned subsidiary of the Group, submitted an application to the SFC on 7 November 2019 for a license to operate as a digital asset trading platform in Hong Kong.

In addition, in Singapore, the Payment Services Act 2019 ("PSA") went into effect on 28 January 2020. Under the PSA, some of the digital asset trading businesses conducted by the Group in Singapore may become licensed and regulated by the Monetary Authority of Singapore ("MAS"). Accordingly, a Singapore-based wholly owned subsidiary of the Group has submitted a notification to the MAS that it is providing digital payment token services in Singapore and intends to formally submit an application for licensing.

In the event the applications in Hong Kong and Singapore are successful, the digital asset trading businesses of the Group in Hong Kong and Singapore will be subject to stringent regulatory compliance requirements, including, without limitation, anti-money laundering systems and controls, client asset protection and periodic reporting requirements.

To manage the enhanced risks and compliance frameworks associated with licensing, the Group has expended substantial resources to build 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.

(ii) *Price risk of digital assets inventories*

The Group holds digital assets inventories in order to facilitate and support the settlement process of the digital asset trading business. The volatility and unpredictability of the price of digital assets relative to fiat currencies could cause significant impact to the Group's performance.

To manage the risk, the level of digital asset holdings is controlled by limits based on volatility, position size and liquidity, as approved by the Risk Committee and as overseen by the Group's Risk Department. During times of heightened price volatility, the Group may choose to reduce its digital asset inventory exposure either by selling down or entering into hedge transactions such as futures contracts.

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. The inventory held in customers' accounts corresponds to a liability due to the customers with both the inventory and liability to customers recorded at fair value, therefore 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 dynamically adjust the level of digital assets maintained in "hot" wallets required to facilitate settlement. The Group has developed a proprietary digital asset wallet solution for its wallets 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 2019, the Group has also obtained insurance 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 Anti-Money-Laundering ("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 and reporting. These policies and procedures are being enhanced to comply with industry best-practice and FATF requirements 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, ability to defend against intrusion into the Group's technology infrastructure, IP protection and prevention of leakage of sensitive data.

(vi) *Information security risks*

The Group's and client information are maintained on proprietary data infrastructure in conjunction with services by 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 principal, 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 the proposed business or product will only be forthcoming once the 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 asset trading business, the Group may enter into pre-funding arrangements, extended settlement arrangements or digital asset lending/borrowing arrangements with trading clients and counterparties (including third party digital asset 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 asset transactions.

The Group's Risk Committee is responsible for managing credit risk exposure of the Group in connection with its digital asset trading businesses. To mitigate or reduce such credit risks, pre-funding limits, 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 Risk Committee of the Group.

(ix) *Business continuity*

The Group operates its technology stack with remote data centre sites and is implementing a business continuity and disaster recovery plan; disaster recovery capability is currently being built 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 analyses Business Continuity Plan ("BCP") requirements for each business and support function in order to maintain a comprehensive physical disaster recover capability.

(x) *Operational risk*

Operational risk covers a spectrum of potential incidents and actions 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 Managers 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.

Discussion in relation to other risks are disclosed in Note 3 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

In 2019, global markets saw the continued adoption of digital assets and more clear evidence of increased regulatory clarity for the asset class. Significant announcements by key regulatory bodies provided initial frameworks and guidelines that will govern the next phase of growth in the industry. Additionally, key institutional players in the financial services industry have publicly pledged financial support for digital assets and support the transformative potential of the asset class as part of future business endeavours.

Looking ahead, the Group will continue to invest in the OSL digital asset platform and the provision of trading, technology and SaaS solutions and related services. Specifically, the Group intends to direct more resources towards sales and marketing to accelerate customer acquisition and revenue growth. The Group has already experienced evidence of mainstream adoption vis-a-vis increased enquiries from financial institutions that seek to offer digital asset trading venues through the OSL digital asset platform's SaaS offering. Given the Group's previous investment in building a comprehensive technology platform with requisite security, risk, and compliance systems; it is well positioned to serve institutions seeking turn-key solutions.

The Group will also continue to seek opportunities to grow its China advertising and business park services business. Despite the challenges of the current environment, the sales and marketing department will selectively pursue opportunities to target new customers and broaden industry exposure. The Group will also aggressively expand marketing efforts in Hong Kong to diversify its customer base in the technology and blockchain industries.

In 2019, the Group's investment in building software and service solutions, including its insured digital asset custody offering, has gained interest from institutional operators of digital asset platforms. The Group's market-leading software and services solutions will continue to attract institutional partners interested in building out their own digital asset capabilities. The Group considered the significant expenditure incurred in 2019 as necessary to mature the technology platform and prepare for future regulation. Human capital costs were realigned towards sales and marketing once the technology build-out was largely completed. In the coming years, the Group expects to generate significant operating leverage for the business as revenue generated from digital assets increases whilst the cost base remains closely managed.

In 2020, the Group will focus on monetising its technology platform as regulatory clarity slows incumbent digital asset players partnering with large institutions that require comprehensive and auditable risk, compliance, and operational frameworks. In anticipation of this 'changing of the guard,' the Group has invested heavily in preparing for the inevitable transition to licensed and regulated venues. Moreover, as the Group's product offering matures, further opportunities to market our robust suite of platform services will drive growth.

The Group is actively seeking funding through debt and equity in order to strengthen its working capital base and finance global expansion plans.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2019, the Group recorded total assets of RMB1,144.7 million (31 December 2018: RMB1,002.6 million), total liabilities of RMB1,211.0 million (31 December 2018: RMB968.0 million) and total deficit in shareholders' equity of RMB66.3 million (31 December 2018: Shareholder's equity of RMB34.6 million). As at 31 December 2019, the gross gearing ratio (defined as total liabilities over total assets) was approximately 105.79% (31 December 2018: 96.55%).

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

As of 31 December 2019, total borrowings amounted to RMB338.2 million (31 December 2018: RMB237.0 million). The Group's borrowings comprised other loans denominated in Hong Kong dollars ("HKD") and Renminbi ("RMB"). RMB204.2 million (31 December 2018: RMB123.4 million) borrowings were interest bearing with interest rates ranging from 4% to 8% per annum. The remaining borrowings were non-interest bearing. RMB164.8 million borrowings were secured by equity interest of a subsidiary, RMB deposits or digital assets. For details, please refer to Note 29 to the consolidated financial statements. As at 31 December 2019, the Group was in a net debt position (2018: net cash position).

As at 31 December 2019, the Company had 18,103,334 outstanding share options (2018: 17,148,889). None of the options granted are vested as at 31 December 2019. If all of the remaining outstanding share options were exercised, gross proceeds of approximately HKD156.8 million (31 December 2018: HKD151.8 million) in aggregate would be raised before deducting any issuance expenses.

Treasury Policy

It is the Group's treasury management policy not to engage in any investment or speculative derivative instrument with high risks. 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 United States dollars ("USD").

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group currently operates mainly in Hong Kong 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 considered minimal. For operations in mainland China, most of the transactions are settled in RMB, the impact of foreign exchange exposure to the Group was minimal.

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

Material Acquisitions and Disposals of Subsidiaries and Associates

Save as disclosed in Note 14 to the consolidated financial statements, the Group did not have any material acquisitions and disposals of subsidiaries and associates during the Year.

Charge on the Group's Assets

As of 31 December 2019, the Group pledged certain amount of equity interest of a subsidiary, RMB deposits or digital assets. For details, please refer to Note 29 to the consolidated financial statements.

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

As of 31 December 2019, the Group had no capital expenditure commitments for property, plant and equipment (FY2018: RMB8.1 million). Apart from the aforesaid, the Group did not have any concrete future plans for material investments or capital assets and material capital expenditure commitments as at 31 December 2019.

Contingent Liabilities

As at 31 December 2019 and 31 December 2018, the Group did not have any significant contingent liabilities.

EVENTS AFTER THE FINANCIAL POSITION DATE

Grant of Share Options and Awarded Shares

On 15 January 2020, the Company offered to grant a total of 1,700,000 Share Options to seven eligible employees of the Group.

On the same day, the Company granted 3,288,974 Awarded Shares to four eligible employees of the Group pursuant to the terms of the Share Award Plan as incentives for their contribution to the Group.

Subscription of Shares

On 24 January 2020, the Company entered into the Subscription Agreements with the Subscribers, pursuant to which the Company conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for 43,100,000 subscription shares at the subscription price of HK$6.50 per share. The closing price of Shares on the date of entering the agreement (i.e. 24 January 2020), was HK$7.82 per Share. The aggregate nominal value of the 43,100,000 Subscription Shares was HK$431,000.

The gross proceeds and the estimated net proceeds from the Subscriptions were approximately HK$280.15 million and approximately HK$280 million, respectively. The Company intended to use the net proceeds as to strengthen its balance sheet to meet the financial reserve requirements of its digital asset licensing plans. This will include (i) approximately HK$70 million for the repayment of loans; and (ii) approximately HK$210 million for general working capital and financial reserves of the Group. The net price per Subscription Share was approximately HK$6.50. Currently, the regular and recurring monthly expenditure of the Group amounted to approximately HK$17 million. Please refer to the announcement of the Company dated 24 January 2020 for more information.

Except as disclosed above and elsewhere in the financial statements, the Group did not have any other material events occurred subsequent to the financial position date.

EXECUTIVE DIRECTORS

Mr. Lo Ken Bon ("Mr. Lo"), aged 43, is currently an executive director of the Company. He is also the chairman of the Nomination Committee, the Risk Management Committee and a committee member of the Remuneration Committee of the Company. He was the Chief Executive Officer of the Company and on 11 July 2019, he was appointed as the deputy chairman of the Board.

Mr. Lo holds a Bachelor degree of Commerce, Management Information Systems from the University of Calgary. Mr. Lo held senior management positions at various companies, including BT Global Services, Verizon Business, Accenture and ANX International.

Mr. Lo is a frequent speaker at major industry events, including "Hong Kong's Belt and Road Conference" and "Hong Kong Fintech Week 2018". He has also been interviewed by top-tier media, including Bloomberg, CNBC and CNN. Mr. Lo is a member of the Hong Kong Securities and Investment Institute and also a committee member of the Corporate Membership Outreach Committee and the Corporate Advisory Council. He was presented the Fintech Development Award in the IFTA Fintech Achievement Awards in 2018.

Mr. Lo has not held any position in other listed companies in the last three years.

Mr. Ko Chun Shun, Johnson ("Mr. Ko"), aged 68, is currently an executive director of the Company. Mr. Ko is also the deputy chairman and an executive director of Frontier Services Group Limited (stock code: 500) which is listed on the Main Board of the Hong Kong Stock Exchange.

Over the past three years, Mr. Ko has held directorships in the following listed companies: Yunfeng Financial Group Limited (stock code: 376) as an executive director from August 2011 to March 2016 and as a non-executive director from April 2016 to November 2018; KuangChi Science Limited (stock code: 439) as an executive director from August 2014 to May 2017 and as a non-executive director from May 2017 to November 2018; BOE Varitronix Limited (stock code: 710) as an executive director from June 2005 to April 2016 and Meitu, Inc. (stock code: 1357) as an independent non-executive director from December 2016 to December 2018.

Mr. Madden Hugh Douglas ("Mr. Madden"), aged 43, is currently an executive director of the Company. He was the Chief Technology Officer of the Company and on 11 July 2019, he was appointed as the Chief Executive Officer of the Company. He is also a director of a subsidiary of the Company.

Mr. Madden holds a Bachelor degree in Computer Science from the University of Newcastle in Australia. He is a blockchain, financial markets, and security expert with nearly two decades of experience in developing and managing professional trading operations.

Mr. Madden co-founded private blockchain solutions provider ANX International. He also co-chairs the Blockchain Committee of the Hong Kong Fintech Association. Mr. Madden has been internationally recognised as a blockchain thought leader and participates in speaking engagements and media appearances globally.

Mr. Madden has not held any position in other listed companies in the last three years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chapman David James ("Mr. Chapman"), aged 39, is an executive director of the Company.

Mr. Chapman holds a Bachelor degree in Business Information Systems from Australian Catholic University in Australia. He is a serial entrepreneur with over a decade of experience in banking and financial technology, specialising in the analysis of low-latency pre-trade risk and order management systems.

Throughout his investment banking career, Mr. Chapman was responsible for the design and implementation of a wide-ranging suite of trading platforms. Mr. Chapman served in HSBC, Credit Suisse, Barclays Capital, ABN AMRO and Bear Stearns, among other financial firms. In June 2013, he co-founded ANX International, a private blockchain solutions provider.

Mr. Chapman has frequently been invited to address the industry ecosystem in global media including Bloomberg TV and radio, CNBC, CNN, CoinTelegraph, Citywire Asia, Bulletin, and the Hong Kong Economic Journal. He is also a frequent speaker at industry conferences and roundtables, participating in events organised by JP Morgan, HSBC, Morgan Stanley, Allianz, Nomura, the Hong Kong Institute of Bankers and others.

Mr. Chapman has not held any position in other listed companies in the last three years.

Mr. Tiu Ka Chun, Gary ("Mr. Tiu"), aged 42, was appointed as an executive director of the Company on 11 July 2019. He is also the Head of Regulatory Affairs of the Company, and General Counsel of Reorient Group Limited, a company wholly owned by Mr. Ko Chun Shun, Johnson, an executive director.

Previously, Mr. Tiu served as Group General Counsel of Yunfeng Financial Group Limited (stock code: 376), the shares of which are listed on the Main Board of the Hong Kong Stock Exchange, and as Head of Legal and Compliance (Asia) for Cantor Fitzgerald and BGC Partners. Earlier in his legal and professional career of almost 20 years in the Asia Pacific region, Mr. Tiu was a financial derivatives, structured products and regulatory specialist at Macquarie Group, and legal counsel at CITIC Capital, where he supported the firm's hedge funds, private equity funds and direct investments. Mr. Tiu is a solicitor admitted to practice in New South Wales, Australia (currently non-practicing), and spent his early years of practice as a solicitor at Minter Ellison in Sydney. Mr. Tiu graduated with a Bachelor of Arts (Political Science) and a Bachelor of Laws from The University of New South Wales.

Mr. Tiu has not held any position in other listed companies in the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Shing Yim, David ("Mr. Chau"), aged 57, is an independent non-executive director of the Company. He is also the chairman of the Audit Committee, the Remuneration Committee and is a member of the Nomination Committee and the Risk Management Committee of the Company.

He has over 20 years of experience in corporate finance and was formerly a partner of one of the big four accounting firms in Greater China, holding the position of Head of Mergers and Acquisitions and Corporate Advisory. Mr. Chau is a member of the Institute of Chartered Accountants of England and Wales ("ICAEW"), and was granted the Corporate Finance Qualification of ICAEW. He is also a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and was an ex-committee member of the Disciplinary Panel of HKICPA. Mr. Chau is a member as well as director of the Hong Kong Securities and Investment Institute and the chairman of Corporate Membership Outreach Committee. Mr. Chau is a member of Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital ("PYNEH") and the Trustee of the PYNEH Charitable Trust. He is also a member of Jinan Municipal Committee of the Chinese People's Political Consultation Conference.

Mr. Chau is also currently an independent non-executive director of China Evergrande Group (stock code: 3333), Evergrande Health Industry Group Limited (stock code: 708), HengTen Networks Group Limited (stock code: 136), IDG Energy Investment Limited (stock code: 650), Lee & Man Paper Manufacturing Limited (stock code: 2314) and Man Wah Holdings Limited (stock code: 1999). All the aforesaid companies are listed on the Main Board of the Hong Kong Stock Exchange.

Mr. Chau was also an independent non-executive director of Richly Field China Development Limited (stock code: 313) from February 2012 to September 2018 and Asia Grocery Distribution Limited (stock code: 8413) from March 2017 to August 2018. All the aforesaid companies are listed on the Hong Kong Stock Exchange.

Mr. Chia Kee Loong, Lawrence ("Mr. Chia"), aged 66, is an independent non-executive director of the Company. He is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company.

Mr. Chia is currently the Chief Executive Officer of Samling Group of Companies ("Samling"), which is a conglomerate with global businesses in a number of sectors notably automotive, timber, palm oil, properties and infrastructure. Before joining Samling, Mr. Chia was the Chief Executive Officer of Deloitte China until September 2016. Mr. Chia is a Chartered Accountant of the Institute of Chartered Accountants of England and Wales and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Chia has not held any position in other listed companies in the last three years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Tai Benedict ("Mr. Tai"), aged 64, is an independent non-executive director of the Company. He is also a member of the Audit Committee and the Risk Management Committee of the Company.

Mr. Tai graduated from Columbia University School of Law with a J.D. degree and is currently a retired partner of Jones Day, one of the largest law firms in the United States. Mr. Tai has many years of experience working in corporate, banking, and cross border mergers and acquisitions. In recent years, his practice has focused on representing numerous Chinese IT, technology, communications, media, and Internet companies seeking to raise funds in the public and private markets as well as multinational clients seeking platform acquisitions in China. Mr. Tai previously worked for Lehman Brothers as an investment banker in the Technology, Media and Telecom group and helped found Latitude Capital Group, a boutique merchant bank with offices in Hong Kong, Beijing and Shanghai. Mr. Tai is admitted to the New York Bar.

Mr. Tai has not held any position in other listed companies in the last three years.

SENIOR MANAGEMENT

Mr. Steve Zhang ("Mr. Zhang"), aged 37, is the Chief Financial Officer of the Company. Mr. Zhang has over 15 years of experience in leading technology and financial services firms including iTutorGroup, Kingdee International Software Group, HSBC, Macquarie, Deutsche Bank, and Lehman Brothers, where Mr. Zhang has held roles in financial planning and reporting, capital markets, fundraising, and investor relations.

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2019.

The Company wishes to highlight the importance of the Board in ensuring effective leadership and control of the Company, transparency and accountability of all aspects of operations and that its business is conducted in accordance with applicable laws and regulations. The Board considers that good corporate governance provides a framework that is crucial for effective management, successful business growth and a healthy corporate culture which in return benefits the Group's stakeholders as a whole.

CORPORATE GOVERNANCE PRACTICES

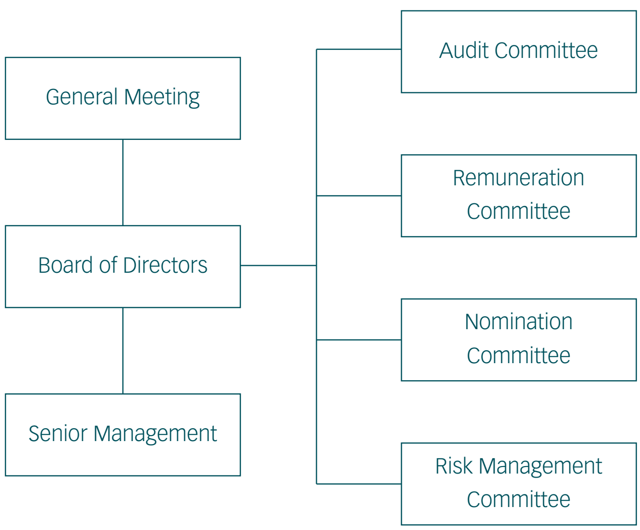
Throughout the year ended 31 December 2019, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the provisions of the relevant Corporate Governance Code (the "GC Code") from time to time, as set out in Appendix 14 to the Listing Rules except for the following deviation:

Under Code Provision A.2.1 of the Corporate Governance Code, the role of both the Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. During the period, Mr. Lo Ken Bon was appointed as Chief Executive Officer and has also assumed his responsibilities as Chairman. He is also the Chairman of the nomination committee. On 11 July 2019, Mr. Lo Ken Bon was appointed as Deputy Chairman of the Board and Mr. Madden Hugh Douglas was appointed as the Chief Executive Officer of the Company. The changes made have complied with the code provision. The Board will also continue to use its best endeavour to determine and appoint a suitable candidate to assume as the post of Chairman as soon as possible.

In respect of the code provision A6.7 of the Corporate Governance Code, Independent non-executive Directors should attend the general meeting of the Company. Mr. Chia Kee Loong, Lawrence was unable to attend the annual general meeting of the Company held on 28 June 2019 due to other work commitments. He will use his best endeavours to attend all future shareholders' meetings of the Company.

Save as disclosed above, throughout the year ended 31 December 2019 up to the date of this report, in the opinion of the Directors, the Group has complied with the code provision of the Corporate Governance Code.

The Corporate Governance Structure of the Company for the Year is as follows:



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 2019.

BOARD OF DIRECTORS

At the date of this annual report, the Board of the Company comprises eight Directors, five of whom are executive Directors (namely, Mr. Lo Ken Bon, Mr. Ko Chun Shun, Johnson, Mr. Chapman David James, Mr. Madden Hugh Douglas and Mr. Tiu Ka Chun, Gary) and three of whom are independent non-executive Directors (namely, Mr. Chau Shing Yim, David, Mr. Chia Kee Loong, Lawrence and Mr. Tai Benedict). The Board has a balance of skills and experience appropriate for the requirements of the business of the Group.

The current Directors and their brief biographical details are set out in the section headed "Biographical details of Directors and Senior Management" of this annual report.

Overall Accountability

The Board is committed to providing effective and responsible leadership for the Company. The Board is accountable to the Shareholders and in discharging its corporate accountability. The Directors, individually and collectively, must act in good faith in the best interests of the Company and the Shareholders and fulfil his fiduciary duties by applying the required level of skills, care and diligence to a standard in accordance with the statutory requirements.

Board Responsibilities

The key responsibilities of the Board include, among other things, setting the general strategy of the Group, supervising the performance of the Group, and approving operating plans and investment proposals. The Board has authorised the management or senior management who are responsible for various business functions to handle the daily operation and day-to-day management affairs of the Group and report to the Board from time to time.

All Directors are provided with full and timely access to Board papers and relevant information, as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws, rules and regulations are followed.

Upon request to the Board, each Director may seek independent professional advice in appropriate circumstances to assist with the discharge of his/her duties as a director at the Company's expense.

The day-to-day management, administration and operation of the Company are delegated to the senior management. Clear directions as to the powers, scope of delegation and relevant arrangements were given to the senior management and subject to periodic review to ensure that they remain appropriate to the Company's needs. Reporting to the Board and prior approval of the Board are necessary before the senior management entering into any material transactions and assuming significant commitments on behalf of the Company.

The Board has the full support of the senior management to discharge its responsibilities.

Appointment and Re-election of Directors

Pursuant to Article 112 of the Memorandum of Association and Articles of Association of the Company (the "Articles"), the Directors shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of members after his appointment and be subject to re-election at such meeting; and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Pursuant to Article 108(a) of the Articles, at each annual general meeting, at least one-third of the Directors for the time being, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Accordingly, Mr. Tiu Ka Chun, Gary, Mr. Ko Chun Shun, Johnson, Mr. Chau Shing Yim, David and Mr. Chia Kee Loong, Lawrence shall retire at the annual general meeting and being eligible, offer themselves for re-election.

The Company has been maintaining the number of independent non- executive Directors at not less than one-third of the number of the Board members and has ensured that at least one of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise as required by the Listing Rules. The participation of independent non-executive Directors in the Board brings independent judgement to ensure the interests of all Shareholders have been duly considered.

Independent non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles. Each independent non-executive Director is required to inform the Group as soon as practicable if there is any change that may affect his/her independence. The Company has received from each of the independent non-executive Directors an annual confirmation of his independency pursuant to Rule 3.13 of the Listing Rules and the Company considers these independent non- executive Directors to be independent.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

Every newly appointed Director will be given an induction so as to ensure that he/she has appropriate understanding of the Group's business and his/her duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements. The Directors may request the Company to provide independent professional advice at the Company's expense to discharge his/her duties to the Company. Directors' training is an ongoing process.

During the year, the Company had provided to the Directors regular updates and presentations on changes and developments to the Group's business and the legislative regulatory environments in which the Group operates.

Pursuant to code provision A.6.5 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 December 2019, all current Directors have participated in continuous professional development as shown below:

Name of Directors	Reading relevant matters in relation to listing rules update and corporate governance
Executive Directors	
Mr. Lo Ken Bon	✓
Mr. Ko Chun Shun, Johnson	✓
Mr. Madden Hugh Douglas	✓
Mr. Chapman David James	✓
Mr. Tiu Ka Chun, Gary	✓
Independent Non-Executive Directors	
Mr. Chau Shing Yim, David	✓
Mr. Chia Kee Loong, Lawrence	✓
Mr. Tai Benedict	✓

DIRECTORS' LIABILITY INSURANCE

The Company has arranged appropriate liability insurance to cover the Directors' risk exposure arising out of corporate activities. The insurance coverage is reviewed annually.

BOARD COMMITTEES

As an important component of sound corporate governance practices and to oversee the general affairs of the Company in each aspect as well as to assist the Board to perform its duties, the Board had set up four board committees, which are Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. A half or more than a half of the members of Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee are independent non-executive Directors to ensure that independent and objective opinions could be sufficiently expressed and that the committees can serve the role of inspection and supervision.

The list of members and terms of reference of each of the board committees are disclosed on the websites of the Company and the Hong Kong Stock Exchange.

Audit Committee

The Audit Committee currently comprises 3 independent non-executive Directors namely, Mr. Chau Shing Yim, David (Chairman), Mr. Chia Kee Loong, Lawrence and Mr. Tai Benedict.

Under its terms of reference, the Audit Committee is required among others things, (i) to monitor, review the financial reports and give advice on matters in respect of financial reporting; (ii) to make recommendations to the Board on the appointment, reappointment and removal of external auditors; and (iii) to oversee internal control procedures of the Company.

During the year ended 31 December 2019, the Audit Committee among other matters, reviewed report from the independent auditor regarding the audit on annual consolidated financial statements, and met with the independent auditor. The Audit Committee also reviewed the report from another independent internal control consultant on the internal control of the Company.

Risk Management Committee

The Risk Management Committee currently comprises of 4 members, comprising Mr. Lo Ken Bon (Chairman), Mr. Chau Shing Yim, David, Mr. Tai Benedict and the Chief Risk Officer of the Company.

Under its terms of reference, the responsibilities of the Risk Management Committee are, among others, (i) to advise the Board on the overall risk preference/tolerance and risk management strategies of the Group; (ii) to monitor the implementation of those strategies by the senior management that are established and approved by the Board, and to review whether such strategies are aligned with the Company's overall business objectives; and (iii) review the effectiveness of the internal audit function of the Company.

During the year ended 31 December 2019, the Risk Management Committee reviewed the potential risks in overall business, risk management strategies of the Group and the effectiveness of the internal audit function of the Company.

Remuneration Committee

The Remuneration Committee currently comprises 3 Directors, namely Mr. Chau Shing Yim, David (Chairman), Mr. Lo Ken Bon and Mr. Chia Kee Loong, Lawrence.

The terms of reference of the Remuneration Committee have been determined with reference to the Corporate Governance Code. Under the terms of reference, the responsibilities of the Remuneration Committee include, inter alia, (i) assisting the Company to the administration of a formal and transparent procedure for developing remuneration policies; (ii) to make recommendations to the Board on the remuneration package of executive Directors and senior management of the Company; and (iii) to ensure that none of the Directors determined his own remuneration.

The goal of developing staff remuneration packages is to enable the Company to motivate the executive Directors and senior management by linking their remuneration to the Company's operating results, individual performances and comparable market rates.

During the year ended 31 December 2019, the Remuneration Committee (i) reviewed the overall remuneration policy and structure relating to the Directors and senior management of the Company; and (ii) fixed the Directors' and senior management remuneration.

Nomination Committee

The Nomination Committee currently comprises 3 Directors, namely Mr. Lo Ken Bon (Chairman), Mr. Chau Shing Yim, David and Mr. Chia Kee Loong, Lawrence.

The terms of reference of the Nomination Committee have been determined with reference to the Corporate Governance Code. Under the terms of reference, the responsibilities of the Nomination Committee is to make recommendations to the Board regarding the appointment or reappointment of Directors of the Company.

The Nomination Committee is also responsible for the review of the nomination policy, considering selection criteria of potential new Directors that will make a positive contribution to the performance of the Board and Board's diversity policy, considering factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service of board members, and review the measurable objectives that the Board has set for implementing the Board's diversity policy, and monitor the progress on achieving the measurable objectives.

NOMINATION POLICY

The Company has adopted a nomination policy which sets out the selection criteria in assessing the suitability of the proposed candidate for directorship and the nomination procedures for Directors.

The Board will make recommendation regarding the appointment of any proposed candidates through considering a number of factors, including reputation for integrity, accomplishment and experiences in the relevant industry, commitment in respect of available time and relevant interest, and board diversity elements.

Regarding the nomination procedures, the company secretary shall call for a meeting and invite the nominations of candidates from the Board for consideration. The Board will review the nomination policy on a regular basis to ensure its continued effectiveness.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy which sets out the approach to achieve and maintain diversity of the Board in order to enhance the effectiveness of the Board.

The Company recognises the benefits of a Board that possesses an appropriate balance and levels of skills, gender, experience, expertise and diversity of perspectives essential to support the execution of its corporate and business strategies and to enhance the quality and effectiveness of its performance. Board diversity will strengthen the Company's strategic objectives in driving business results, enhancing good corporate governance and reputation, and attracting and retaining talent for the Board.

The Company seeks to achieve Board diversity through considering of a number of factors, including professional qualifications and experience, cultural and educational background, race and ethnicity, gender, age and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Board considers that the current board composition is diverse and meets the criteria (except that there is no female director in the Board) of the board diversity policy. The Board will review the composition from time to time to ensure that the board diversity policy is complied.

BOARD MEETINGS, COMMITTEE MEETINGS AND GENERAL MEETING

The Company convenes meetings for the Board and board committees in accordance with the requirements of the Listing Rules and the articles of association of the Company. The attendance records of each Director at the various meetings of the Company during the year ended 31 December 2019 are set out as below:

	Attended/Eligible to Attend					
	The Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Risk Management Committee Meeting	General Meeting
Number of meetings	7	5	3	3	1	2
Executive Directors						
Lo Ken Bon	7/7	–	3/3	3/3	1/1	2/2
Ko Chun Shun, Johnson	7/7	–	–	–	–	2/2
Madden Hugh Douglas	7/7	–	–	–	–	–
Chapman David James	6/7	–	–	–	–	–
Tiu Ka Chun, Gary *(note 1)*	2/2	–	–	–	–	–
Fang Bin *(note 2)*	4/4	–	–	–	–	2/2
Independent non-executive Directors						
Chau Shing Yim, David	7/7	5/5	3/3	3/3	1/1	2/2
Chia Kee Loong, Lawrence	7/7	5/5	3/3	3/3	–	1/2
Tai Benedict	7/7	5/5	–	–	1/1	2/2

Notes:

1. Mr. Tiu Ka Chun, Gary has been appointed with effect from 11 July 2019.

2. Mr. Fang Bin has resigned with effect from 11 July 2019.

AUDITOR'S REMUNERATION

The remuneration in respect of services provided by the external auditors to the Group in 2019 is summarised as follows:

Services rendered	**Fees paid/ payable** RMB
PricewaterhouseCoopers	
Audit service	9,297,908
Non-audit service	
Fee for tax compliance and other advisory services	1,140,285

COMPANY SECRETARY

During the year, Mr. Chan Shi Pong, Bon had been the Company secretary of the Company for the period from 1 January 2019 to 27 February 2019. Ms. Chau Wing Kei was appointed as the Company Secretary of the Company with effect from 28 February 2019. Both Mr. Chan Shi Pong, Bon and Ms. Chau Wing Kei have satisfied the requirements in respect of receiving professional trainings under Rule 3.29 of the Listing Rules.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board and the Directors

The Directors acknowledge their responsibility for preparing the financial statements and ensuring that the financial statements are prepared as to give a true and fair view and on a going concern basis in accordance with the statutory requirements and applicable financial reporting standards.

Auditor's Statement

The statement of the external auditor of the Company about its reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 52 to 61 of this Annual Report.

Senior Management

The senior management has provided the Board with sufficient explanation and necessary information enabling the Board to make an informed assessment of financial and other information put before the Board for approval.

Senior management has provided regular update to all members of the Board to enable proper discharge of duties by the Board as a whole or each member individually by giving them balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board of the Company has an overall responsibility for setting forth proper risk culture and risk appetite for the Group. The Board through the Risk Management Committee and the Audit Committee are also devoted to maintaining sound and effective internal controls and risk management of the Group on an ongoing basis so as to safeguard the assets of the Group against unauthorised use or disposal, keep appropriate accounting records for the provision of reliable financial information to be used or published within the scope of business, and ensure compliance with applicable laws and requirements.

The Group's risk management and internal control systems comprise, among others, the relevant financial, operational and compliance controls and risk management procedures, a well established organisational structure with clearly defined lines of responsibility and authority. Each department is accountable for its daily operations and is required to implement the business strategies and policies adopted by the Board from time to time.

During the Review Period, the Group has engaged an external independent professional (the "internal auditor") to carry out the Group's internal audit function with a view to reviewing its risk management and internal control systems and further enhance its risk management and internal control systems as appropriate.

The internal auditor assisted the Board, the Audit Committee and the Risk Management Committee in reviewing the effectiveness of risk management and internal control systems and performing its functions during the Review Period following an annual audit plan and submitting the internal audit report to the Board, the Audit Committee and the Risk Management Committee. The Audit Committee and the Risk Management Committee provide independent review on effectiveness of the internal control and risk management systems of the Group, respectively, and give their recommendation to the Board. The Board is responsible for reviewing the internal audit report and approving policies and procedures designed by the management.

The Group has been maintaining procedures in handling and dissemination of inside information in an accurate and secure manner and to avoid possible mishandling of inside information within the Group.

The Board had reviewed the risk management and internal control systems for the year ended 31 December 2019 through the Audit Committee, the Risk Management Committee, the management of the Company and the internal auditor, and considers the systems are effective and adequate. Such review covers (i) all material controls, including but not limited to financial, operational and compliance controls; (ii) risk management functions; and (iii) the adequacy of resources, qualifications and experience of staff in connection with the accounting and financial reporting function of the Group and their training programmes and relevant budget.

The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failure in operational system and to provide reasonable, but not absolute, assurance against material misstatement or loss. The systems are designed to further safeguard the Group's assets, maintain appropriate accounting records and financial reporting, achieve efficiency of operations and ensure compliance with the Listing Rules and all other applicable laws and regulations.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of Securities & Futures Ordinance ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

INVESTOR RELATIONS

The Board endeavours to develop and maintains continuing relationships and effective communications with the shareholders and investors of the Company. The Company communicates with the shareholders and investors through various channels including press releases and publication of interim and annual reports, announcements, circulars and other corporate communications and publications available on the websites of The Stock Exchange of Hong Kong Limited and the Company.

The general meetings of the Company provide an opportunity for direct communication between the Board and the shareholders. The Company encourages the participation of the shareholders through annual general meetings and other general meetings where the shareholders meet and exchange views with the Board, and to exercise their right to vote at meetings. The Company shall arrange notices of meetings and circulars containing details on proposed resolutions to be sent to the shareholders. At general meetings, separate resolutions are proposed on each substantial issue, including the election of individual directors. All proposed ordinary resolutions were passed by way of poll at the meeting.

The Board always ensures that shareholders' and investors' views are heard and understood, and welcomes their questions and concerns relating to the Group's management and governance. The Company's website provides email address and telephone number to enable the shareholders to make any enquiries and concerns to the Board. Shareholders may also at any time send their enquiries and concerns to the Board by addressing to the Company by post or by email. There were no changes in the Company's constitutional documents during the year ended 31 December 2019.

SHAREHOLDERS' RIGHTS

Convening extraordinary general meetings

Pursuant to Article 64 of the articles of association of the Company, any shareholders, at the date of deposit of the requisition, holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to convene such meeting shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting forward proposals at general meetings by shareholders

Pursuant to article 113 of the articles of association of the Company, no person (other than a retiring Director) shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days. The procedures for shareholders of the Company to propose a person for election as a Director are posted on the website of the Company.

Enquiries to the Board

Shareholders could direct their questions about their shareholdings to the Company's share registrar in Hong Kong, Tricor Investor Services Limited. The investment community may at any time make a request for the Company's information to the extent such information is publicly available and we would provide designated contact person, email addresses and hotline of the Company to enable them to make any query in respect of the Company.

Shareholders and potential investors are welcome to communicate with the Company by email to IR@bc.group or telephone at +852 3965 6000. Shareholders may also put forward their written enquiries to the Board at 39/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong to the attention of the Board.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

The Group is committed to improving our Environmental, Social and Governance ("ESG") performance by upholding good corporate governance standards, protecting our environment, engaging the community and promoting social integration.

This is the fourth ESG report of the Group, which has been prepared in compliance with the "Environmental, Social and Governance Reporting Guide" set out in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited and based on actual conditions of the Company. Adhering to the reporting principles of materiality, quantitative, balance and consistency, this report aims at sharing our performance in aspect of sustainable development and summarising our efforts made on sustainability during the year ended 31 December 2019. Our reporting boundary is limited to, Hong Kong and China unless otherwise specified.

The board of directors has approved the content of the report. We value your feedback regarding the review and our overall sustainability practices. Please provide your comments by email to IR@bc.group.

APPROACH AND STRATEGY

The Board has overall responsibility for evaluating and determining the ESG-related risks of the Group; and overseeing the management in the design, implementation and monitoring of the risk management and internal control systems with a view to addressing the ESG-related issues.

The Group believes in delivering long-term sustainable value creation to the shareholders. In doing so, while the Group carries on its business, the management makes choices that bring positive impact to the community. The Group has adopted sustainability policies which cover in the areas of employment and labour practices, business integrity, the environment and the community. The Group is committed to support good environmental standards and to ensure implementation of environmentally friendly measures.

STAKEHOLDER ENGAGEMENT

The Group recognises that feedback from stakeholders is vital for sustainable development of the Group. Effective communication with key stakeholders is maintained through daily business operations, such as regular meetings, the company website, social media platforms, training, emails etc., to promote and adjust the strategy of sustainable development. Key stakeholders include shareholders, potential investors, governmental regulators, counterparties, liquidity provider, customers, employees and other communities.

MATERIALITY ASSESSMENT

A materiality assessment was conducted in accordance with the expectations and feedback from key stakeholders. Based on the result of the materiality assessment, the management of the Group identified security controls over digital assets and blockchain related technology, rights of employees, and protection of privacy as key aspects of its long-term sustainability. Effective risk management and internal control systems on these aspects are reinforced with the aim of enhancing efficiency of operations and generating the environmental and social benefits for stakeholders.

A. Environmental Performance

A1 Emissions

We are committed to the long-term sustainability of the environment and communities in which we operate. To our best knowledge, we have complied with all relevant laws and regulations regarding environmental issues in which we operate during the reporting year. During the year ended 31 December 2019, we measured and managed our environmental performance in several aspects throughout our operations.

Air Emissions

Air pollution has become one of the major critical problems in cities. We believe that every company should take responsibility to tackle this problem. The Group has never engaged in industrial or agricultural production and is a service enterprise. The source of emissions was daily office work in general office environment, and the emissions can be categorised as greenhouse gas and poison-free wastes (domestic waste). The Group had no other harmful waste emissions to the atmosphere.

Our air emissions generated mainly from gasoline consumption of our vehicles in China in 2019 (with 2018 comparative data) are as follows:

Air Emissions	Unit	**2019**	2018
Total NO_x	Emissions tonnes	**1.37×10^{-1}**	1.39×10^{-1}
Total SO	Emissions tonnes	**3.60×10^{-4}**	3.65×10^{-4}
Total PM	Emissions tonnes	**1.32×10^{-2}**	1.33×10^{-2}

Greenhouse Gas Emissions and Energy Conservation

The impact of global climate change is a challenge that businesses and organisations around the world must face and address. Our greenhouse gas emissions are mainly from direct emissions from gasoline consumption of our vehicles and indirect emissions generated by using outsourced electricity. The following table shows the figures of our greenhouse gas emissions during the reporting year (with 2018 comparative data):

Greenhouse Gas Emissions	Unit	**2019**	2018
Total Scope 1 Direct Emissions	tCO_2e	**57.87**	58.62
Total Scope 2 Indirect Emissions	tCO_2e	**85.94**	51.65
Total Scope 3 Other Indirect Emissions	tCO_2e	**64.72**	31.99
Total Greenhouse Gas Emissions	tCO_2e	**208.53**	142.26

The increment on indirect emissions during the reporting year was mainly attributable to CO_2 emissions resulting from the full reporting period (twelve months) of acquired electricity in Hong Kong office in 2019 (compared against to three months coverage period in 2018). The Group strategically expanded its digital assets and blockchain platform business and actively planned and implemented the necessary operational infrastructure such as expansion of offices spaces, which led to more to more electrical consumption.

In addition, the Group continued to strengthen its existing business and also aimed to identify areas of potential improvement, focusing on business development and accompanying growth. More frequent business travel and customer visits caused an incremental increase of other indirect emissions under the Scope 3 during the reporting year.

A2 Use of Resources

The Group strives to maximise resource efficiency and is gradually transforming itself into a low-carbon business model. In 2019, total direct energy consumption from use of gasoline was 24,520 liters. In addition, total indirect energy consumption from the use of electricity was 108,813.3 kWh. The Group's total water consumption was 56.61 m^3.

Types of Resources (A)	Unit	**2019**	2018
Gasoline	liter	**24,520**	24,839
Purchased Electricity	kWh	**108,813.3**	65,472
Tap Water	m^3	**56.61**	55.93
Office area (B)	m^2	**3,496**	4,323

Resource Consumption intensity (C)=(A)/(B)	Unit per m^2	**2019**	2018
Gasoline	liter/m^2	**7.01**	5.75
Purchased Electricity	kWh/m^2	**31.13**	15.15
Tap Water	m^3/m^2	**0.016**	0.013

The increment on electricity consumptions were explained in section A1 above of which the full reporting period (twelve months) of purchased electricity in Hong Kong office were covered in 2019 (compared against to three months coverage period in 2018). Besides, during the reporting year, a subsidiary of the Group in the Mainland China had combined and relocated its office, which mainly caused to the slight increment on consumption intensity since the office area reduced.

To reduce our carbon footprint, we have implemented the following measures:

We use energy-efficient equipment and lighting devices in our offices and turn on and off only when use and after. We set a higher temperature for air conditioners in summer time and a lower temperature in winter time.

Waste Management and Reduction

We work diligently in reducing our waste produced from operations by sorting of waste, and to reuse materials wherever possible. We recognise the importance of waste reduction and waste separation at source for recycling. We have put continuous efforts to implement various waste management initiatives in our office operations. We have implemented various waste reduction measures as follows:

We reduce paper consumption by using electronic means (e.g. email) for communication, sourcing our office paper with recycled content and printing only when necessary and reusing single-sided printed paper and stationeries.

Apart from above resources management, no significant amount of hazardous waste was produced and emitted to water and land. Therefore, the Group does not collect hazardous waste data. The following table shows the figures of material consumption in our business operations:

Material Consumption	Unit	**2019**	2018
Paper Consumption	tonnes	**0.82**	0.89
Toner Consumption	pieces	**25**	32

Due to combination and relocation of PRC office, fewer paper and toner consumption were reported in 2019.

A3 The Environment and Natural Resources

Due to the features of the service industry, business activities of the Group had no significant impact on environment and natural resources. Meanwhile, we recognise that businesses must take responsibility for their industry's impact on the environment and we should bear the responsibilities and fulfil the obligations of protecting and making appropriate use of the environment.

We are committed to applying industry best practices and to comply with legislation, establish and review safety, security and environment objectives and targets, use energy and materials efficiently and reduce waste and emissions and communicate our environmental protection policy to all staff.

B. Social Performance

We recognise the importance of compliance with regulatory requirements and risk of non-compliance with the laws and regulations regarding social issues. We have complied with the relevant laws and regulations that have a significant impact on the business and operation of the Group during this reporting year.

B1 Employment and Labour Practices

The achievements made by the Group were inseparable from the joint efforts of all staff members, whilst the Group needed to join hands with them for its future development. Therefore, employee benefits were regarded as one of the primary objectives with a view to rewarding all employees who had contributed to the Group.

The Group has adopted comprehensive human resources manual which includes policies and procedures applicable to staffs. All employees are treated fairly in regard to recruitment, training and development, appraisal of work performance, promotions, remuneration and benefits. Staff dismissals are based on the Hong Kong Employment Ordinance or relevant local laws and regulations, as well as the requirements stipulated in the employment contracts.

The Group is committed to providing equal opportunity for all employees and applicants without regard to race, color, religion, national origin, sex, age, marital status, sexual orientation, disability, political affiliation, personal appearance, family responsibilities, matriculation or any other characteristic protected under local law.

The Group provides a competitive package of benefits to all eligible employees according to their job requirement and individual performance. The work of each employee is reviewed on an ongoing basis to provide a systematic means of evaluating performance.

The Group is committed to creating an excellent working environment. Comfortable offices are located in convenient locations with pleasing landscapes. Based on the features of the principal business, the Group set appropriate working hours and rest breaks for all staff members. Working hours could also be flexibly adjusted according to job positions for adapting to different functions. We also provide paid marriage leave, causal leave and compassionate leave in addition to statutory holidays and distributed welfare items to employees on traditional holidays.

As at 31 December 2019 (with 2018 comparative data), the Group employs 133 staff in total.

Workforce statistic by gender, age group, employment type and employment category:

	Staff Number	
	2019	2018
Breakdown by Gender		
Employees — Female	**48**	111
Employees — Male	**85**	149
Break down by Age Group		
Employees Aged <30	**41**	85
Employees Aged 30-50	**87**	163
Employees Aged >50	**5**	12
Breakdown by Employment Type		
Employees — Full-time	**129**	256
Employees — Non Full-time	**4**	4
Break down by Employment Category		
Employees — Management	**17**	16
Employees — Manager	**78**	143
Employees — General	**38**	101

B2 Health and Safety

Ensuring health and safety of our employees is one of our prime responsibilities.

The Group endeavours to provide a safe and healthy work environment for employees to protect them from work-related accidents or injuries. In addition, the Group provides annual health checks for employees.

During the reporting period, the Group ensures full compliance with relevant occupational health and safety legislations of Hong Kong, the PRC, and other relevant legislations. The Group has maintained a healthy and safe working environment with no occurrence of work-related fatalities. As the Group is principally engaged in an advertising and business park area management services business and a digital asset and blockchain platform business, the Group believes that the occupational hazards are relatively low.

B3 Development and Training

The Group provided employees with training and development opportunities, with the aim of making progress with them. In the course of the daily business, the Group purchased books and other materials related to its business for learning in accordance with the needs of its employees. Sharing and exchanges as well as training and examinations of industry related certifications for employees were arranged accordingly.

B4 Labour Standards

The Group prohibits the use of child labour and forced or compulsory labour at all its units and suppliers. No employee is made to work against his/her will or work as forced labour, or subject to corporal punishment or coercion of any type related to work.

The Group has zero-tolerance to employment of child labour and forced labour by our suppliers. The Group is not aware of any non-compliance with relevant rules and regulations on preventing child or forced labour.

B5 Supply Chain Management

The Group conducted comprehensive inspections of its suppliers in the areas of production and management to ensure they were capable of sustainable development in terms of operation, society and environment.

Regular reviews of existing suppliers were also conducted to ensure they were in compliance with codes of conduct related to anticorruption, bribery, etc., with all conflicts of interests (including potential conflicts) declared. Products provided by the Group were categorised as services. Only accurate descriptions of services were used in our marketing activities so that customers were able to make informed decisions. Relevant laws and regulations, as well as customer confidentiality obligations, were strictly complied to and as a result quality year-round services were provided.

B6 Commitment to Service Responsibility

The Group is committed to honesty, integrity and fairness in its business operations. It supports fair trade and operation practices and ensures all marketing and communication materials are updated and in compliance with government regulations in the regions where it operates. The Group adheres to the principles set out in the industry best practices, which outlines high standards of health and safety in workplace to avoid any associated risks to the Company's business activities. The Group is not aware of any material non-compliance with relevant laws and regulations on health and safety, advertising and privacy matter related to series provided during the reporting period.

B7 Anti-Corruption

The Group is committed to maintaining a high standard of integrity when doing business as we strongly believe that it is essential to meeting the expectations of our stakeholders.

The Group promotes integrity and prevents unethical pursuits. The Group has implemented an effective whistle-blowing policy for reporting fraud, corruption, bribery, extortion and money laundering. We encourage the reporting of suspected business irregularities and provide clear channels specifically for this purpose. When suspected wrongdoings are identified, such as breach of duty, abuse of power, receiving bribes, staff should report to the Board of Directors for investigation and verification, and report to the regulator and/or to law enforcement authority when necessary.

During the year ended 31 December 2019, there are no concluded legal cases regarding corrupt practices brought against the Group or its employees during the reporting period.

B8 Community Investment

The Group encourages staff to take part in community welfare and voluntary work and our Directors actively maintain communication with non-governmental organisations to understand community needs for the sake of fulfilling its responsibility and giving back to the society.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in Note 19 to the consolidated financial statements on pages 125 to 126 of this annual report. During the Year, the Company and its subsidiaries (the "Group") were principally engaged in the advertising business and the provision of business park area management services in the PRC, and the digital asset and blockchain platform business in Hong Kong.

An analysis of the performance of the Group for the year by operating segments is set out in Note 5 to the consolidated financial statements.

RESULTS AND DIVIDEND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 62 to 63.

The Board does not recommend payment of any dividend for the year ended 31 December 2019 (2018: Nil).

DIVIDEND POLICY

The Company has adopted a Dividend Policy. The declaration and payment of dividends shall be determined at the sole discretion of the Board. Pursuant to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

- the Group's actual and expected financial performance;
- shareholders' interests;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- possible effects on the Group's creditworthiness;
- any restrictions on payment of dividends or other convents on the Group's financial ratios that may be imposed by the Group's lenders;
- the Group's expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;
- statutory and regulatory restrictions;
- general business conditions and strategies;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.

BUSINESS REVIEW

A review of the business of the Group as required by Schedule 5 to the Hong Kong Companies Ordinance are set out in the Chief Executive Officer's Statement and the Management Discussion and Analysis of this Annual Report. The review forms part of the Report of the Directors.

Description of the principal risks and uncertainties facing the Group are set out in the Management Discussion and Analysis of this Annual Report. The review forms part of the Report of the Directors.

Detailed discussions on the Group's environmental policies, relationships with its key stakeholders, and compliance with relevant laws and regulations which have a significant impact on the Group are set out in the Environmental, Social and Governance Report of this Annual Report. The discussions form part of the Report of the Directors.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in Note 17 to the consolidated financial statements.

SHARE CAPITAL, SHARE OPTION AND SHARE AWARD

Details of movements in the Company's share capital, share award and share option during the Year are set out in Notes 32, 39 and 40, respectively to the consolidated financial statements on page 141, pages 150 to 151 and pages 152 to 153, respectively of this annual report.

RESERVES

Details of the movements in the reserves of the Company and the Group during the Year are set out in Note 33 to the consolidated financial statements and the consolidated statement of changes in equity on page 142 of this annual report, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company did not have any distributable reserve computed in accordance with the Companies Law of Cayman Islands.

FIVE YEAR FINANCIAL SUMMARY

The summary of the results, assets and liabilities of the Group for the last five financial years is set out on pages 157 to 158 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

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.

CHANGES OF DIRECTORS

As at 11 July 2019, Mr. Tiu Ka Chun, Gary was appointed as an executive Director, and Mr. Fang Bin resigned as an executive Director. On the same day, Mr. Madden Hugh Douglas was appointed as the chief executive officer of the Company and Mr. Lo Ken Bon was appointed as the deputy chairman of the Board. Details of the changes of Directors are set out in the announcement of the Company dated 11 July 2019.

DIRECTORS

The Directors of the Company during the year ended 31 December 2019 and up to the date of this report are:

Executive Directors

Mr. Lo Ken Bon
Mr. Ko Chun Shun, Johnson
Mr. Madden Hugh Douglas
Mr. Chapman David James
Mr. Tiu Ka Chun, Gary (appointed with effect from 11 July 2019)
Mr. Fang Bin (resigned with effect from 11 July 2019)

Independent Non-Executive Directors

Mr. Chau Shing Yim, David
Mr. Chia Kee Loong, Lawrence
Mr. Tai Benedict

In accordance with article 108 of the Articles of Association, Mr. Ko Chun Shun, Johnson, Mr. Chia Kee Loong, Lawrence and Mr. Chau Shing Yim, David will retire from office as Directors and being eligible, have offered themselves for re-election as Directors at the AGM, whereas pursuant to Article 112 of the Articles of Association, Mr. Tiu Ka Chun, Gary will retire from office as Directors and being eligible, has offered himself for re-election as Director at the AGM.

INDEPENDENT NON-EXECUTIVE DIRECTORS CONFIRMATIONS OF INDEPENDENCE

The Company has received annual confirmations of independence from all independent non-executive Directors and considers them to be independent. Under the terms of their appointment, the independent non-executive Directors are appointed for a specific term and are subject to retirement by rotation in accordance with the Articles of Association.

PERMITTED INDEMNITY

Pursuant to the Company's Articles of Association, every Director shall be indemnified and held harmless by the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or about the execution of their duty in their offices or in relation thereto.

The Company has taken out and maintained insurance against the liability and costs associated with defending any proceedings which may be brought against the Directors of the Company. The level of coverage is renewed annually.

DIRECTORS' SERVICE CONTRACTS

Each executive Director has entered into a service agreement with the Company and is not appointed for a specific term, but is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the articles of association of the Company.

Each independent non-executive Director has entered into a service agreement with the Company for a term of the years subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the articles of association of the Company.

None of the Directors proposed for re-election at the forthcoming annual general meeting has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors nor their respective associates had an interest in a business, apart from the businesses of the Group, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules during the year.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There were no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2019.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantive part of the business of the Company were entered into or existed during the year.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 19 to 22 of this annual report.

EMOLUMENT POLICY

The emoluments of the Directors are decided by the Remuneration Committee and the Board, as authorised by the shareholders at the annual general meeting, having regarded to 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 has adopted a share option scheme and a share award scheme as an incentive to Directors and eligible employees, details of the share option scheme and share award scheme are set out in the Report of the Directors on pages 44 to 46 of the annual report.

EQUITY-LINKED AGREEMENTS

Other than the share award scheme and the share option scheme of the Company as set out in Notes 39 and 40 to the consolidated financial statements respectively, there were no other equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares entered into by the Company during the year ended 31 December 2019 or subsisted as at 31 December 2019.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 10 April 2012. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

The purpose of the Share Option Scheme is to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group.

The Board are authorised, at their absolute discretion and subject to the terms of the Share Option Scheme, to grant options to subscribe the Shares to, inter alia, any employees (full-time or part-time), Directors, consultants, advisors, distributors, contractors, suppliers, agents, clients, business partners or service providers of the Group.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the issued share capital of the Company as at the date of passing the resolution to refresh the Share Option Scheme limit at the annual general meeting on 28 June 2019 (i.e. a total of 28,369,941 Shares, representing approximately 9.97% of the issued share capital of the Company as at 31 December 2019). The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding options to be granted under the Share Option Scheme shall not exceed 30% of the then Shares of the Company in issue from time to time.

The total number of shares issued and to be issued upon exercise of options (including both exercised and outstanding options) by any participant under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the issued shares of the Company. Any further grant of options in excess of this limit must be separately approved by the Company's shareholders in a general meeting with such grantee and his/her close associates abstaining from voting.

Any grant of an option to a Director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option). Where any grant of options to a substantial shareholder of the Company or an independent non-executive Director (or any of their respective associates) will result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant representing in aggregate over 0.1 % of the shares in issue and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000, such further grant of options is required to be approved by shareholders at a general meeting of our Company, with voting to be taken by way of poll.

An option may be exercised by the grantee in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant and subject to the provisions of early termination thereof. The options gave the holder the rights to subscribe for ordinary shares in the Company. A nominal consideration of HK$1.00 was payable by the grantee upon acceptance of an option. Options were lapsed in three months if the employee leaves the Group.

The Board may in its absolute discretion set a minimum period for which an option must be held and performance targets must be achieved before an option can be exercised.

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of the shares on the date of grant of the option.

The Share Option Scheme became unconditional upon the Listing Date on 27 April 2012 and shall be valid for a period of ten years commencing on 10 April 2012, subject to the early termination provisions contained in the Share Option Scheme.

On 18 January 2019, 2,851,111 share options were granted under the Share Option Scheme. Up to 31 December 2019, 20,000,000 had been granted, representing about 7.03% of the shares in issue while 1,896,666 share options had been lapsed and no share options had been exercised, hence 18,103,334 share options were remained outstanding.

As at the date of this report, the total number of share options that can be granted was 26,669,941, representing approximately 8.14% of the total issued shares of the Company.

SHARE AWARD SCHEME

2014 Share Award Scheme

On 29 September 2014, the Company adopted an employees' share award scheme (the "2014 Share Award Scheme"), which was terminated after the approval of the Board of the Company on 21 August 2018. As of 31 December 2018, no shares were awarded under the 2014 Share Award Scheme.

2018 Share Award Plan

The Company has adopted a new share award plan (the "2018 Share Award Plan") on 21 August 2018.

The purposes of the 2018 Share Award Plan are to recognise and reward the contribution of certain Eligible Participants to the growth and development of the Group, to give incentives to Eligible Participants in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

The Company can allot and issue up to 3% of the then issued share capital of the Company (i.e. 8,510,982 Shares, representing 3% of total issued shares as at the date of passing the resolution to refresh the Share Award Scheme limit at the annual general meeting on 28 June 2019). The Plan limit of the issued share capital of the Company can be refreshed by the Board from time to time the subject to the approval of the Shareholders in general meeting.

Acheson Limited ("Acheson") has been appointed as the trustee for the administration of 2018 Share Award Plan. Acheson shall hold the shares for the benefit of the selected participants who are not connected persons (as defined under the Listing Rules) of the Company. Acheson shall not be entitled to exercise any voting rights in respect of any Shares held under the trust.

Details and other principal terms of the 2018 Share Award Plan are set out in the announcements of the Company dated 21 August 2018 and 7 September 2018.

Details of the movements in the share award of the Company during the year ended 31 December 2019 are set out in Note 39 to the consolidated financial statements.

THE INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules, were as follows:

Long Positions in Shares and Underlying Shares of the Company

	Number of Ordinary Shares Held				Number of underlying shares held				
Name of Director	Personal Interest	Family Interest	Corporate Interests	Total	Personal Interests	Family Interests	Total	Grand Total	% of the issued share capital of the Company
Mr. Ko Chun Shun, Johnson	–	–	187,536,194 (Note (i))	187,536,194	1,000,000 (Note (ii))	–	1,000,000	188,536,194	66.27%
Mr. Lo Ken Bon	–	–	–	–	2,000,000 (Note (ii))	1,111,111 (Note (iii))	3,111,111	3,111,111	1.09%
Mr. Madden Hugh Douglas	–	–	–	–	2,000,000 (Note (ii))	–	2,000,000	2,000,000	0.70%
Mr. Chapman David James	–	–	–	–	2,000,000 (Note (ii))	–	2,000,000	2,000,000	0.70%
Mr. Chau Shing Yim, David	–	–	–	–	200,000 (Note (ii))	–	200,000	200,000	0.07%
Mr. Chia Kee Loong, Lawrence	–	–	–	–	200,000 (Note (ii))	–	200,000	200,000	0.07%
Mr. Tai Benedict	–	–	–	–	200,000 (Note (ii))	–	200,000	200,000	0.07%

Notes:

(i) Mr. Ko is deemed to be interested in the 187,536,194 ordinary shares of the Company held by East Harvest Global Limited under the SFO by Virtue of his interests in Colour Day Limited.

(ii) These represent the share options of the Company granted to the respective Directors under the Company's Share Option Scheme, details of which are disclosed in Note 12 to the Consolidated Financial Statements.

(iii) This represents the share options of the Company granted to the spouse of Mr. Lo under the Company's Share Option Scheme, details of which are disclosed in Note 12 to the consolidated financial statements.

Save as disclose above, on 31 December 2019, none of the Directors had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations which had been recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the section titled "THE INTERESTS AND SHORT POSITION OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS" above and in the share option disclosed in Note 40 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

On 31 December 2019, other than the interests and short positions of the Directors or chief executive of the Company as disclosed in the section titled "THE INTERESTS AND SHORT POSITION OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS" above, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

	Number of Ordinary Shares Held			**% of**
Name	**Direct Beneficially owned**	**Through controlled Corporation**	**Total**	**the issued share capital of the Company**
East Harvest Global Limited	187,536,194	–	187,536,194	65.92%
Wise Aloe Limited	–	187,536,194 (Note (i))	187,536,194	65.92%
Bell Haven Limited	–	187,536,194 (Note (ii))	187,536,194	65.92%
Colour Day Limited	–	187,536,194 (Note (iii))	187,536,194	65.92%
Mr. Ko Chun Shun, Johnson	1,000,000 (Note (v))	187,536,194 (Note (iv))	188,536,194	66.27%
Eternity Investment Limited	20,000,000	–	20,000,000	7.03%

Notes:

(i) Wise Aloe Limited is deemed to be interested in the 187,536,194 ordinary shares of the Company held by East Harvest Global Limited under the SFO by virtue of its interests in East Harvest Global Limited.

(ii) Bell Haven Limited is deemed to be interested in the 187,536,194 ordinary shares of the Company held by East Harvest Global Limited under the SFO by virtue of its interests in Wise Aloe Limited. Bell Haven Limited is held as to 30.82% by Mr. Lo Ken Bon, and 22.09% by each of Mr. Madden Hugh Douglas and Mr. Chapman David James.

(iii) Colour Day Limited is deemed to be interested in the 187,536,194 ordinary shares of the Company held by East Harvest Global Limited under the SFO by virtue of its interests in East Harvest Global Limited.

(iv) Mr. Ko is deemed to be interested in the 187,536,194 ordinary shares of the Company held by East Harvest Global Limited under the SFO by virtue of its interests in Colour Day Limited.

(v) This represents the share options of the Company granted to Mr. Ko under the Company's Share Option Scheme details of which are disclosed in Note 12 to the consolidated financial statements.

Save as disclosed above, at 31 December 2019, no other person (other than the Directors or chief executive of the Company whose interests are set out in the section titled "THE INTERESTS AND SHORT POSITION OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS" above) had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

MAJOR CLIENTS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major clients and suppliers were as follows:

(1) The aggregate amount of revenue and income attributable to the Group's five largest clients represented approximately 60.5 % of the Group's total revenue and income. The amount of revenue and income from the Group's largest client represented approximately 20.0 % of the Group's total revenue and income.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 68.3 % of the Group's total purchases. The amount of purchases from the Group's largest supplier represented approximately 32.5 % of the Group's total purchases.

None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest clients and/or five largest suppliers.

RELATED PARTY TRANSACTIONS

The related party transactions of the Group during the year ended 31 December 2019 are set out in Note 36 to the consolidated financial statements on pages 144 to 145 of this annual report.

Provision of Digital Asset Trade Facilitation Services

The Group has balances due to Mr. Lo Ken Bon, Mr. Madden Hugh Douglas and Mr. Chapman David James (the "Relevant Connected Persons") and the related companies (the "Related Companies") totalling approximately RMB69.8 million (the "Balances") as at 31 December 2019 in respect of the provision of digital asset trade facilitation services (the "Facilitation Services") by the Group. The Relevant Connected Persons are executive directors of the Company and Mr. Madden Hugh Douglas and Mr. Chapman David James are the directors of the Related Companies, thus the Relevant Connected Persons and the Related Companies are connected persons of the Company under the Listing Rules. The Facilitation Services constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The Balances represent fiat currencies and digital assets placed by the Relevant Connected Persons and the Related Companies with the Group as at 31 December 2019 and do not constitute transactions under the Facilitation Services.

The Facilitation Services with the Relevant Connected Persons are conducted on normal commercial terms in the ordinary and usual course of our business and that (i) the Facilitation Services are made on no more favourable terms to the Relevant Connected Persons than those available to the Group's independent third-party customers and are conducted on normal commercial terms; (ii) the Relevant Connected Persons intend to trade digital assets through the Facilitation Services for their personal investment, and (iii) the Relevant Connected Persons will not use such digital assets for any of their businesses or contemplated businesses. Therefore, the Facilitation Services with the Relevant Connected Persons during the year ended 31 December 2019 are fully exempt from the connected transaction requirements under Rule 14A.97 of the Listing Rules.

The Group has no transaction with the Related Companies under the Facilitation Services during the year ended 31 December 2019.

Loans payable to the Related Companies

The Group entered into loan agreements with the Related Companies (the "Related Companies") during the year ended 31 December 2019. Two of the Related Companies are wholly owned by Mr. Ko Chun Shun, Johnson, an executive director of the Company, while one of the Related Companies is wholly owned by Mr. Fang Bin, who is a director of the subsidiaries of the Group, and was formerly an executive director of the Company and was resigned on 11 July 2019. Thus the Related Companies are connected persons of the Company under the Listing Rules.

The loans payable to the Related Companies constitute connected transactions for the Company under Chapter 14A of the Listing Rules. All the loan borrowings from the Related Companies are made on normal commercial terms or better and are not secured by the assets of the Group, thus they are fully exempt from the connected transaction requirements under Rule 14A.90 of the Listing Rules.

Key Management Compensation

The remuneration for key management personnel (including amounts paid to directors of the Company) is fully exempt from the connected transaction requirements under Rule 14A.95 of the Listing Rules.

Save as the aforesaid, the Directors consider that all other related party transactions disclosed in Note 36 to the consolidated financial statements did not fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) under Chapter 14A of the Listing Rules. The Company is therefore not required to comply with the disclosure requirements under Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE

The Company committed to maintain a high standard of corporate governance practices. Information on the corporate governance practice of the Company is set out in the Corporate Governance Report of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with relevant requirements could lead to adverse impact on business operation and financial position of the Group. The Board as a whole is responsible to ensure the Group is in compliance with relevant laws and regulations that have a significant impact on the Company. To the best knowledge of the Board, the Group was unaware of any non-compliance with relevant laws and regulations during the year ended 31 December 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the amount of public float as required under the Listing Rules as at the latest practicable date prior to the issuance of this annual report.

EVENTS AFTER THE FINANCIAL POSITION DATE

The events after the financial position date are disclosed in the section headed "Management Discussion & Analysis" on page 18 of this annual report.

AUDIT COMMITTEE

The Audit Committee together with the management have reviewed the accounting standards and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters in connection with the preparation of the audited consolidated financial statements of the Group for the year ended 31 December 2019.

AUDITOR

BDO Limited was the auditor of the Company for the year ended 31 December 2017 who resigned on 28 December 2018. Since their resignation, PricewaterhouseCoopers ("PwC") has been appointed as the auditor of the Company.

The consolidated financial statements of the Company for the year ended 31 December 2019 have been audited by PwC who will retire at the forthcoming annual general meeting of the Company. A resolution for reappointment of PwC will be proposed for Shareholders' approval at the forthcoming annual general meeting.

On Behalf of the Board
BC Technology Group Limited
Madden Hugh Douglas
Chief Executive Officer

Hong Kong, 30 March 2020

To the Shareholders of BC Technology Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of BC Technology Group Limited (formerly known as Branding China Group Limited) (the "Company") and its subsidiaries (collectively the "Group") set out on pages 62 to 156, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our 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 2019, 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 describes the risks and uncertainties with respect to blockchain technology and the evolving nature of the digital asset markets. The currently immature 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Digital asset transactions and balances
- Working capital sufficiency assessment
- Impairment assessment of trade receivables and contract assets with respect to PRC businesses

Key Audit Matter	How our audit addressed the Key Audit Matter
Digital asset transactions and balances	
Refer to Notes 2.13, 2.24, 3.5, 4(a), 7, 20 and 28 to the consolidated financial statements.	
The Group's digital assets and blockchain platform business includes primarily over-the-counter ("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 ("BC Platforms"). In addition, it also includes licensing of its proprietary platforms and technology solutions as a "Software as a Service" to certain third parties ("White label customers"). Digital assets that the Group deals with are cryptographically secured assets for which encryption techniques are used to regulate the generation of units of currency. Supply and demand determine the value of digital assets which can be extremely volatile in this emerging industry.	Our procedures on the Group's digital asset transactions and balances mainly included: • Understood, evaluated and tested the key controls, including automated and manual controls, and segregation of duties in the execution of these controls, in the following areas: — information technology general controls, over the accounting system and key operating systems and applications that are considered relevant to the financial statement reporting process; — onboarding of counterparties, liquidity providers and White label customers; — wallet generation, management and security (including private keys and recovery seeds) , including physical and logical access controls testing; — recording of prefunding, withdrawal, trading and settlement transactions with counterparties and liquidity providers and for White label customers in the relevant platforms;

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter

Technical complexity

Digital assets are exchangeable directly between two parties, anywhere in the world, through decentralised networks that carry anonymous transactions. The anonymity of transactions creates complex technical challenges. For example, identifying parties involved in a digital asset transaction and determining whether access to a private key demonstrates ownership to the digital assets held in the associated public address on a blockchain. To address the challenges, the Group implemented internal controls over different business processes including, but not limited to, controls over the onboarding of customers (such as know-your-client and anti-money laundering checks) and wallet generation, management and security (including all its public addresses and private keys).

The Group's digital assets trading and blockchain platform business involves large volumes of daily transactions to exploit natural arbitrage opportunities from its trading on OTC and BC Platforms and to earn service fees from Software as a Service arrangements. The Group develops and maintains its own proprietary information systems and implements different processes and internal controls to record transactions of the Group with its customers (or "counterparties") and liquidity providers (i.e. other OTC operators and exchanges), as well as transactions of the White label customers, and to reconcile the relevant transactions with external data such as bank statements, blockchain data and third party exchange account statements.

How our audit addressed the Key Audit Matter

— reconciliations of digital asset transactions and balances between trade records on internal operating and accounting systems with other external sources of data.

- Understood and evaluated the accounting policies adopted by management for its digital assets and blockchain platform business based on the contractual and business arrangements with respective counterparties, liquidity providers and White label customers.

- Performed substantive tests of details, on a sample basis, including the following:

  — checked digital asset trade transactions to the underlying trade orders and confirmations sent to the counterparties and liquidity providers and the relevant settlement evidence;

  — circularised independent audit confirmations to counterparties and White label customers to confirm transactions for the year and account balances at the year end;

  — substantively tested the Group's access to the digital assets held in their wallets by verifying that the Group was able to cryptographically sign randomly generated messages using the private keys of their wallets on the year end date;

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Accounting complexity IFRSs do not specifically address accounting for digital assets. Accordingly, for the preparation of the Group's consolidated financial statements, management needs to apply judgements in determining appropriate accounting policies based on the facts and circumstances of the Group's digital assets and blockchain platform business. Given the business model of the Group, digital assets are accounted for as inventories and are measured at fair value less costs to sell on the statement of financial position. On the other hand, contracts for trading of digital assets with the Group's counterparties and liquidity providers through its OTC and BC Platforms are accounted for as financial instruments and measured at fair value through profit or loss as these contracts can, in practice, be settled net in cash; whereas service fees from Software as a Service arrangements which are determined based on the transaction volume of the platforms licensed by the White label customers are recognised over time when the platform technology and related services are provided. Furthermore, in determining fair values, management needs to apply judgement to identify the relevant available markets, and to consider accessibility to and activity within those markets in order to identify the principal digital asset markets dealt with by the Group. During the year ended 31 December 2019, the Group recognised income from trading of digital assets of RMB66,912,210 (2018: RMB8,560,749) and licensing of trading platform and technology solutions of RMB2,261,879 (2018: Nil) respectively, and had digital assets inventories of RMB446,561,751 (2018: RMB188,739,099) as at 31 December 2019.	— tested management's reconciliations of wallet balances as at the year end between the operating system, accounting system, and publicly sourced data on the blockchains. This included reconciling the wallet balances and transactions from the Group's books and records to data independently acquired by us; and — reviewed the appropriateness of management's assessment and determination of principal market by digital assets. Tested the fair value of digital assets inventories, including those held on customer accounts, adopted by management to external data quoted in the principal exchange market. Based on the procedures performed, we found the digital asset transactions and balances recorded by management are supportable by available evidence.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Due to the complexity and evolving nature of blockchains and technology associated with digital assets, the high reliance of the Group's business thereon, and the management judgements applied in accounting for the digital asset transactions and balances (which are material to the Group's consolidated financial statements), we considered the risk of material misstatement relating to these transactions and balances as significant and hence a key focus of our audit.	
Working capital sufficiency assessment	
Refer to Note 2.1(c) to the consolidated financial statements.	
As at 31 December 2019, the Group had shareholders' deficit of RMB66,283,781 (2018: shareholders' equity of RMB34,627,291), and it had incurred a loss of RMB245,122,309 (2018: RMB160,696,958) for the year then ended. To support the preparation of the Group's consolidated financial statements on a going concern basis, management performed an assessment with respect to the working capital sufficiency, as supported by a cash flow forecast prepared for the next twelve months from 31 December 2019 based on the budget approved by the board of directors of the Company (the "Forecast"). The Forecast involved key assumptions such as revenue growth of different business lines, expected cash outflows for its operating and financing costs, and availability of future financing resources. The Forecast also took into account a sensitivity analysis for the key assumptions that are subject to greater uncertainties.	In order to evaluate the reasonableness of management's assessment, we performed primarily the following procedures to assess certain key assumptions underlying the Forecast: • for the forecast revenue growth of different business lines, we inquired of management their development plans, tested a sample of signed contracts, and compared the estimated growth rate with historical data; • for the expected cash outflows related to operating costs, we assessed their reasonableness by comparing to the historical costs and considering adjustments as necessary as a result of the Group's development plans;

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Based on the results of the Forecast, management concluded that the Group will have adequate resources to continue its operations and to meet its financial obligations as and when they fall due in the next twelve months from the year end date and therefore the use of the going concern basis in preparing the consolidated financial statements is appropriate. We focused on management's working capital sufficiency assessment because this involved making significant judgements and estimates about future events and conditions whose outcomes are inherently uncertain.	• for the financing resources available during the forecast period, we checked that the Forecast has taken into account the repayment of existing loan principals and interests based on the repayment schedule and terms in the loan agreements. We confirmed the availability of these loan facilities by (i) checking the loan agreements entered into by the Group, (ii) checking the receipt of proceeds from the drawdown of the loans to the bank statements; and (iii) circularising independent confirmations to the lenders to confirm the loan or facility amounts and other key terms, including but not limited to maturity date, interest rate and repayment term of the borrowings. For the subscription of new shares under general mandate after the year end, we checked to the subscription agreements and the receipt of proceeds to bank statements; and • we also evaluated management's sensitivity analysis of the forecast cash and bank balances by considering potential downside scenarios against reasonably plausible changes to the key assumptions and considered whether the resultant impact would adversely change the forecast position of the available funds of the Group. Based on the procedures performed, we considered management's assessment of working capital sufficiency is reasonably supportable with available evidence.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables and contract assets with respect to PRC businesses Refer to Notes 2.11(d), 2.25, 3.3(b), 6(b) and 21 to the consolidated financial statements. As at 31 December 2019, the Group had gross trade receivables and contract assets of RMB24,302,600 (2018: RMB8,987,134) and RMB26,953,196 (2018: RMB59,601,005), against which allowance for impairment of RMB9,695,606 (2018: RMB1,761,894) and RMB1,909,182 (2018: RMB9,686,597) were recorded respectively. These are related to the traditional advertising services and business park management services in the People's Republic of China (the "PRC"). For advertising services, the Group may take up to 360 days to issue billing to the customers after service delivery and further grants a credit term of 30 to 90 days after the invoice date, while prepayments from customers for provision of business park management services are generally required. Management applied judgement and estimates to measure the expected credit losses allowance. The trade receivables and contract assets were grouped based on similar credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the industries that the customers are operating in, their ageing category and past collection history. The expected credit loss rates were determined based on historical default rates and were adjusted to reflect forward-looking information in the macroeconomic environment that may affect the ability of the customers to repay. We focused on this area in view of the magnitude of the trade receivables and contract assets and the determination of the related expected credit losses allowance involved the use of judgement and estimation as described above.	Our procedures in relation to management's assessment on the allowance for impairment of trade receivables and contract assets included: • Understood the credit control procedures that the Group implemented to manage and monitor its credit risk; • Assessed the appropriateness of the expected credit loss methodology adopted by management with reference to historical payment records, ageing analysis and default rates; • Tested the accuracy of key historical data inputs on a sample basis; and • Evaluated reasonableness of the forward-looking information including relevant macroeconomic variables and assessed the sensitivity. Based on the results of the procedures performed, we found management's judgement and estimation applied in respect of the impairment of trade receivables and contract assets were supportable by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Corporate Information, Management Discussion and Analysis, and Report of the Directors (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Chief Executive Officer's Statement, Biographical Details of Directors and Senior Management, Corporate Governance Report, Environmental, Social and Governance Report and Five Year Financial Summary, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chief Executive Officer's Statement, Biographical Details of Directors and Senior Management, Corporate Governance Report, Environmental, Social and Governance Report and Five Year Financial Summary, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Audit Committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Wai Ching.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB	2018 RMB
Continuing operations			
Income from principal activities:			
— Revenue from advertising business	*6*	**57,897,897**	100,431,065
— Rental income from business park area management services		**35,142,160**	35,968,395
— Income from digital assets and blockchain platform business	*7*	**71,648,388**	8,560,749
		164,688,445	144,960,209
Cost of revenue relating to advertising and business park area management services		**(68,602,787)**	(92,069,201)
Net impairment losses on financial assets and contract assets		**(13,971,737)**	(5,463,178)
Other income	*8*	**1,974,549**	–
Other gains/(losses), net	*8*	**2,715,619**	(1,042,975)
Selling and distribution expenses		**(16,099,519)**	(5,936,801)
Administrative and other operating expenses		**(277,267,367)**	(168,711,319)
Operating loss		**(206,562,797)**	(128,263,265)
Finance income	*9*	**22,370,326**	12,318,840
Finance costs	*9*	**(62,463,116)**	(39,831,385)
Finance costs, net	*9*	**(40,092,790)**	(27,512,545)
Loss before income tax		**(246,655,587)**	(155,775,810)
Income tax credit/(expense)	*13*	**1,577,857**	(5,147,114)
Loss from continuing operations		**(245,077,730)**	(160,922,924)
(Loss)/profit from discontinued operations (attributable to the owners of the Company)	*14*	**(44,579)**	225,966
Loss for the year		**(245,122,309)**	(160,696,958)
Other comprehensive loss			
Item that may be reclassified to profit or loss:			
Currency translation differences on translation of foreign operations with a functional currency different from the Company's presentation currency		**(3,059,991)**	(2,337,424)
Item that will not be reclassified to profit or loss:			
Currency translation differences related to the Company on translation of functional currency to presentation currency		**(1,350,391)**	97,805
Other comprehensive loss for the year		**(4,410,382)**	(2,239,619)
Total comprehensive loss for the year		**(249,532,691)**	(162,936,577)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB	2018 RMB
Loss for the year attributable to:			
Owners of the Company			
— Loss from continuing operations		**(243,535,868)**	(161,458,646)
— (Loss)/profit from discontinued operations		**(44,579)**	225,966
		(243,580,447)	(161,232,680)
Non-controlling interests			
— (Loss)/profit from continuing operations		**(1,541,862)**	535,722
		(245,122,309)	(160,696,958)
Loss per share for loss from continuing operations attributable to the owners of the Company			
Basic (RMB per share)	*16*	**(0.92)**	(0.64)
Diluted (RMB per share)	*16*	**(0.92)**	(0.64)
Loss per share for loss from continuing and discontinued operations attributable to the owners of the Company			
Basic (RMB per share)	*16*	**(0.92)**	(0.64)
Diluted (RMB per share)	*16*	**(0.92)**	(0.64)
Total comprehensive loss for the year attributable to:			
Owners of the Company			
— Loss from continuing operations		**(247,972,500)**	(163,695,290)
— (Loss)/profit from discontinued operations		**(44,579)**	225,966
		(248,017,079)	(163,469,324)
Non-controlling interests			
— (Loss)/profit from continuing operations		**(1,515,612)**	532,747
		(249,532,691)	(162,936,577)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB	2018 RMB
ASSETS			
Non-current assets			
Property, plant and equipment	*17*	**205,361,704**	237,691,245
Intangible assets	*18*	**50,878,423**	48,536,289
Prepayments, deposits and other receivables	*22*	**122,313,540**	24,788,852
Inventories due from counterparties	*23*	**17,401,244**	–
Deferred income tax assets	*31*	**3,288,202**	1,908,401
Total non-current assets		**399,243,113**	312,924,787
Current assets			
Inventories	*20*	**446,561,751**	188,739,099
Contract assets	*6*	**28,370,842**	49,914,408
Trade and bills receivables	*21*	**34,108,709**	11,821,876
Prepayments, deposits and other receivables	*22*	**34,944,349**	144,171,867
Inventories due from counterparties	*23*	**6,960,714**	–
Income tax recoverable		**–**	169,087
Cash and cash equivalents	*24*	**191,852,375**	294,838,046
		742,798,740	689,654,383
Assets directly associated with assets classified as held for sale	*14*	**2,627,398**	–
Total current assets		**745,426,138**	689,654,383
Total assets		**1,144,669,251**	1,002,579,170
LIABILITIES			
Non-current liabilities			
Deposits received and other payables	*26*	**36,146,698**	12,627,230
Lease liabilities	*27*	**166,735,799**	197,306,077
Borrowings	*29*	**262,898,149**	15,500,000
Financial liabilities at fair value through profit or loss	*30*	**6,054,129**	20,620,230
Deferred income tax liabilities	*31*	**9,503,404**	10,195,766
Total non-current liabilities		**481,338,179**	256,249,303

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB	2018 RMB
Current liabilities			
Trade payables	25	**41,243,692**	34,512,869
Accruals and other payables	26	**60,496,531**	37,899,208
Contract liabilities	6	**2,556,873**	931,198
Liabilities due to customers	28	**496,189,194**	380,701,523
Lease liabilities	27	**29,808,175**	31,851,433
Financial liability at fair value through profit or loss	30	**13,524,247**	–
Borrowings	29	**75,325,596**	221,462,651
Current income tax liabilities		**3,564,262**	4,343,694
		722,708,570	711,702,576
Liabilities directly associated with assets classified as held for sale	14	**6,906,283**	–
Total current liabilities		**729,614,853**	711,702,576
Total liabilities		**1,210,953,032**	967,951,879
EQUITY			
Equity attributable to owners of the Company			
Share capital	32	**2,325,726**	2,123,981
Other reserves	33	**390,221,762**	246,238,520
Accumulated losses		**(461,802,447)**	(218,222,000)
		(69,254,959)	30,140,501
Non-controlling interests	19	**2,971,178**	4,486,790
Total (deficit)/equity		**(66,283,781)**	34,627,291

The consolidated financial statements on pages 62 to 156 were approved by the Board of Directors on 30 March 2020 and were signed on its behalf.

Madden Hugh Douglas
Director

Lo Ken Bon
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

		Attributable to owners of the Company									
	Notes	Share capital RMB	Share premium RMB	Capital surplus RMB	Exchange reserve RMB	Statutory reserve RMB	Share-based payments reserve RMB	Accumulated losses RMB	Total RMB	Non-controlling interests RMB	Total (deficit)/ equity RMB
At 1 January 2018, as restated		2,037,681	212,873,290	2,000,000	(851,975)	7,922,520	–	(49,760,210)	174,221,306	4,657,987	178,879,293
Loss for the year		–	–	–	–	–	–	(161,232,680)	(161,232,680)	535,722	(160,696,958)
Other comprehensive loss:											
Currency translation differences		–	–	–	(2,236,644)	–	–	–	(2,236,644)	(2,975)	(2,239,619)
Total comprehensive (loss)/income		–	–	–	(2,236,644)	–	–	(161,232,680)	(163,469,324)	532,747	(162,936,577)
Change in shareholding in existing subsidiary without losing control		–	–	1,278,827	–	–	–	–	1,278,827	(616,717)	662,110
Transfer of profit to statutory reserve		–	–	–	–	7,316,337	–	(7,229,110)	87,227	(87,227)	–
Equity – settled share-based payments under share option scheme	40	–	–	–	–	–	7,922,185	–	7,922,185	–	7,922,185
Equity – settled share-based payments under share award scheme	39	–	–	–	–	–	10,100,280	–	10,100,280	–	10,100,280
Shares allotted under share award scheme	39	86,300	(86,300)	–	–	–	–	–	–	–	–
At 31 December 2018 and 1 January 2019		**2,123,981**	**212,786,990**	**3,278,827**	**(3,088,619)**	**15,238,857**	**18,022,465**	**(218,222,000)**	**30,140,501**	**4,486,790**	**34,627,291**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(243,580,447)**	**(243,580,447)**	**(1,541,862)**	**(245,122,309)**
Other comprehensive loss:											
Currency translation differences		**–**	**–**	**–**	**(4,436,632)**	**–**	**–**	**–**	**(4,436,632)**	**26,250**	**(4,410,382)**
Total comprehensive loss		**–**	**–**	**–**	**(4,436,632)**	**–**	**–**	**(243,580,447)**	**(248,017,079)**	**(1,515,612)**	**(249,532,691)**
Issuance of new shares	32	**201,745**	**100,670,711**	**–**	**–**	**–**	**–**	**–**	**100,872,456**	**–**	**100,872,456**
Share awards vested		**–**	**492,330**	**–**	**–**	**–**	**(492,330)**	**–**	**–**	**–**	**–**
Equity-settled share-based payments under share option scheme	40	**–**	**–**	**–**	**–**	**–**	**22,341,974**	**–**	**22,341,974**	**–**	**22,341,974**
Equity-settled share-based payments under share award scheme	39	**–**	**–**	**–**	**–**	**–**	**25,407,189**	**–**	**25,407,189**	**–**	**25,407,189**
At 31 December 2019		**2,325,726**	**313,950,031**	**3,278,827**	**(7,525,251)**	**15,238,857**	**65,279,298**	**(461,802,447)**	**(69,254,959)**	**2,971,178**	**(66,283,781)**

The above consolidated statement of changes in equity should be read in conjunction with accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 RMB	2018 RMB
Cash flows from operating activities			
Cash (used in)/generated from operations	*37(a)*	**(195,149,405)**	26,914,640
Income tax (paid)/refunded		**(1,320,947)**	984,404
Net cash (used in)/generated from operating activities		**(196,470,352)**	27,899,044
Cash flows from investing activities			
Interest received		**476,002**	565,372
Proceeds from disposal of property, plant and equipment	*37(c)*	**101,499**	–
Proceeds from disposal of an associate	*37(d)*	**–**	3,000,000
Proceeds from disposal of subsidiaries, net of cash disposed of		**–**	2,893,561
Purchase of property, plant and equipment		**(15,573,613)**	(26,801,119)
Purchase of intangible assets		**(10,362,944)**	(4,801,822)
Decrease in restricted bank deposits		**–**	10,000,000
Net cash used in investing activities		**(25,359,056)**	(15,144,008)
Cash flows from financing activities			
Interest paid		**(34,952,462)**	(26,770,713)
Proceeds from issuance of convertible notes	*30(a)*	**–**	13,763,235
Proceeds from issuance of warrant	*30(b)*	**–**	6,881,617
Proceeds from borrowings	*37(b)*	**462,478,306**	245,989,709
Repayment of borrowings	*37(b)*	**(285,340,183)**	(9,565,000)
Principal element of lease liabilities	*37(b)*	**(32,026,624)**	(5,354,961)
Transaction with non-controlling interests		**–**	662,110
Proceeds from issuance of new shares	*32*	**12,799,062**	–
Net cash generated from financing activities		**122,958,099**	225,605,997
Net (decrease)/increase in cash and cash equivalents		**(98,871,309)**	238,361,033
Effect of exchange rate changes on cash and cash equivalents		**(3,992,711)**	2,658,060
Cash and cash equivalents at the beginning of the year		**294,838,046**	53,818,953
Cash and cash equivalents at the end of the year		**191,974,026**	294,838,046
Analysis of the balances of cash and cash equivalents			
Cash and bank balances as stated in the consolidated statement of cash flows		**191,974,026**	294,838,046
Less: Cash and bank balances included in the assets classified as held for sale	*14*	**(121,651)**	–
Cash and cash equivalents as stated in the consolidated statement of financial position	*24*	**191,852,375**	294,838,046

The above consolidated statement of cash flows should be read in conjunction with accompanying notes.

1 GENERAL INFORMATION

The principal activity of the BC Technology Group Limited (formerly known as Branding China Group Limited) (the "Company") is investment holding. During the year, the Company and its subsidiaries (together the "Group") were principally engaged in the provision for traditional advertising and business park area management services in the People's Republic of China (the "PRC"), and the digital assets and blockchain platform business in Hong Kong.

Subsequent to the special resolution of the Company's shareholders passed on 16 May 2019, the certificate of incorporation on change of name was issued by the Registrar of Companies in Cayman Islands on 16 May 2019, and the certificate of registration of alteration of name of registered non-Hong Kong company was issued by the Registrar of Companies in Hong Kong on 30 May 2019.

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

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

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. 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 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 of Hong Kong Limited (the "Listing Rules").

(b) Historical cost convention

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(c) Going concern basis

As at 31 December 2019, the Group had shareholders' deficit of RMB66,283,781 (2018: shareholders' equity of RMB34,627,291), and it had incurred a loss of RMB245,122,309 (2018: RMB160,696,958) for the year then ended.

Management of the Group has prepared a cash flow projection covering a period of 12 months from 31 December 2019. The cash flow projection has taken into account the anticipated cash flows to be generated from the Group's different business lines (including considerations of reasonably possible changes in its operating performance) and the loan facilities and other available financing during the period under projection, including proceeds from share issuance totalling approximately HKD280,000,000 (equivalent to approximately RMB250,000,000) received in February and March 2020. The Directors, after making due inquiries and considering the basis of management's projection described above, believe that there will be sufficient financial resources for the Group to continue its operations and to meet its financial obligations and commitments as and when they fall due in the next 12 months from 31 December 2019. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

In order to safeguard the Group's ability to continue as a going concern and to support the Group's strategic growth initiatives in the longer term, management closely monitors the actual financial performance of the Group against the forecasts and will pursue further capital or loan financing as and when needed.

(d) Amendments to standards and interpretation adopted by the Group

The Group has applied the following amendments to standards and interpretation for the first time for their annual reporting period commencing on 1 January 2019:

Amendments to IAS 19	Plan amendment, curtailment or settlement
Amendments to IAS 28	Long-term interests in associates and joint ventures
Amendments to IFRS 9	Prepayment features with negative compensation
IFRIC Int-23	Uncertainty over income tax treatments
Annual improvement to IFRSs 2015–2017 cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

The adoption of amendments to standards and interpretation 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(e) New and amended standards and framework not yet adopted

Certain new accounting standards, amendments to standards and framework have been published that are not mandatory for financial year beginning on 1 January 2019 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to IAS 1 and IAS 8	Definition of material	1 January 2020
Amendments to IFRS 3	Definition of a business	1 January 2020
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
Amendments to IAS39, IFRS 7 and IFRS 9	Hedge accounting	1 January 2020
IFRS 17	Insurance contracts	1 January 2021
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 standards, amendments to standards and framework 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.

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (Note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of consolidation and equity accounting *(Continued)*

(b) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Business combinations *(Continued)*

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes directly attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker of the Group has been identified as the executive directors of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Company is Hong Kong Dollars ("HKD").

The consolidated financial statements are presented in RMB consistently over the years, as most of the Group's operations have been principally based in the PRC historically and such operations continue to contribute significantly to the Group's financial results and position in the current reporting period despite the Group has started new business lines in Hong Kong. Therefore, the Directors consider that it continues to be more appropriate to adopt RMB as the Group's and the Company's presentation currency in the consolidated financial statements.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within other gains/(losses), net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Foreign currency translation *(Continued)*

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of statement of financial position;

- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives at the following rates per annum:

Office furniture and equipment	20–33% per annum
Motor vehicles	10–25% per annum
Leasehold improvement	over the lease terms
Right-of-use assets	over the lease terms

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2.8 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Intangible assets *(Continued)*

(b) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative and other operating expenses.

(c) Internally developed software

Costs associated with maintaining software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include mostly employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(d) Research and development

Research expenditure and development expenditure that do not meet the criteria in (c) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(e) Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Computer software and domain	3–5 years
Acquired leases with favourable terms	over the lease term

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of or abandon such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately as a single amount in the consolidated statement of profit or loss, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal groups constituting the discontinued operation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Investments and other financial assets and liabilities

Financial assets

(a) *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income and other losses, net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Investments and other financial assets and liabilities *(Continued)*

Financial assets *(Continued)*

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and bills receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Financial liabilities

The Group classifies its financial liabilities in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost.

For liabilities measured at fair value, gains and losses will be recorded in profit or loss.

At initial recognition, the Group shall measure a financial liability at its fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

Subsequently, all financial liabilities will be measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives and warrants, shall be subsequently measured at fair value.

In addition, the Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss. As at 31 December 2019, the convertible note held by the Group was designated as the financial liability at fair value through profit or loss.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Digital assets inventories

Digital assets inventories are held mainly for the purposes of trading in the ordinary course of the Group's digital assets and blockchain platform business in the over-the-counter ("OTC") market and the provision of automated digital assets trading services through its proprietary platforms.

Digital assets inventories held in the Group's digital asset wallets primarily comprise digital assets that are prefunded by and traded with, but not yet withdrawn by counterparties (or "customers") under Digital Asset Trading Agreements ("DATA"). They also include the Group's proprietary digital assets sourced from liquidity providers and exchanges, as well as digital assets held in the Group's wallets on customer accounts to whom the Group provides services in relation to its proprietary platforms and technology solutions.

Based on the respective rights and obligations of the Group and its customers under various agreements, digital assets still held by the Group in designated customer accounts are recorded as assets of the Group (see below for the measurement) with a corresponding liability recorded due to the customer (under "digital assets liabilities due to customers" measured at fair value through profit or loss in current liabilities). Upon a customer's request to withdraw digital assets, the Group transfers the digital assets from its own wallets to the customer's wallet and the related inventory and liability due to the customer is derecognised.

Since the Group actively trades digital assets, purchasing them with a view to their resale in the near future, and generating a profit from fluctuations in the price, the Group applies the guidance in IAS 2 for commodity broker-traders and measures the digital assets inventories at fair value less costs to sell. The Group considers there are no significant "costs to sell" digital assets and hence measurement of digital assets is based on their fair values with changes in fair values recognised in the statement of profit or loss in the period of the changes.

See Note 3.5 for estimation of fair value in respect of the digital assets inventories and digital assets liabilities due to customers.

2.14 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group's derivative contracts are held for trading and do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and included in "income from digital assets and blockchain platform business". Trading derivatives are classified as a current asset or liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Trade and bills receivables

Trade and bills receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and bills receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and bills receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and bills receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 21 for further information about the Group's accounting for trade receivables and Note 3.3(b) for a description of the Group's impairment policies.

2.16 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Borrowings

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

(b) Post-employment obligations

The Group operates defined contribution pension plans. Under the defined contribution pension plan, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Other benefits

The Group contributes on a monthly basis to defined contribution housing, medical and other benefit plans organised by the PRC government based on the relevant laws and regulations. The PRC government undertakes to assume the benefit obligations of all existing and retired employees under these plans. Contributions to these plans by the Group are expensed as incurred. The Group has no further obligations for the benefits for their qualified employees under these plans.

(d) Termination benefits

Termination benefits are recognised upon the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Share-based payments

The Company operates a share award scheme and a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) and consultants of the Group may receive remuneration in the form of share- based payments, whereby the employees and consultants render services as consideration for equity instruments ("equity-settled transactions").

The fair value of the employee and consultancy services received in exchange for the grant of the award shares and options is recognised as an expense with a corresponding increase in share based payment reserve. The total amount to be expensed is determined by reference to the fair value of the share awards and share options granted. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options and awards that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The grant by the Company of share awards and share options over its equity instruments to the employees and consultants of subsidiary undertakings in the Group is treated as an amount due from the subsidiary undertakings, with a corresponding credit to equity in the Company's separate financial statements, measured with reference to the grant date fair value and is recognised over the vesting period.

2.23 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Contracts for trading of digital assets

In the ordinary course of the Group's digital assets trading business in the OTC market and through its proprietary platforms, the Group enters into a DATA with each of the customers for buying and selling of digital assets. As the DATA can, in practice, be settled net in cash, the Group accounts for the contracts as financial instruments and designates them as measured at fair value through profit or loss.

Although DATA is a financial instrument, it is nevertheless also a contract with customers, which may result in physical delivery of digital assets to customers. On the date of physical delivery, gross proceeds from these contracts give rise to revenue under IFRS 15 with the related inventory, measured at fair value less cost to sell basis, being recognised as cost of revenue. However, the Group has made an accounting policy decision to account for the contracts purely within IFRS 9 and views the delivery of digital assets to customers as settlement of financial instruments. Consequently, the Group does not present "revenue from contracts with customers" or related cost of revenue. Should the Group elect to present these separately, the gross amounts of revenue from contracts with customers or related cost of revenue would be of the same amount given both the DATA and the digital assets inventories are measured on a fair value basis.

Accordingly, the Group presents trading income from digital assets trading business that primarily represent trading margin arising from trading various digital assets and net gain or loss from remeasurement of digital assets inventories to the extent it is not offset by remeasurement of digital assets liabilities due to customers arising from DATA.

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenues are recognised when goods are transferred or services are rendered to the customer.

Depending on the terms of the contract and the laws that apply to the contract, service may be provided over time or at a point in time. Service is provided over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the service.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Revenue recognition *(Continued)*

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- time-based measure of progress; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

When determining the transaction price to be allocated from different performance obligations, the Group first determines the service fees that the Group entitles in the contract period and adjusts the transaction price for variable considerations and significant financing component, if any. The Group includes in the transaction price some of all of an amount of variable considerations only to the extent that it is highly probable that a significant reversal in amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

If contracts involve the provision of multiple services, the transaction price will be allocated from each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

A contract asset is the Group's right to consideration in exchange for the services that the Group has transferred to a customer. In addition, incremental costs incurred to obtain a new contract, if recoverable, are capitalised as contract cost and subsequently amortised when the related revenue is recognised.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost.

A contract liability is the Group's obligation to render the services to a customer for which the Group has received consideration from the customer. A contract liability is recognised by the Group when the customer pays consideration but before the Group renders the service to the customer. Contract liabilities mainly included the advance payments received from the provision of initial set up and customisation services for customers using the Group's proprietary digital assets exchange platform.

The following is a description of the accounting policy for the principal revenue streams of the Group.

Revenue from advertising business

Revenue from advertising, public relations and event marketing services from online services is recognised over the period of contracts entered with the customers.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Revenue recognition *(Continued)*

Service fee from SaaS

The Group licenses its proprietary digital asset exchange platform and related technology solutions as Software-as-a-Service ("SaaS") to certain third parties ("White label customers"). Under the SaaS arrangements, White label customers operate their own exchange platform to facilitate trades among the end users of the platform. Service fees derived by the Group from the SaaS arrangements are determined based on the transaction volume of the platforms licensed by the White label customers and are recognised over the service period.

Income from digital asset financing arrangements

Interest income derived from digital asset financing arrangements is denominated in units of the relevant digital asset on lending to the counterparties and is recognised based on its fair value over the term of the arrangement using effective interest rate. It is recorded as "interest income from inventories financing" in the consolidated statement of profit or loss.

2.26 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.27 Leases

The Group as lessee

(a) Lease assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determine that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such determination is made on an evaluation of the substance of the arrangement, regardless of whether the arrangements take the legal form of a lease.

Leases are initially recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets leased by the Group and the corresponding liabilities are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

— fixed payments (including in-substance fixed payments), less any lease incentives receivable;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Leases *(Continued)*

The Group as lessee *(Continued)*

(a) Lease assets (Continued)

— variable lease payments that are based on an index or a rate;

— amounts expected to be payable by the lessee under residual value guarantees;

— the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

— payments of penalties for terminating the lease, if the lease term reflects the Group, as a lessee, exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

— the amount of the initial measurement of lease liability;

— any lease payments made at or before the commencement date, less any lease incentive received;

— any initial direct costs; and

— restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(b) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

(c) Residual value guarantees

To optimise lease costs during the contract period, the Group may provide residual value guarantees in relation to property and equipment leases.

The Group as lessor

Rental income from business park area management service

Rental income from acquired lease with favorable terms is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an acquired lease with favorable terms are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The respective lease assets are included in the consolidated statement of financial position based on their nature.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.28 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

3 RISK DISCLOSURES

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

3.1 Business development and the associated risks in 2019

During the year, the Group strategically expanded its digital assets and blockchain platform business lines, particularly as a service provider of technology and software solutions and as a facilitator of trading of digital assets.

Management considers that the risks and uncertainties associated with the digital assets and blockchain platform business are largely related to information technology, safekeeping of digital assets, fluctuation of asset prices, compliance as well as the immature nature of the markets. As the industry is in a growth stage, the Group has been implementing an operational infrastructure to support business development and growth. These initiatives include identifying physical locations, expanding IT infrastructure and hiring additional management personnel with an emphasis on experience in legal, regulatory, compliance, financial reporting, operations and technology development.

3.2 Risk management of the digital asset and blockchain related business

(i) Regulatory risk in relevant jurisdictions

The Group's digital asset trading businesses currently operate in Hong Kong and Singapore. In Hong Kong, the SFC has implemented a licensing regime for the regulation and licensing of digital asset trading platforms. As previously disclosed by the Group, OSL Digital Securities Limited, a wholly owned subsidiary of the Group, submitted an application to the SFC on 7 November 2019 for a license to operate as a digital asset trading platform in Hong Kong.

In addition, in Singapore, the Payment Services Act 2019 ("PSA") went into effect on 28 January 2020. Under the PSA, some of the digital asset trading businesses conducted by the Group in Singapore may become licensed and regulated by the Monetary Authority of Singapore ("MAS"). Accordingly, a Singapore-based wholly owned subsidiary of the Group has submitted a notification to the MAS that it is providing digital payment token services in Singapore and intends to formally submit an application for licensing.

In the event the applications in Hong Kong and Singapore are successful, the digital asset trading businesses of the Group in Hong Kong and Singapore will be subject to stringent regulatory compliance requirements, including, without limitation, anti-money laundering systems and controls, client asset protection and periodic reporting requirements.

To manage the enhanced risks and compliance frameworks associated with licensing, the Group has expended substantial resources to build a strong team of experienced legal, risk & compliance professionals, who are responsible for oversight of all business activities with respect to prevailing and potential regulatory frameworks applicable to the Group.

3 RISK DISCLOSURES *(Continued)*

3.2 Risk management of the digital asset and blockchain related business *(Continued)*

(ii) Price risk of digital assets inventories

The Group holds digital assets inventories in order to facilitate and support the settlement process of the digital asset trading business. The volatility and unpredictability of the price of digital assets relative to fiat currencies could cause significant impact to the Group's performance.

To manage the risk, the level of digital asset holdings is controlled by limits based on volatility, position size and liquidity, as approved by the Risk Committee and as overseen by the Group's Risk Department. During times of heightened price volatility, the Group may choose to reduce its digital asset inventory exposure either by selling down or entering into hedge transactions such as futures contracts.

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. The inventory held in customers' accounts corresponds to a liability due to the customers with both the inventory and liability to customers recorded at fair value, therefore Group has no price volatility exposure from these holdings.

For further details of the financial risk related to pricing, refer to Note 3.3(c).

(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 dynamically adjust the level of digital assets maintained in "hot" wallets required to facilitate settlement. The Group has developed a proprietary digital asset wallet solution for its wallets 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 2019, the Group has also obtained insurance 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 Anti- Money-Laundering ("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 and reporting. These policies and procedures are being enhanced to comply with industry best-practice and FATF requirements and guidance as the industry moves towards regulation.

3 RISK DISCLOSURES *(Continued)*

3.2 Risk management of the digital asset and blockchain related business *(Continued)*

(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, ability to defend against intrusion into the Group's technology infrastructure, IP protection and prevention of leakage of sensitive data.

(vi) Information security risks

The Group's and client information are maintained on proprietary data infrastructure in conjunction with services by 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 principal, 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 the proposed business or product will only be forthcoming once the 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 asset trading business, the Group may enter into pre-funding arrangements, extended settlement arrangements or digital asset lending/borrowing arrangements with trading clients and counterparties (including third party digital asset 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 asset transactions.

The Group's Risk Committee is responsible for managing credit risk exposure of the Group in connection with its digital asset trading businesses. To mitigate or reduce such credit risks, pre-funding limits, 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 Risk Committee of the Group.

For further details of the credit risk of the Group, refer to Note 3.3(b).

(ix) Business continuity

The Group operates its technology stack with remote data centre sites and is implementing a business continuity and disaster recovery plan; disaster recovery capability is currently being built 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 analyses Business Continuity Plan ("BCP") requirements for each business and support function in order to maintain a comprehensive physical disaster recover capability.

3 RISK DISCLOSURES *(Continued)*

3.2 Risk management of the digital asset and blockchain related business *(Continued)*

(x) Operational risk

Operational risk covers a spectrum of potential incidents and actions 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 Managers 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.

3.3 Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk, price risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the executive directors of the Group. The executive directors identify and evaluate financial risks in close cooperation with the operating units of the Group.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and Hong Kong. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities denominated in a currency that is not the functional currency of the individual group companies and net investments in foreign operations.

As at 31 December 2019 and 2018, most of the financial assets and liabilities of the Group's subsidiaries are denominated in their functional currencies.

There are certain USD financial assets and liabilities held by subsidiaries with HKD functional currency. Since HKD are pegged to the United States dollar ("USD"), management considers the foreign exchange risk of USD financial assets and liabilities to the Group is not significant. Hence, the Directors of the Company consider the Group does not have any material foreign exchange risk exposure. No sensitivity analysis is presented.

(ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. In the opinion of the Directors, the expected change in fair values as a results of change in market interest rates will not be significant, thus no sensitivity analysis is presented.

Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Group's assets and liabilities, which bear variable interest rates mainly, include bank deposits. Management manages the interest rate risk exposure through regular review to determine the funding strategy as appropriate to its current business profile.

At 31 December 2019, if interest rates had been 100 (2018: 100) basis points higher/lower with all other variables held constant, the loss before income tax would have been RMB66,764 lower/higher (2018: RMB318,097), mainly as a result of higher/lower net interest income on floating rate short term bank deposits.

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

Financial risk factors *(Continued)*

(b) Credit risk

Our Group's credit risk is primarily attributable to trade and bills receivables, contract assets, deposits and other receivables and cash and cash equivalents included in the consolidated statement of financial position, which represent our Group's maximum exposure to credit risk in relation to its financial assets. Our management has credit policies in place to monitor the exposures to these credit risks on an ongoing basis.

For trade and bills receivables and contract assets, the Group has credit policy to monitor the level of credit risk. In general, the credit record and credit period for each customer or debtor are regularly assessed, based on the customer's or debtor's financial condition, their capacity to obtain guarantee from third parties, their credit records and other factors such as current market condition. The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and bills receivables and contract assets from third parties and related parties.

Trade and bills receivables and contract assets are related to the traditional advertising services and business park management services in the PRC and digital assets and blockchain platform business in Hong Kong.

(i) Trade receivables and contract assets (traditional advertising services)

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables related to traditional advertising services are a reasonable approximation of the loss rates for the contract assets related to traditional advertising services.

On that basis, the loss allowance as at 31 December 2019 was determined as follows for trade receivables and contract assets related to traditional advertising services.

	Current–30 days past due	31–60 days past due	61–90 days past due	91–365 days past due	More than 365 days past due	Total
At 31 December 2019						
Gross carrying amount	**8,868,843**	**8,133,938**	**7,004,843**	**15,116,791**	**7,187,234**	**46,311,649**
Loss allowance	**528,910**	**533,813**	**501,302**	**1,351,849**	**3,744,767**	**6,660,641**
Expected loss rate	**5.96%**	**6.56%**	**7.16%**	**8.94%**	**52.10%**	**14.38%**
At 31 December 2018						
Gross carrying amount	20,182,696	15,734,062	13,237,734	6,246,647	100,000	55,501,139
Loss allowance	605,481	472,022	397,132	187,399	3,000	1,665,034
Expected loss rate	3%	3%	3%	3%	3%	3%

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Trade receivables (business park area management services)

For business park area management services, the Group generally requires customers to prepay for the services. For any outstanding amounts due from these customers, management makes individual assessment on recoverability of the receivables from tenants based on historical settlement records, past experience as well as forward looking factors. During the year ended 31 December 2019, the receivables of RMB3,303,543 (2018: RMB3,303,543) from certain tenants are no longer considered collectible and the Group has ceased business relationship with them. Therefore, the receivables from those tenants were fully impaired, and there was no remaining receivable balance as at 31 December 2019 (2018: RMB3,303,543).

(iii) Trade receivables and contract assets (digital assets and blockchain platform business)

For the digital assets and blockchain platform business, a majority of counterparties are required to prefund their accounts prior to the trade. Trades with liquidity providers and certain counterparties that are considered creditworthy can be on credit. Management makes individual assessment on recoverability of the trade receivables and contract assets from these liquidity providers and counterparties based on historical settlement records and past experience as well as forward looking factors. During the year ended 31 December 2019, the Directors believe that there has been no material credit risk in the trade receivables and contract assets balance and the expected credit loss is close to zero. (2018: provision for impairment of RMB4,812,857 was made)

(iv) Bills receivables (traditional advertising services)

For bills receivables from customers of traditional advertising business, bills are issued by counterparties at reputable banks and the credit risk is considered to be low. Those counterparties do not have defaults in the past. Therefore, expected credit loss rate is assessed to be close to zero and no provision was made as at each of the end of reporting period.

Trade and bills receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and a failure to make contractual payments when the debts are long past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses in the consolidated statement of profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(v) Cash and cash equivalents

To manage the risk arising from cash and cash equivalents, the Group mostly transacts with reputable financial institutions and banks, which are all with high credit-quality. The Group also transacts with financial institutions, and certain level of deposits of which is insured by a regulator in the United States. There has no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

(vi) Deposits and other receivables

For deposits and other receivables, management makes periodic individual assessments on the recoverability of deposits and other receivables based on historical settlement records, past experience as well as forward looking factors. During the year ended 31 December 2019, there was an increase in credit risk on an amount due from an independent third party of JPY89,500,000 (equivalent to RMB5,757,507) (Note 22(c)) and the Directors believe that the recoverability of the balance is uncertain. Therefore, the whole balance was fully provided for as at 31 December 2019. The directors believe there is no material credit risk inherent in the Group's outstanding balances of deposits and other receivables and the expected credit loss is close to zero.

Except for the amount mentioned above, the Directors believe that there is no material credit risk inherent in the Group's outstanding balances of deposits and other receivables and the expected credit loss is close to zero.

(c) Price risk

Exposure

Digital assets that the Group deals with in its trading activities are digital assets such as Bitcoin, Ethereum, Ripple, USD Coin, Tether and Bitcoin Cash which can be traded in a number of public exchanges.

The Group's exposure to price risk arises from digital assets and liabilities which are both measured on fair value basis (Note 20, Note 22(b), Note 23, Note 26(c), Note 28 and Note 29(c)).

The price risk of digital asset inventories arising from digital assets and blockchain platform business is partly offset by remeasurement of digital asset liabilities and collateral payables, representing the obligations to deliver digital assets held by the Group in the customers' accounts to customers under the respective trading and lending arrangements with the Group.

To manage its price risk arising from trading of digital asset inventories, the Group's operating principle is to reduce price risk by maintaining a minimal net position of digital asset inventories over its digital asset liabilities for working capital purposes by matching a customer's buy or sell trade as quickly as possible with an opposite trade with liquidity providers.

In addition, the Group may use digital asset futures to hedge against any inventory positions. As at 31 December 2018 and 2019, there were no outstanding futures contract.

Save as disclosed in Note 20, the Group has proprietary inventories of RMB89,448,271 (2018: RMB8,225,307) and 49% (2018: Nil) of the balances are stablecoins, which are fiat-backed with fair values approximate US$1 per unit with limited price risk.

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

Financial risk factors *(Continued)*

(c) Price risk (Continued)

Sensitivity

At 31 December 2019, if the prices of digital assets held by the Group had increased/decreased by 8% (being a reasonably expected change determined based on average monthly price movements) in the principal markets with other variables held constant, the loss before income tax arising from changes in fair value of digital asset inventories, digital asset liabilities due to customers and collateral payables would have been RMB35,724,940 (2018: RMB15,099,128) lower/higher, RMB28,569,078 (2018: RMB14,441,103) higher/lower and RMB2,552,504 (2018: Nil) higher/lower respectively, with the net effect of RMB4,603,358 (2018: RMB658,025) lower/higher for the year. Among the balances, 18% of digital asset inventories (2018: Nil) and 10% of digital asset liabilities due to customers (2018: Nil) are stablecoins, which are fiat-backed with fair values approximate US$1 per unit with limited price risk.

As at 31 December 2019, the Group also had inventories due from counterparties of RMB24,361,958 (2018: Nil) and related interest receivable of RMB207,667 (2018: Nil), as well as inventories borrowed from counterparties of RMB7,656,549 (2018: Nil) and related interest payables of RMB67,969 (2018: Nil), which were related to stablecoins. As the relevant stablecoins are fiat-backed and has a market value of approximately US$1 per unit with minimal fluctuation, the price risk is insignificant and no sensitivity analysis is presented.

(d) Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain a contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirement. The Group meets its day to day working capital requirements, capital expenditure and financial obligations through cash inflow from operating activities and the facilities obtained from banks and other lenders. Due to the dynamic nature of the underlying businesses, management maintains flexibility in funding by maintaining availability under committed credit lines.

The Directors closely monitor the Group's liquidity position and financial performance to ensure it has sufficient cash flow to meet the operational need. These measures include raising additional capital; extending existing loan facilities; and obtaining additional financing from banks and other leaders, if considered necessary.

The table below analyses our Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of each financial reporting period to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying amounts, as the impact of discounting is not significant.

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

Financial risk factors *(Continued)*

(d) Liquidity risk (Continued)

	On demand RMB	Within 1 year RMB	Between 1 and 2 years RMB	Between 2 and 5 years RMB	Over 5 years RMB	Total RMB
At 31 December 2019						
Borrowings (excluding non-financial borrowings of digital assets)	–	77,483,978	270,574,050	–	–	348,058,028
Lease liabilities	–	49,752,942	49,362,869	137,734,194	20,132,924	256,982,929
Financial liabilities at fair value through profit or loss	–	14,646,047	–	6,960,498	–	21,606,545
Liabilities due to customers	496,189,194	–	–	–	–	496,189,194
Trade payables	–	41,243,692	–	–	–	41,243,692
Accruals, other payables and deposits received	–	55,338,463	-	9,340,787	–	64,679,250
	496,189,194	238,465,122	319,936,919	154,035,479	20,132,924	1,228,759,638
At 31 December 2018						
Borrowings	–	242,089,055	17,989,315	–	–	260,078,370
Lease liabilities	–	62,991,242	57,635,179	169,941,588	70,801,284	361,369,293
Financial liabilities at fair value through profit or loss	–	686,275	14,472,449	–	6,873,163	22,031,887
Liabilities due to customers	380,701,523	–	–	–	–	380,701,523
Trade payables	–	34,512,869	–	–	–	34,512,869
Accruals, other payables and deposits received	–	30,841,512	–	–	8,862,200	39,703,712
	380,701,523	371,120,953	90,096,943	169,941,588	86,536,647	1,098,397,654

3.4 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain or adjust the capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders and issue new shares. The Group's overall strategy remains unchanged from prior year.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total assets. The gearing ratio as at 31 December 2019 was 106% (2018: 97%).

3 RISK DISCLOSURES *(Continued)*

3.4 Capital management *(Continued)*

The business plans of the Group mainly depend on maintaining sufficient funding to meet its expenditure requirements. The Group currently relies on funding from a variety of sources including loans from third parties and related parties as well as equity financing. Should the Group be unable to obtain sufficient funding, both existing operations of the Group and its development plans could be impacted.

The Group will regularly review its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations and seek to diversify its funding sources.

3.5 Fair value estimation

(a) Financial assets and liabilities

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

(i) Fair value hierarchy

Recurring fair value measurements

Financial liabilities	*Notes*	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
At 31 December 2019					
Financial liabilities at fair value through profit or loss	*30*	**–**	**–**	**19,578,376**	**19,578,376**
Liabilities due to customers — Digital assets liabilities	*28*	**354,156,330**	**2,957,150**	**–**	**357,113,480**
Liabilities due to customers — Fiat currency liabilities	*28*	**139,075,714**	**–**	**–**	**139,075,714**
		493,232,044	**2,957,150**	**19,578,376**	**515,767,570**
At 31 December 2018					
Financial liabilities at fair value through profit or loss	*30*	–	–	20,620,230	20,620,230
Liabilities due to customers — Digital assets liabilities	*28*	178,529,726	1,984,066	–	180,513,792
Liabilities due to customers — Fiat currency liabilities	*28*	200,187,731	–	–	200,187,731
		378,717,457	1,984,066	20,620,230	401,321,753

3 RISK DISCLOSURES *(Continued)*

3.5 Fair value estimation *(Continued)*

(a) Financial assets and liabilities *(Continued)*

(i) Fair value hierarchy (Continued)

Recurring fair value measurements (Continued)

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

(ii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for year ended 31 December 2019:

	Convertible note		Warrant		Total	
	2019 RMB	2018 RMB	**2019 RMB**	2018 RMB	**2019 RMB**	2018 RMB
Opening balance at 1 January	**13,747,067**	–	**6,873,163**	–	**20,620,230**	–
Addition	**–**	13,763,235	**–**	6,881,617	**–**	20,644,852
Change in fair value	**(400,178)**	6,882	**(892,631)**	–	**(1,292,809)**	6,882
Currency translation differences	**177,358**	(23,050)	**73,597**	(8,454)	**250,955**	(31,504)
Closing balance at 31 December	**13,524,247**	13,747,067	**6,054,129**	6,873,163	**19,578,376**	20,620,230

3 RISK DISCLOSURES *(Continued)*

3.5 Fair value estimation *(Continued)*

(a) Financial assets and liabilities *(Continued)*

(iii) Valuation inputs and relationships to fair value

Financial instruments	Fair value as at 31 December 2019 RMB	Fair value as at 31 December 2018 RMB	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs 31 December 2019	Significant unobservable inputs 31 December 2018	Relationship of unobservable inputs to fair value
1) Convertible note with a conversion right to convert the note into shares of OS Holdings Limited	**13,524,247**	13,747,067	Level 3	Black-Scholes Formula is adopted and the key inputs are the share price of OS Holdings Limited, the volatilities of the assets and the risk free rate	**Yield to maturity 8.26%**	Yield to maturity 5%	Increased yield to maturity by 200 basis points would decrease fair value by RMB240,678; decreased yield to maturity by 200 basis points would increase fair value by RMB249,701. 2018: Increased yield to maturity by 200 basis points would decrease fair value by RMB489,227; decreased yield to maturity by 200 basis points would increase fair value by RMB517,680.
2) Warrant with a conversion right to convert the warrant into ordinary shares of BC MarketPlace Limited	**6,054,129**	6,873,163	Level 3	Discounted cash flow model is adopted and the key inputs are terminal growth rate and discount rate	**Discount rate: 29%**	Discount rate: 38.4%	Increased discount rate by 500 basis points would decrease fair value by RMB1,084,005; decreased discount rate by 500 basis points would increase fair value by RMB1,584,822. 2018: Increased discount rate by 500 basis points would decrease fair value by RMB1,265,347; decreased discount rate by 500 basis points would increase fair value by RMB1,743,452.
3) Liabilities due to customers — digital assets liabilities (Note)	**2,957,150**	1,984,066	Level 2	The digital asset is quoted in unit of Bitcoin ("BTC"). Price of the digital assets at level 2 fair value is referenced to quoted price of BTC.	**Quoted price of BTC**	Quoted price of BTC	

Note: Digital assets inventories are held mainly for the purposes of trading in the ordinary course of the Group's digital assets and blockchain platform business in the OTC market and the provision of automated digital assets trading services through its proprietary platforms. Based on respective right and obligation between the Group and its customers, the obligations to settle or deliver such digital assets are recognised as digital assets liabilities due to customers.

3 RISK DISCLOSURES *(Continued)*

3.5 Fair value estimation *(Continued)*

(a) Financial assets and liabilities *(Continued)*

(iii) Valuation inputs and relationships to fair value (Continued)

As at 31 December 2019, the digital assets liabilities due to customers are measured at level 1 or level 2 fair value. The determination of fair value hierarchy level for valuation of the liabilities due to customers would depend on whether the underlying digital asset is traded in an active market.

In determining fair values, the relevant available markets are identified by the Group, and the Group considers accessibility to and activity within those markets in order to identify the principal digital asset markets dealt with by the Group. Reference is made to the quoted prices from the principal digital asset markets in determining the fair values of the corresponding digital assets.

Certain type of digital assets is not traded in an active market for fiat, instead, it is only traded for another type of digital assets. In such case, the digital assets inventories are measured at level 2 fair value and the Group takes reference to the quoted price of the other digital assets in determining the fair value.

(iv) Sensitivity analysis

Sensitivity analysis is presented in Note 3.5(a)(iii) above for the impact of changes in the unobservable inputs which might result in a significant change in the Group's result.

(v) Valuation processes

The Group engages external, independent and qualified valuers to determine the fair value of the Group's financial liabilities at fair value through profit or loss at the end of every financial year. As at 31 December 2019, the fair values of the financial liabilities at fair value through profit or loss were determined by Vigers Appraisal & Consulting Limited (Note 30).

(b) Non-financial assets and liabilities

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets and liabilities that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in Note 3.5(a) above.

3 RISK DISCLOSURES *(Continued)*

3.5 Fair value estimation *(Continued)*

(b) Non-financial assets and liabilities *(Continued)*

(i) Fair value hierarchy (Continued)

Recurring fair value measurements

	Notes	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
At 31 December 2019					
Non-financial assets					
Digital assets inventories	20	410,589,431	35,972,320	–	446,561,751
Interest receivables arising from inventories due from counterparties	22	–	207,667	–	207,667
Inventories due from counterparties	23	–	24,361,958	–	24,361,958
		410,589,431	60,541,945	–	471,131,376
Non-financial liabilities					
Collateral payables	26	31,906,302	–	–	31,906,302
Interest payable arising from inventories borrowed from counterparties	26	18,216	49,753	–	67,969
Inventories borrowed from counterparties	29	4,176,300	3,480,249	–	7,656,549
		36,100,818	3,530,002	–	39,630,820
At 31 December 2018					
Non-financial assets					
Digital assets inventories	20	186,732,789	2,006,310	–	188,739,099

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

(ii) Valuation inputs and relationships to fair value

Digital assets inventories are held mainly for the purposes of trading in the ordinary course of the Group's digital assets and blockchain platform business in the OTC market and the provision of automated digital assets trading services through its proprietary platforms. Based on respective right and obligation between the Group and its customers, digital assets held in the Group's wallets are recognised as the Group's inventories.

As at 31 December 2019, the digital assets inventories are measured at level 1 or level 2 fair value. The determination of fair value hierarchy level for valuation of the digital assets inventories would depend on whether the underlying digital assets is traded in an active market.

In determining fair values, the relevant available markets are identified by the Group, and the Group considers accessibility to and activity within those markets in order to identify the principal digital asset markets dealt with by the Group. Reference is made to the quoted prices from the principal digital asset markets in determining the fair values of the corresponding digital assets.

3 RISK DISCLOSURES *(Continued)*

3.5 Fair value estimation *(Continued)*

(b) Non-financial assets and liabilities *(Continued)*

(ii) Valuation inputs and relationships to fair value (Continued)

Certain type of digital assets is not traded in an active market for fiat, instead, it is only traded for another type of digital assets. In such case, the digital assets inventories are measured at level 2 fair value and the Group takes reference to the quoted price of the other digital assets in determining the fair value:

	Fair value as at				Significant unobservable input	
Non-financial assets/ liabilities	**31 December 2019 RMB**	31 December 2018 RMB	**Fair value Hierarchy**	**Valuation techniques and key inputs**	**31 December 2019**	31 December 2018
Digital assets inventories	**35,972,320**	2,006,310	Level 2	The digital asset is quoted in unit of BTC. Price of the digital assets at level 2 fair value is referenced to quoted price of BTC.	**Quoted price of BTC**	Quoted price of BTC
Interest receivables arising from inventories due from counterparties	**207,667**	–	Level 2	The digital asset is quoted in unit of BTC. Price of the digital assets at level 2 fair value is referenced to quoted price of BTC.	**Quoted price of BTC**	N/A
Inventories due from counterparties	**24,361,958**	–	Level 2	The digital asset is quoted in unit of BTC. Price of the digital assets at level 2 fair value is referenced to quoted price of BTC.	**Quoted price of BTC**	N/A
Interest payable arising from inventories borrowed from counterparties	**49,753**	N/A	Level 2	The digital asset is quoted in unit of BTC. Price of the digital assets at level 2 fair value is referenced to quoted price of BTC.	**Quoted price of BTC**	N/A
Inventories borrowed from counterparties	**3,480,249**	N/A	Level 2	The digital asset is quoted in unit of BTC. Price of the digital assets at level 2 fair value is referenced to quoted price of BTC.	**Quoted price of BTC**	N/A

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated by the Group and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Accounting of digital assets transactions and balances

IFRSs do not specifically address accounting for digital assets. Accordingly, for the preparation of the Group's consolidated financial statements, management needs to apply judgement in determining appropriate accounting policies based on the facts and circumstances of the Group's digital assets and blockchain platform business.

Given the business model of the Group, digital assets are accounted for as inventories and are measured at fair value less costs to sell on the consolidated statement of financial position. On the other hand, contracts for trading of digital assets with the Group's counterparties and liquidity providers through its OTC and proprietary platforms are accounted for as financial instruments and measured at fair value through profit or loss as these contracts can, in practice, be settled net in cash; whereas service fees from Software as a Service arrangements which are determined based on the transaction volume of the platforms licensed by the White label customers are recognised over time when the platform technology and related services are provided.

Furthermore, in determining fair values, management needs to apply judgement to identify the relevant available markets, and to consider accessibility to and activity within those markets in order to identify the principal digital asset markets for the Group.

(b) Impairment allowances for trade and bills receivables, contract assets and other receivables

The loss allowances for trade and bills receivables, contract assets and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Please refer to Note 3.3(b) for details.

5 SEGMENT REPORTING

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

The Group has four reportable segments (including the discontinued operations). 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:

— Wireless advertising — provision of wireless advertising service in the PRC (Note)

— Traditional advertising — provision of traditional advertising services, public relation services and event marketing services in the PRC

— Business park area management — providing operation and management services in business park area in the PRC

— Digital assets and blockchain platform business — trading of digital assets in the OTC market and provision of automated digital assets trading services through its proprietary platforms, licensing of its proprietary platforms and technology solutions as a SaaS and others related businesses.

Note: The Board of Directors (the "Board") has decided to discontinue the operation of wireless advertising business on 29 December 2016. In accordance with IFRS 5, the segment of wireless advertising service for the years ended 31 December 2019 and 2018 were classified as discontinued operations in the Group's consolidated financial statements.

5 SEGMENT REPORTING *(Continued)*

(a) For the year ended 31 December 2019

	Continuing operations					Discontinued operations	
	Traditional advertising RMB	Business park area management RMB	Digital assets and blockchain platform business RMB	Unallocated RMB	Subtotal RMB	Wireless advertising RMB	Total RMB
Results							
Revenue from contracts with customers:							
Revenue from advertising	57,897,897	–	–	–	57,897,897	–	57,897,897
Service fee from SaaS *(Note 7)*	–	–	2,261,879	–	2,261,879	–	2,261,879
Interest income from inventories financing and other revenues *(Note 7)*	–	–	2,474,299	–	2,474,299	–	2,474,299
Income from other sources:							
Rental income from business park area management services	–	35,142,160	–	–	35,142,160	–	35,142,160
Other income from digital assets and blockchain platform business *(Note 7)*	–	–	66,912,210	–	66,912,210	–	66,912,210
Segment results	8,880,472	15,556,798	71,648,388	–	96,085,658	–	96,085,658
Finance income	388,034	2,297	42,951	21,937,044	22,370,326	372	22,370,698
Finance costs	(648,589)	(12,705,703)	(892,281)	(48,216,543)	(62,463,116)	–	(62,463,116)
Impairment loss on financial assets and contract assets	(4,995,607)	(3,303,543)	–	(5,672,587)	(13,971,737)	–	(13,971,737)
Unallocated expenses *(Note (ii))*	(13,625,450)	(2,684,830)	(72,248,058)	(200,118,380)	(288,676,718)	(44,951)	(288,721,669)
Loss before income tax expense	(10,001,140)	(3,134,981)	(1,449,000)	(232,070,466)	(246,655,587)	(44,579)	(246,700,166)
Income tax credit/(expense)	1,322,231	620,904	–	(365,278)	1,577,857	–	1,577,857
Loss for the year	(8,678,909)	(2,514,077)	(1,449,000)	(232,435,744)	(245,077,730)	(44,579)	(245,122,309)
Loss for the year from continuing operations	(8,678,909)	(2,514,077)	(1,449,000)	(232,435,744)	(245,077,730)	–	(245,077,730)
Loss for the year from discontinued operations *(Note 14)*	–	–	–	–	–	(44,579)	(44,579)
	(8,678,909)	(2,514,077)	(1,449,000)	(232,435,744)	(245,077,730)	(44,579)	(245,122,309)
Assets and liabilities							
Reportable segment assets *(Note (iii))*	120,269,784	113,929,984	628,021,635	274,769,045	1,136,990,448	7,678,803	1,144,669,251
Reportable segment liabilities *(Note (iii))*	46,457,547	118,148,922	592,689,722	446,750,558	1,204,046,749	6,906,283	1,210,953,032
Other segment information							
Depreciation and amortisation	8,087,471	16,547,790	2,081,033	30,079,194	56,795,488	–	56,795,488

5 SEGMENT REPORTING *(Continued)*

(b) For the year ended 31 December 2018

	Continuing operations					Discontinued operations	
	Traditional advertising RMB	Business park area management RMB	Digital assets trading business RMB	Unallocated RMB	Subtotal RMB	Wireless advertising RMB	Total RMB
Results							
Revenue from contracts with customers:							
Revenue from advertising	100,431,065	–	–	–	100,431,065	–	100,431,065
Income from other sources:							
Rental income from business park area management services	–	35,968,395	–	–	35,968,395	–	35,968,395
Income from digital assets business	–	–	8,560,749	–	8,560,749	–	8,560,749
Segment results	27,969,162	16,473,294	8,560,749	(112,197)	52,891,008	–	52,891,008
Finance income	579,671	2,457	883	11,735,829	12,318,840	389	12,319,229
Finance costs	(1,117,511)	(13,732,090)	–	(24,981,784)	(39,831,385)	–	(39,831,385)
Impairment loss on trade receivables and contract assets	–	(1,573,404)	(4,776,834)	7,441	(6,342,797)	–	(6,342,797)
Reversal of impairment loss on trade receivables and contract assets	879,619	–	–	–	879,619	–	879,619
Unallocated expenses *(Note (ii))*	(24,812,848)	(607,349)	(14,812,013)	(135,458,885)	(175,691,095)	225,577	(175,465,518)
Profit/(loss) before income tax expense	3,498,093	562,908	(11,027,215)	(148,809,596)	(155,775,810)	225,966	(155,549,844)
Income tax expense	(2,385,493)	(371,341)	–	(2,390,280)	(5,147,114)	–	(5,147,114)
Profit/(loss) for the year	1,112,600	191,567	(11,027,215)	(151,199,876)	(160,922,924)	225,966	(160,696,958)
Profit/(loss) for the year from continuing operations	1,112,600	191,567	(11,027,215)	(151,199,876)	(160,922,924)	–	(160,922,924)
Profit for the year from discontinued operations *(Note 14)*	–	–	–	–	–	225,966	225,966
	1,112,600	191,567	(11,027,215)	(151,199,876)	(160,922,924)	225,966	(160,696,958)
Assets and liabilities							
Reportable segment assets *(Note (iii))*	102,757,377	124,946,140	449,580,095	320,991,523	998,275,135	4,304,035	1,002,579,170
Reportable segment liabilities *(Note (iii))*	42,271,818	126,651,003	462,351,511	329,771,265	961,045,597	6,906,282	967,951,879
Other segment information							
Depreciation and amortisation	4,308,526	18,458,474	860,144	6,930,508	30,557,652	37,675	30,595,327

Notes:

(i) All revenue and income were generated from external customers. There were no sales or other transactions between the business segments for the years ended 31 December 2019 and 2018.

(ii) Unallocated expenses mainly include salaries, rental expenses, consultancy and professional fees for head office.

(iii) Unallocated assets mainly include cash and cash equivalents in head office and unallocated liabilities mainly include borrowings.

6 REVENUE FROM CONTRACTS WITH CUSTOMERS UNDER IFRS 15

(a) Disaggregation of revenue from contracts with customers

During the year ended 31 December 2019, all sources of revenue from contracts with customers were recognised over time (2018: same).

	2019 **RMB**	2018 RMB
Revenue from advertising business	**57,897,897**	100,431,065
Service fee from SaaS *(Note 7)*	**2,261,879**	–
Interest income from inventories financing *(Note 7)*	**1,397,625**	–
Others *(Note 7)*	**1,076,674**	–

(b) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	Note	**2019** **RMB**	2018 RMB
Contract assets from advertising and business park area management services		**26,953,196**	59,601,005
Contract assets from digital assets and blockchain platform business		**1,387,179**	–
Less: loss allowance		**(1,909,182)**	(9,686,597)
		26,431,193	49,914,408
Assets recognised from costs to fulfill revenue contracts	*6(b)(iv)*	**1,939,649**	–
Total contract assets		**28,370,842**	49,914,408
Contract liabilities		**2,556,873**	931,198

6 REVENUE FROM CONTRACTS WITH CUSTOMERS UNDER IFRS 15 *(Continued)*

(b) Assets and liabilities related to contracts with customers *(Continued)*

The below table reconciles the impairment loss allowance which is related to contract assets:

	2019 **RMB**	2018 RMB
At the beginning of the year	**9,686,597**	–
Effect on adoption of IFRS 15 on 1 January 2018	**–**	8,122,622
Effect on adoption of IFRS 9 on 1 January 2018	**–**	2,443,594
Provision/(reversal of provision) for impairment of contract assets *(Note 10)*	**365,438**	(879,619)
Reclassification of impairment provision to assets held for sale *(Note 14)*	**(8,142,853)**	–
At the end of the year	**1,909,182**	9,686,597

(i) Contract assets and liabilities

Contract assets represent revenue recognised prior to the date on which it is invoiced to customers and contract liabilities represent advance payments received from customers for goods or services that have not yet been transferred to the customers.

(ii) Revenue recognised in relation to contract liabilities

The following shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	2019 **RMB**	2018 RMB
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**931,198**	6,596,716

(iii) Unsatisfied SaaS contracts

The following table shows unsatisfied performance obligations resulting from SaaS contracts:

	2019 **RMB**	2018 RMB
Aggregate amount of the transaction price allocated to SaaS contracts that are partially or fully unsatisfied as at 31 December	**20,290,073**	–

6 REVENUE FROM CONTRACTS WITH CUSTOMERS UNDER IFRS 15 *(Continued)*

(b) Assets and liabilities related to contracts with customers *(Continued)*

(iii) Unsatisfied SaaS contracts *(Continued)*

Management expects that the transaction price allocated to the unsatisfied performance obligations will be recognised as revenue when the related services are provided over the next 3 to 4 years (2018: Nil) for the year ended 31 December 2019.

(iv) Assets recognised from costs to fulfil revenue contracts

The Group has also recognised an asset in relation to costs to fulfil SaaS contracts. This is presented within contract assets in the consolidated statement of financial position.

	2019 **RMB**	2018 RMB
Assets recognised from costs incurred to fulfil a contract during the year	**2,223,828**	–
Amortisation recognised as cost of providing services during the year	**(284,179)**	–
At end of the year	**1,939,649**	–

7 INCOME FROM DIGITAL ASSETS AND BLOCKCHAIN PLATFORM BUSINESS

	2019 **RMB**	2018 RMB
Income from digital assets and blockchain platform business:		
Trading of digital assets *(Note (a))*	**67,601,608**	8,348,305
Net fair value (loss)/gain on digital assets inventories *(Note (a))*	**(689,398)**	212,444
Service fee from SaaS *(Note 6(a))*	**2,261,879**	–
Interest income from inventories financing *(Note 6(a))*	**1,397,625**	–
Others *(Note 6(a))*	**1,076,674**	–
	71,648,388	8,560,749

Note:

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

8 OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	2019 RMB	2018 RMB
Other income		
Service income from a third party	**1,281,695**	–
Participation income	**459,328**	–
Others	**233,526**	–
Total	**1,974,549**	–
Other gains/(losses), net		
Forfeited customer rental deposit from business park	**–**	1,638,804
Loss on disposal of subsidiaries	**–**	(2,790,042)
Gain on disposal of an associate	**–**	67,734
Exchange gains, net	**1,542,411**	77,174
Fair value changes of financial liabilities through profit or loss	**1,292,809**	(6,882)
Loss on disposal of property, plant and equipment *(Note 37(c))*	**(449,759)**	(125,135)
Loss on write-off of intangible assets *(Note 18)*	**(60,630)**	–
Gain on termination of leases	**315,440**	–
Others	**75,348**	95,372
Total	**2,715,619**	(1,042,975)

9 FINANCE COSTS, NET

	2019 RMB	2018 RMB
Finance income		
Interest income from bank deposits	**476,002**	799,092
Imputed interest income from rental deposits	**623,155**	233,720
Imputed interest income from borrowings	**11,833,110**	11,286,028
Imputed interest income from pledged deposits	**9,438,059**	–
	22,370,326	12,318,840
Finance costs		
Interest expense on borrowings	**(14,289,270)**	(4,149,105)
Interest expense on lease liabilities *(Note 27(b))*	**(25,475,840)**	(26,244,221)
Interest expense on inventories borrowed from counterparties	**(92,817)**	–
Imputed interest expense on pledged deposits	**(10,489,692)**	(9,438,059)
Imputed interest expense on borrowings	**(11,415,696)**	–
Interest expense on convertible note	**(699,801)**	–
	(62,463,116)	(39,831,385)
Finance costs, net	**(40,092,790)**	(27,512,545)

10 EXPENSES BY NATURE

Cost of revenue, selling and distribution expenses, administrative and other operating expenses and net impairment losses on financial assets and contract assets included the following:

	2019 RMB	2018 RMB
Continuing operations		
Auditor's remuneration		
— Audit services	**9,297,908**	6,829,484
— Non-audit services	**1,140,285**	743,464
Legal and professional fee	**5,659,681**	4,136,778
Consultancy fee (including share-based payments)	**10,555,921**	15,846,702
Travelling expenses	**3,286,472**	6,285,674
Cost of revenue relating to advertising services (excluding employee benefits)	**47,064,322**	68,381,468
Amortisation of intangible assets *(Note 18)*	**8,197,399**	4,750,421
Depreciation of property, plant and equipment (excluding right-of-use assets) *(Note 17)*	**9,574,114**	3,335,061
Depreciation of right-of-use assets *(Note 17)*	**39,023,975**	22,509,845
Employee benefit expenses (including directors' emoluments) *(Note 11)*	**158,691,103**	85,849,069
Expense relating to short-term leases (included in administrative and other operating expenses)	**3,402,342**	3,502,133
Provision for impairment of trade receivables *(Note 21)*	**7,933,712**	6,342,797
Provision for impairment of other receivables *(Note 22)*	**5,672,587**	–
Provision/(reversal of provision) for impairment of contract assets *(Note 6(b))*	**365,438**	(879,619)

11 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR'S EMOLUMENTS)

	2019 RMB	2018 RMB
Basic salaries, allowances and other benefits in kind	**120,886,523**	66,165,091
Pension costs — defined contribution plans	**2,457,605**	3,039,713
Share-based payments	**43,865,393**	16,644,265
	167,209,521	85,849,069
Less: staff costs capitalised as development costs of computer software *(Note 18)*	**(8,518,418)**	–
	158,691,103	85,849,069

11 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR'S EMOLUMENTS) *(Continued)*

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2018: three) directors whose emoluments are reflected in the analysis shown in Note 12. The emoluments payable to the remaining two (2018: two) individuals during the year are as follows:

	2019 RMB	2018 RMB
Salaries, allowances and benefits in kinds	**4,276,337**	2,970,396
Pension scheme contributions	**27,744**	40,793
Share-based payments	**691,386**	619,818
	4,995,467	3,631,007

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands		
RMB1 to RMB1,000,000	**–**	–
RMB1,000,001 to RMB1,500,000	**–**	1
RMB1,500,001 to RMB2,000,000	**–**	1
RMB2,000,001 to RMB2,500,000	**1**	–
RMB2,500,001 to RMB3,000,000	**1**	–
	2	2

12 BENEFITS AND INTERESTS OF DIRECTORS

(a) The remuneration of all directors for the years ended 31 December 2019 and 2018 is set out below:

	Fee RMB	Salaries, allowances and benefit in kinds RMB	Pension scheme contributions RMB	Share-based compensation RMB	Total RMB
Year ended 31 December 2019					
Executive directors:					
Mr. Fang Bin *(Note (i))*	–	438,572	11,258	–	449,830
Mr. Lo Ken Bon	–	3,170,689	15,853	2,810,561	5,997,103
Mr. Ko Chun Shun, Johnson	1,056,896	–	–	1,405,281	2,462,177
Mr. Madden Hugh Douglas	–	3,170,689	15,853	2,810,561	5,997,103
Mr. Chapman David James	–	3,170,689	15,853	2,810,561	5,997,103
Mr. Tiu Ka Chun, Gary *(Note (ii))*	–	841,113	9,248	–	850,361
Non-executive directors:					
Mr. Chia Kee Loong, Lawrence	422,758	–	–	281,056	703,814
Mr. Chau Shing Yim, David	422,758	–	–	281,056	703,814
Mr. Tai Benedict	422,758	–	–	281,056	703,814
	2,325,170	10,791,752	68,065	10,680,132	23,865,119
Year ended 31 December 2018					
Executive directors:					
Mr. Fang Bin	–	720,000	89,725	–	809,725
Mr. Song Yijun	–	77,141	22,432	–	99,573
Mr. Patrick Zheng	–	–	–	–	–
Mr. Fan Youyuan	60,000	–	–	–	60,000
Mr. Huang Wei	–	–	–	–	–
Mr. Lo Ken Bon	–	2,211,145	20,897	997,249	3,229,291
Mr. Ko Chun Shun, Johnson	740,096	–	–	498,625	1,238,721
Mr. Madden Hugh Douglas	–	1,125,184	10,448	997,249	2,132,881
Mr. Chapman David James	–	1,125,184	10,448	997,249	2,132,881
Non-executive directors:					
Mr. Lin Zhiming	48,395	–	–	–	48,395
Ms. Hsu Wai Man, Helen	48,395	–	–	–	48,395
Mr. Zhou Ruijin	48,395	–	–	–	48,395
Mr. Chia Kee Loong, Lawrence	296,038	–	–	99,725	395,763
Mr. Chau Shing Yim, David	296,038	–	–	99,725	395,763
Mr. Tai Benedict	211,290	–	–	99,725	311,015
	1,748,647	5,258,654	153,950	3,789,547	10,950,798

Notes:

(i) Resigned as the executive director of the Company with effective from 11 July 2019

(ii) Appointed as the executive director of the Company with effective from 11 July 2019

12 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' emoluments

None of the directors has waived any of their emoluments in respect of the years ended 31 December 2019 and 2018.

(c) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the years ended 31 December 2019 and 2018.

(d) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31 December 2019 and 2018.

(e) Consideration provided to third parties for making available director's services

During the years ended 31 December 2019 and 2018, no consideration was paid by the Company to third parties for making available directors' services.

(f) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2019, Mr. Ko Chun Shun, Johnson, an executive director of the Company, through his wholly owned companies, provided loan facilities of up to HKD142,000,000 (equivalent to RMB125,064,200) to the Group. Loans amounted to HKD132,000,000 (equivalent to RMB117,997,265) remained outstanding as at 31 December 2019 (Note 29).

Except for the loans mentioned above, during the years ended 31 December 2019 and 2018, there were no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors.

(g) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 36, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of 31 December 2019 and 2018 or at any time during the years ended 31 December 2019 and 2018.

13 INCOME TAX (CREDIT)/EXPENSE

(i) Cayman Islands and British Virgin Islands corporate income tax

The Group was not subject to any taxation in the Cayman Islands and the British Virgin Islands for the year ended 31 December 2019 (2018: same).

(ii) Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2019 (2018: 16.5%).

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year ended 31 December 2019 (2018: same).

(iii) The PRC corporate income tax

Taxes on profits assessable in the PRC have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof. The PRC corporate income tax rate of all the PRC subsidiaries during the year ended 31 December 2019 was 25% on their taxable profits (2018: same).

(iv) Singapore corporate income tax

Singapore corporate income tax is calculated at 17% of the estimated assessable profits for the year ended 31 December 2019.

No provision for Singapore corporate income tax has been made as the Group did not generate any assessable profits arising in Singapore during the year ended 31 December 2019 (2018: Nil).

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

	2019 **RMB**	2018 RMB
Continuing operations		
Current tax:		
PRC corporate income tax	**2,159,357**	3,836,826
Over-provision in prior years:		
PRC corporate income tax	**(1,617,842)**	–
Deferred income tax *(Note 31)*	**(2,119,372)**	1,310,288
Income tax (credit)/expense	**(1,577,857)**	5,147,114

13 INCOME TAX (CREDIT)/EXPENSE *(Continued)*

The income tax (credit)/expense for the year can be reconciled to the Group's loss before income tax in the consolidated statement of profit or loss as follows:

	2019 **RMB**	2018 RMB
Continuing operations		
Loss before income tax	**(246,655,587)**	(155,775,810)
Tax calculated at a rate of 25% (2018: 25%)	**(61,663,897)**	(38,943,953)
Tax effect of different tax rates of subsidiaries operated in other jurisdictions	**20,350,954**	12,624,303
Expenses not deductible for tax purposes	**10,397,060**	10,810,823
Income not subject to tax	**(5,556,030)**	(6,103,336)
Utilisation of previously unrecognised tax losses	**(39,267)**	(41,160)
Tax losses for which no deferred income tax assets were recognised	**36,551,165**	26,800,437
Over-provision in prior year	**(1,617,842)**	–
Income tax (credit)/expense	**(1,577,857)**	5,147,114

As at 31 December 2019 and 2018, no deferred income tax liabilities have been recognised for the withholding tax that would be payable on the unremitted earnings of subsidiaries in the PRC. The unremitted earnings are to be used for reinvestment. The income tax liabilities are not recognised where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

14 DISCONTINUED OPERATIONS

On 29 December 2016, the Board decided to discontinue the operation of the wireless advertising business. An analysis of the results and cash flows of the discontinued operations for the years ended 31 December 2019 and 2018 is as below:

	2019 **RMB**	2018 RMB
Discontinued operations		
Statement of profit or loss of the discontinued operations:		
Other gains	**372**	285,994
Administrative and other operating expenses	**(44,951)**	(60,028)
(Loss)/profit for the year from discontinued operations (attributable to owners of the Company)	**(44,579)**	225,966
Statement of cash flows of the discontinued operations:		
Net cash (used in)/generated from operating activities and net cash inflows	**(6,900)**	128,713

14 DISCONTINUED OPERATIONS *(Continued)*

During the year ended 31 December 2019, the Group committed a plan to sell two of its subsidiaries, 上海巨流信息科技有限公司 ("巨流信息") and 上海巨流軟件有限公司 ("巨流軟件"), which were previously classified under discontinued operations.

On 1 December 2019, the Group entered into two agreements with an independent third party for the disposal of the Group's 100% equity interest in each of 巨流信息 and 巨流軟件, which are principally engaged in wireless advertising business in the PRC. The disposal of 巨流信息 was completed in January 2020, while the disposal of 巨流軟件 is expected to be completed later in 2020.

The assets and liabilities of 巨流信息 and 巨流軟件 (excluding an inter-company loan which is eliminated on consolidation) were classified as held for sale as at 31 December 2019 and details are as follows:

	At 31 December 2019		
	巨流信息	巨流軟件	Total
	RMB	RMB	RMB
Property, plant and equipment	81,299	–	81,299
Contract assets	6,506,051	1,636,802	8,142,853
Less: loss allowance	(6,506,051)	(1,636,802)	(8,142,853)
Other receivables	1,942,064	482,384	2,424,448
Cash and cash equivalents	120,770	881	121,651
Assets of a disposal group classified as held for sale	2,144,133	483,265	2,627,398
Trade payables	(3,620,795)	(1,960,778)	(5,581,573)
Other payables	(517,388)	(153,072)	(670,460)
Contract liabilities	(242,347)	–	(242,347)
Current income tax liabilities	(234,733)	(177,170)	(411,903)
Liabilities directly associated with assets classified as held for sale	(4,615,263)	(2,291,020)	(6,906,283)
Net liabilities directly associated with the disposal group	(2,471,130)	(1,807,755)	(4,278,885)

15 DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

16 LOSS PER SHARE

For continuing and discontinued operations

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

	2019 RMB	2018 RMB
Loss from continuing operations:		
Loss for the year attributable to owners of the Company	**243,580,447**	161,232,680
Add: (Loss)/profit for the year from discontinued operations (attributable to owners of the Company)	**(44,579)**	225,966
Loss for the year from continuing operations attributable to the owners of the Company for the purpose of basic and diluted loss per share	**243,535,868**	161,458,646

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:

	2019 RMB	2018 RMB
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	**243,580,447**	161,232,680

	2019	2018
Number of shares:		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**264,925,579**	251,771,079
Loss per share for loss from continuing operations attributable to the owners of the Company		
Basic (RMB per share)	**(0.92)**	(0.64)
Diluted (RMB per share)	**(0.92)**	(0.64)
Loss per share for loss from continuing and discontinued operations attributable to the owners of the Company		
Basic (RMB per share)	**(0.92)**	(0.64)
Diluted (RMB per share)	**(0.92)**	(0.64)

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

The share options and share award granted by the Company, convertible note granted by the Company's non-wholly owned subsidiary and warrants granted by the Company's wholly owned subsidiary, could have potential dilutive effect on the loss per share. During the years ended 31 December 2019 and 2018, the share options, share award, convertible note and warrants had anti-dilutive effect to the Group as the assumed conversion of share options and share award granted by the Company and convertible note and warrants granted by loss-making subsidiaries would result in a decrease in loss per share.

17 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement RMB	Office furniture and equipment RMB	Motor vehicles RMB	Right-of-use assets RMB	Construction in progress RMB	Total RMB
At 1 January 2018						
Cost	8,632,960	1,457,888	4,039,789	–	–	14,130,637
Accumulated depreciation	(1,148,329)	(856,986)	(1,435,860)	–	–	(3,441,175)
Net book amount	7,484,631	600,902	2,603,929	–	–	10,689,462
Year ended 31 December 2018						
Opening net book amount, as previously reported	7,484,631	600,902	2,603,929	–	–	10,689,462
Effect on early adoption of IFRS 16 on 1 January 2018	–	–	–	111,617,420	–	111,617,420
Additions	14,212,146	9,781,013	–	116,169,893	–	140,163,052
Depreciation *(Note 10)*	(1,160,246)	(1,415,057)	(759,758)	(22,509,845)	–	(25,844,906)
Disposals	–	(125,135)	–	–	–	(125,135)
Currency translation differences	127,472	79,470	–	984,410	–	1,191,352
Closing net book amount	20,664,003	8,921,193	1,844,171	206,261,878	–	237,691,245
At 31 December 2018						
Cost	22,974,626	10,773,595	4,039,789	228,825,740	–	266,613,750
Accumulated depreciation	(2,310,623)	(1,852,402)	(2,195,618)	(22,563,862)	–	(28,922,505)
Net book amount	20,664,003	8,921,193	1,844,171	206,261,878	–	237,691,245
Year ended 31 December 2019						
Opening net book amount	**20,664,003**	**8,921,193**	**1,844,171**	**206,261,878**	**–**	**237,691,245**
Additions	**11,972,170**	**2,574,657**	**–**	**–**	**1,026,786**	**15,573,613**
Depreciation *(Note 10)*	**(5,652,853)**	**(3,282,297)**	**(638,964)**	**(39,023,975)**	**–**	**(48,598,089)**
Disposals	**(350,699)**	**(200,559)**	**–**	**(745,456)**	**–**	**(1,296,714)**
Reclassified as assets held for sale *(Note 14)*	**–**	**(337)**	**(80,962)**	**–**	**–**	**(81,299)**
Currency translation differences	**348,391**	**136,613**	**–**	**1,572,573**	**15,371**	**2,072,948**
Closing net book amount	**26,981,012**	**8,149,270**	**1,124,245**	**168,065,020**	**1,042,157**	**205,361,704**
At 31 December 2019						
Cost	**35,002,037**	**13,081,180**	**3,808,126**	**229,713,108**	**1,042,157**	**282,646,608**
Accumulated depreciation	**(8,021,025)**	**(4,931,910)**	**(2,683,881)**	**(61,648,088)**	**–**	**(77,284,904)**
Net book amount	**26,981,012**	**8,149,270**	**1,124,245**	**168,065,020**	**1,042,157**	**205,361,704**

18 INTANGIBLE ASSETS

	Goodwill	Computer software and domain	Acquired lease with favorable terms	Capitalised development costs	Total
	RMB	RMB	RMB	RMB	RMB
At 1 January 2018					
Cost	9,275,778	126,496	41,225,677	–	50,627,951
Accumulated amortisation	–	(46,383)	(5,571,037)	–	(5,617,420)
Net book amount	9,275,778	80,113	35,654,640	–	45,010,531
Year ended 31 December 2018					
Opening net book amount	9,275,778	80,113	35,654,640	–	45,010,531
Additions	–	8,203,973	–	–	8,203,973
Amortisation *(Note 10)*	–	(293,591)	(4,456,830)	–	(4,750,421)
Currency translation differences	–	72,206	–	–	72,206
Closing net book amount	9,275,778	8,062,701	31,197,810	–	48,536,289
At 31 December 2018					
Cost	9,275,778	8,405,234	41,225,677	–	58,906,689
Accumulated amortisation	–	(342,533)	(10,027,867)	–	(10,370,400)
Net book amount	9,275,778	8,062,701	31,197,810	–	48,536,289
Year ended 31 December 2019					
Opening net book amount	**9,275,778**	**8,062,701**	**31,197,810**	**–**	**48,536,289**
Additions	**–**	**1,844,526**	**–**	**8,518,418**	**10,362,944**
Written-off *(Note 8)*	**–**	**(60,630)**	**–**	**–**	**(60,630)**
Transfer	**–**	**8,518,418**	**–**	**(8,518,418)**	**–**
Amortisation *(Note 10)*	**–**	**(3,740,568)**	**(4,456,831)**	**–**	**(8,197,399)**
Currency translation differences	**–**	**237,219**	**–**	**–**	**237,219**
Closing net book amount	**9,275,778**	**14,861,666**	**26,740,979**	**–**	**50,878,423**
At 31 December 2019					
Cost	**9,275,778**	**18,995,568**	**41,225,677**	**–**	**69,497,023**
Accumulated amortisation	**–**	**(4,133,902)**	**(14,484,698)**	**–**	**(18,618,600)**
Net book amount	**9,275,778**	**14,861,666**	**26,740,979**	**–**	**50,878,423**

18 INTANGIBLE ASSETS *(Continued)*

(a) Goodwill

Goodwill of RMB9,275,778 arose from the acquisition of Shanghai Jingwei (Note 19), whose principal activity is the provision of operation and management services in the business park area. During the year ended 31 December 2016, the Group entered into a sale and purchase agreement with a vendor to acquire the 90% of the voting equity instruments of Shanghai Jingwei at a cash consideration of RMB40,500,000. The acquisition was completed on 1 October 2016.

Goodwill was allocated to the cash generating unit of the provision of operation and management services in the business park area ("CGU").

For the year ended 31 December 2019, the recoverable amount of the CGU is determined based on a value-in-use calculation which uses cash flow projection based on the financial budget approved by the Directors covering a ten-years period, and a pre-tax discount rate of 18.1% (2018: 20.3% per annum).

The financial budget is prepared by management based on a business plan after considering the sustainability of business growth, stability of core business developments and achievement of business targets.

The Directors assessed the recoverable amount of the CGU and determined that no impairment loss was recognised for the years ended 31 December 2019 and 2018 as the recoverable amount exceeded the carrying amount.

The Directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

(b) Acquired lease with favorable terms

The favorable acquired lease with favorable terms arose from the acquisition of Shanghai Jingwei which was completed on 1 October 2016. It mainly represents a lease agreement signed between Shanghai Jingwei and its landlords with lease terms which are favorable relative to market terms. The lease agreement has met the recognition criteria of intangible assets to recognise separately from the goodwill. This intangible asset is amortised over the expected useful life of over the lease term.

(c) Capitalised development costs

Capitalised development costs represent direct costs incurred for the development of the computer software. Such capitalised costs will not be subjected to amortisation until the underlying computer software under development is ready for use. It will be tested for impairment annually and whenever there is an indication that it may be impaired.

19 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2019 and 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly or indirectly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

			Ownership interest held by the Group		
Name	**Place of Incorporation/ establishment**	**Issued/registered and paid-up share capital**	**2019**	2018	**Principal activities**
Directly owned:					
BC Technology Holdings Limited	British Virgin Islands	Ordinary share of 1, USD1	**100%**	100%	Investment holding
OS Holdings Limited	British Virgin Islands	Ordinary shares of 300,000, USD300,000	**91%**	91%	Investment holding
Indirectly owned:					
BC Technology (Hong Kong) Limited	Hong Kong	Ordinary share of 1, HKD1	**100%**	100%	Provision for corporate treasury and technical services for the Group
OS Limited	Hong Kong	Ordinary share of 1, HKD1	**91%**	91%	Provision for digital assets and blockchain platform business in Hong Kong
OSL SG PTE. LTD (formerly known as BCG Technology (Singapore) Pte. Ltd.	Singapore	Ordinary share of 1, SGD1	**100%**	100%	Provision for digital assets and blockchain platform business in Singapore
上海三眾廣告有限公司 ("SumZone Advertising")	The PRC (limited liability company under the laws of the PRC)	Registered capital RMB5,000,000, fully paid	**100%**	100%	Provision for advertising services in the PRC
上海三眾營銷策劃有限公司 ("SumZone Marketing")	The PRC (limited liability company under the laws of the PRC)	Registered capital RMB5,000,000, fully paid	**100%**	100%	Provision for advertising services in the PRC
上海憬威企業發展有限公司 ("Shanghai Jingwei")	The PRC (limited liability company under the laws of the PRC)	Registered capital RMB10,000,000, fully paid	**90%**	90%	Provision for business park area operation and management services in the PRC

19 SUBSIDIARIES *(Continued)*

Shanghai Jingwei and OS Holdings Limited, partially owned subsidiaries of the Company as to 90% and 91% interests respectively, have material non-controlling interests. Summarised financial information in relation to the non-controlling interests of Shanghai Jingwei and OS Holdings Limited before intra-group elimination are presented below:

	Shanghai Jingwei		OS Holdings Limited		Total	
	2019 RMB	2018 RMB	**2019 RMB**	2018 RMB	**2019 RMB**	2018 RMB
Revenue/trading income	**35,142,160**	36,428,943	**66,296,219**	8,560,749	**101,438,379**	44,989,692
(Loss)/profit for the year	**(2,514,077)**	4,635,408	**(13,583,713)**	(12,675,091)	**(16,097,790)**	(8,039,683)
Total comprehensive (loss)/income	**(2,514,077)**	4,635,408	**(13,307,393)**	(12,706,404)	**(15,821,470)**	(8,070,996)
(Loss)/profit allocated to non-controlling interests	**(251,409)**	463,542	**(1,290,453)**	72,180	**(1,541,862)**	535,722
Total comprehensive (loss)/income allocated to non-controlling interests	**(251,409)**	463,542	**(1,264,203)**	69,205	**(1,515,612)**	532,747
Cash inflows/(outflows) from operating activities	**27,100,588**	22,017,054	**(112,001,627)**	214,020,990	**(84,901,039)**	236,038,044
Cash outflows from investing activities	**–**	–	**(36,412,506)**	(887,900)	**(36,412,506)**	(887,900)
Cash (outflows)/inflows from financing activities	**(20,126,123)**	(22,285,316)	**24,812,352**	19,830,601	**4,686,229**	(2,454,715)
Net cash (outflows)/ inflows	**6,974,465**	(268,262)	**(123,601,781)**	232,963,691	**(116,627,316)**	232,695,429
Current assets	**37,672,248**	32,028,022	**545,715,281**	465,456,553	**583,387,529**	497,484,575
Non-current assets	**128,899,319**	145,559,700	**972,567**	4,909,896	**129,871,886**	150,469,596
Current liabilities	**(16,830,914)**	(13,865,660)	**(565,758,528)**	(461,837,548)	**(582,589,442)**	(475,703,208)
Non-current liabilities	**(101,039,454)**	(112,506,787)	**–**	(14,292,185)	**(101,039,454)**	(126,798,972)
Net assets/(liabilities)	**48,701,199**	51,215,275	**(19,070,680)**	(5,763,284)	**29,630,519**	45,451,991
Accumulated non-controlling interests	**4,870,120**	5,121,529	**(1,811,715)**	(547,512)	**3,058,405**	4,574,017
Transfer to statutory reserve	**(87,227)**	(87,227)	**–**	–	**(87,227)**	(87,227)
	4,782,893	5,034,302	**(1,811,715)**	(547,512)	**2,971,178**	4,486,790

20 INVENTORIES

	2019 RMB	2018 RMB
Digital assets inventories	**446,561,751**	188,739,099

As at 31 December 2019, the balance of digital assets inventories included digital assets held by the Group in designated customer accounts under various contractual arrangements totalling RMB357,113,480 (2018: RMB180,513,792) *(Note 28)*. It also included the Group's proprietary inventories of RMB89,448,271 (2018: RMB8,225,307). The balance is measured at fair value through profit or loss (Note 2.13).

Net fair value loss of RMB689,398 (2018: net fair value gain of RMB212,444) from remeasurement of digital assets inventories at 31 December 2019 to the extent it is not offset by remeasurement of digital assets liabilities due to customers at the same date is presented as part of the "income from digital assets and blockchain platform business" in the consolidated statement of profit or loss *(Note 7)*.

21 TRADE AND BILLS RECEIVABLES

	2019 RMB	2018 RMB
Trade receivables from advertising and business park area management services	**24,302,600**	8,987,134
Less: Loss allowance	**(9,695,606)**	(1,761,894)
	14,606,994	7,225,240
Bills receivables from advertising business	**2,247,811**	2,256,776
Trade receivables from digital assets and blockchain platform business	**22,121,930**	7,152,717
Less: Loss allowance	**(4,868,026)**	(4,812,857)
	17,253,904	2,339,860
Trade and bills receivables	**34,108,709**	11,821,876

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

21 TRADE AND BILLS RECEIVABLES *(Continued)*

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

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

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

	2019 **RMB**	2018 RMB
0 –30 days	**18,699,932**	6,706,660
31–90 days	**1,160,083**	1,805,618
91–180 days	**4,923,915**	839,422
181–365 days	**3,619,024**	213,400
Over 365 days	**3,457,944**	–
	31,860,898	9,565,100
Bills receivables	**2,247,811**	2,256,776
	34,108,709	11,821,876

The below table reconciled the impairment loss allowance which is related to trade receivables:

	2019 **RMB**	2018 RMB
At the beginning of the year	**6,574,751**	8,122,622
Effect on adoption of IFRS 15 on 1 January 2018	**–**	(8,122,622)
Effect on adoption of IFRS 9 on 1 January 2018	**–**	188,488
Provision for impairment of trade receivables *(Note 10)*	**7,933,712**	6,342,797
Currency translation differences	**55,169**	43,466
At the end of the year	**14,563,632**	6,574,751

21 TRADE AND BILLS RECEIVABLES *(Continued)*

Impairment and risk exposure

Information about the impairment of trade receivables and the Group's exposure to credit risk can be found in Note 3.3.

The carrying amounts of trade and bills receivables approximate their fair values and are denominated in the following currencies:

	2019 RMB	2018 RMB
USD	**17,253,904**	2,339,859
RMB	**16,854,805**	9,482,017
	34,108,709	11,821,876

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 RMB	2018 RMB
Non-current		
Pledged deposits *(Note (a))*	**105,058,604**	–
Rental deposits	**17,158,164**	19,071,253
Interest receivable *(Note (b))*	**96,772**	–
Prepayments in relation to acquisition of property, plant and equipment	**–**	4,929,715
Prepaid licensing fee	**–**	787,884
	122,313,540	24,788,852
Current		
Pledged deposits *(Note (a))*	**–**	94,110,237
Interest receivable *(Note (b))*	**110,895**	–
Prepayments	**8,233,972**	14,714,447
Other receivables *(Note (c))*	**13,773,353**	14,023,666
Deposits	**4,377,755**	9,046,964
Rent incentive	**16,816,530**	14,887,202
	43,312,505	146,782,516
Less: Provision for impairment loss *(Note (d))*	**(8,368,156)**	(2,610,649)
Current, net	**34,944,349**	144,171,867
Total	**157,257,889**	168,960,719

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) As at 31 December 2019, the balance represented deposits paid to lenders as pledge for non-interest bearing borrowings, amounting to RMB115,580,353 (2018: RMB113,562,573) (Note 29(a)). As at 31 December 2019, the differences between the carrying amount and the principal amount of the pledged deposits paid, amounting to RMB10,489,692 (2018: RMB9,438,059) represented the imputed interests, which was recognised in "Finance cost, net" in the consolidated statement of profit and loss and will be unwinded over the corresponding loan period.

(b) As at 31 December 2019, the balance represented interest receivables arising from digital asset financing arrangements due from counterparties (Note 23). The interest is calculated in terms of unit of stablecoins on loans to counterparties and is receivable on the maturity date of the loans. The relevant stablecoin is fiat-backed and has a market value of approximately US$1 per unit with minimal fluctuation. As such, fair value risk in relation to these loan principal and interest receivables is considered to be insignificant.

(c) As at 31 December 2019, the balance mainly represented (i) VAT receivables of RMB3,357,107 (2018: RMB5,859,946) paid by the PRC subsidiaries to offset VAT payables in the future and (ii) amounts due from an independent third party for developing the business in a foreign country totalling JPY89,500,000 (equivalent to RMB5,757,507), which was fully impaired during the year ended 31 December 2019.

(d) The below table reconciled the impairment loss on prepayments, deposits and other receivables:

	2019 **RMB**	2018 RMB
At the beginning of the year	**2,610,649**	2,610,649
Provision for impairment loss *(Note 10)*	**5,672,587**	–
Currency translation differences	**84,920**	–
At the end of the year	**8,368,156**	2,610,649

The Group recognised impairment loss based on the accounting policy stated in Note 2.11 (d).

The carrying amounts of deposits and other receivables approximate their fair values and are denominated in the following currencies.

	2019 **RMB**	2018 RMB
HKD	**18,409,279**	25,684,099
JPY	**–**	2,577,799
USD	**2,902,224**	2,311,529
RMB	**135,946,386**	138,387,292
	157,257,889	168,960,719

23 INVENTORIES DUE FROM COUNTERPARTIES

	2019 RMB	2018 RMB
Inventories due from counterparties	**24,361,958**	–
Less: Non-current portion	**(17,401,244)**	–
Current portion	**6,960,714**	–

The balance represented the lending of the Group's digital assets to counterparties in terms of stablecoins being the loan principal. The loans are secured by collateral (as explained below) and they bear a fixed interest rate of 7.7% per annum. The loan principal and interest thereon are repayable by delivery of the outstanding units of the stablecoins upon maturity date of the arrangements which fall within 5 years from the end of the reporting period.

The relevant stablecoin is fiat-backed and has a market value of approximately US$1 per unit with minimal fluctuation. As such, fair value risk in relation to these loan principals and interest payables (included in "other receivables") is considered to be insignificant.

In relation to the above-mentioned loan arrangements, the Group requires the counterparties to deliver another type of digital assets (Bitcoin) to the Group as collateral at a level of 125% of loan principal in terms of fair value against the loan at inception. Additional collateral is required to be delivered to the Group at any time if the fair value of the digital assets collateral is less than or equal to 115% of loan principal such that collateral level will be maintained at 125% of loan principal. Consequently, management believes credit risk associated with these loan receivables is low.

As at 31 December 2019, the Group received digital asset collateral with fair value of RMB31,906,302 from counterparties as collateral for the loans (2018: Nil). The collateral was included in "inventories" (Note 20) as the Group is able to utilise the digital asset received for its own economic benefits, with a corresponding collecteral payable due to the counterparties (Note 26(c)), both measured at fair value through profit or loss on the consolidated statement of financial position.

24 CASH AND CASH EQUIVALENTS

	2019 RMB	2018 RMB
Cash at bank	**191,109,932**	294,645,063
Cash on hand	**742,443**	192,983
Total	**191,852,375**	294,838,046
Maximum exposure to credit risk	**191,109,932**	294,645,063

The cash and cash equivalents of RMB58,851,790 (2018: RMB39,033,612) are located in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks and other financial institutions with no recent history of default.

The carrying amounts of cash and cash equivalent approximate their fair values and are denominated in the following currencies.

	2019 RMB	2018 RMB
HKD	**2,289,744**	25,728,134
USD	**129,001,797**	229,949,305
RMB	**58,826,677**	39,118,457
Others	**1,734,157**	42,150
	191,852,375	294,838,046

As at 31 December 2019, included in the cash and cash equivalents balance is a total of RMB139,075,714 (2018: RMB200,187,731) (see Note 28) related to fiat currency owing to customers.

25 TRADE PAYABLES

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

An ageing analysis of the Group's trade payables as at the end of the reporting periods, based on the date on which service was rendered or product was received, is as follows:

	2019	2018
	RMB	RMB
0–30 days	**11,006,538**	11,776,110
31–90 days	**15,304,563**	15,269,476
91–180 days	**3,977,227**	1,478,050
181–365 days	**9,013,970**	2,000
Over 365 days	**1,941,394**	5,987,233
	41,243,692	34,512,869

The carrying amounts of trade payables approximate their fair values and are denominated in the following currencies.

	2019	2018
	RMB	RMB
USD	**3,869,912**	5,837,981
RMB	**37,373,780**	28,674,888
	41,243,692	34,512,869

26 ACCRUALS AND OTHER PAYABLES

	2019 RMB	2018 RMB
Non-current		
Deposits received related to business park area management services	9,340,787	8,684,638
Collateral payables *(Note (c))*	22,698,517	–
Provision for reinstatement costs	4,107,394	3,942,592
	36,146,698	12,627,230
Current		
Other payables and accruals *(Note (a))*	37,983,301	23,728,629
Interest payables *(Note (b))*	9,203,031	3,622,613
Collateral payables *(Note (c))*	9,207,785	–
Payables in relation to the acquisition of property, plant and equipment	–	5,523,904
Provision for sales rebates	3,799,444	5,024,062
Provision for reinstatement cost	302,970	–
	60,496,531	37,899,208
	96,643,229	50,526,438

The carrying amounts of accruals and other payables approximate their fair values and are denominated in the following currencies.

	2019 RMB	2018 RMB
RMB	24,254,981	28,789,634
USD	44,319,300	11,989,585
HKD	28,068,948	9,562,346
Others	–	184,873
	96,643,229	50,526,438

Notes:

(a) As at 31 December 2019, the balance included accrued directors' fee and salaries of RMB9,109,478 (2018: RMB852,305) and accrued audit fee of RMB9,394,612 (2018: RMB6,643,669).

(b) As at 31 December 2019, the balance includes interest payables of RMB67,969 (2018: Nil) in relation to the inventories borrowed from counterparties. The interest is calculated in terms of unit of stablecoins on loans from counterparties and is repayable on the maturity date of the loans. The relevant stablecoin is fiat-backed and has a market value of approximately US$1 per unit with minimal fluctuation. As such, fair value risk in relation to these loan principal and interest payable is considered to be insignificant.

(c) Save as disclosed in Note 23, the balances represent the digital asset collateral received as a security for the digital asset lending arrangements with the counterparties. The collateral will be returned to the counterparties upon settlement of the loans at respective maturity dates.

27 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2019 RMB	2018 RMB
Right-of-use assets *(Note)*		
Properties	**168,065,020**	206,261,878
Lease liabilities *(Note)*		
Non-current	**166,735,799**	197,306,077
Current	**29,808,175**	31,851,433
	196,543,974	229,157,510

Note: Included in the line item 'property, plant and equipment' and 'lease liabilities' in the consolidated statement of financial position:

During the year ended 31 December 2019, there was no addition to the right-of-use assets (2018: RMB116,169,893).

(b) Amounts recognised in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

	2019 RMB	2018 RMB
Depreciation charge of right-of-use assets		
Properties	**39,023,975**	22,509,845

	2019 RMB	2018 RMB
Interest expense (included in finance costs) *(Note 9)*	**25,475,840**	26,244,221
Expense relating to short-term leases (included in administrative and other operating expenses) *(Note 10)*	**3,402,342**	3,502,133
	28,878,182	29,746,354

The total cash outflow for leases during the year ended 31 December 2019 was RMB60,904,806 (2018: RMB35,101,315).

28 LIABILITIES DUE TO CUSTOMERS

	2019 RMB	2018 RMB
Liabilities due to customers		
— Fiat currency liabilities	**139,075,714**	200,187,731
— Digital assets liabilities	**357,113,480**	180,513,792
	496,189,194	380,701,523

Liabilities due to customers arise in the ordinary course of the Group's digital assets and blockchain platform business, where the Group's contractual relationship with its customers is primarily governed by the DATA and other relevant agreements.

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

29 BORROWINGS

	2019 RMB	2018 RMB
Non-current		
Secured borrowings *(Note (a))*	**115,580,353**	15,500,000
Unsecured borrowings *(Note (b))*	**147,317,796**	–
	262,898,149	15,500,000
Current		
Secured borrowings *(Note (a))*	**49,192,072**	113,562,573
Unsecured borrowings *(Note (b))*	**18,476,975**	107,900,078
Inventories borrowed from counterparties *(Note (c))*	**7,656,549**	–
	75,325,596	221,462,651
Total other borrowings	**338,223,745**	236,962,651

29 BORROWINGS *(Continued)*

Note:

(a) The balance of secured borrowings included:

Borrowings are provided by third party individuals with a total principal amount of approximately HKD142,206,000 (equivalent to RMB127,120,599) as at December 2019 (2018: HKD142,206,000 (equivalent to RMB124,848,601)). The borrowings are dominated in HKD, interest-free (2018: interest-free), repayable in 19 months (2018: 12 months) from the balance sheet date and secured by deposits denominated in RMB amounted to RMB105,058,604 (2018: RMB94,110,237) (Note 22(a)). As at 31 December 2019, the differences between the carrying amount and the principal amount of the loans, amounting to RMB11,370,037 (2018: RMB11,286,028) represented the imputed interests, which was recognised in "Finance costs, net" in the consolidated statement of profit or loss and will be unwinded over the loan period.

A borrowing is provided by a non-financial institution, with a principal of RMB16,500,000 as at 31 December 2019 (2018: RMB15,500,000). The borrowing is denominated in RMB, interest bearing at 12% (2018: 12%) per annum, repayable in 9 months (2018: 21 months) from the balance sheet date and secured by 90% equity interest of Shanghai Jingwei held by the Group and all profits of Shanghai Jingwei attributable to the Group for the period from 1 January 2018 till the repayment date of the borrowing.

As at 31 December 2019, a borrowing was provided by a non-financial institution, with a principal of USD4,696,801 (equivalent to RMB32,692,072). The borrowing is denominated in USD, interest bearing at 6% per annum, and repayable in 12 months from the balance sheet date. Under the terms of the loan, the Group has pledged a total of 881 BTC to the lenders as collateral (the "Pledged Collateral"). Under the terms of the pledge agreement, the right, title, ownership and interest in the Pledged Collateral transfers to the lender for the duration of that loan. The pledge shall terminate and the right, title, ownership and the interest in the Pledged Collateral shall revert to the Group when the loan is repaid in full.

(b) The balance of unsecured borrowings included:

A borrowing is provided by a non-financial institution, with a total principal of HKD32,800,000 (equivalent to RMB29,320,531) (2018: HKD22,800,000 (equivalent to RMB20,033,565)). The borrowing is denominated in HKD, unsecured, interest bearing at 6% (2018: 6%) per annum, and repayable in 19 months (2018: 12 months) from the balance sheet date.

Borrowings are provided by related companies which are controlled by Mr. Ko Chun Shun, Johnson, the executive director of the Company, with principal of HKD132,000,000 (equivalent to RMB117,997,265) (2018: Nil). The borrowings are denominated in HKD, unsecured, interest bearing at 6% per annum, and repayable in 19 months (2018: Nil) from the balance sheet date (Note 36).

A borrowing is provided by a non-financial institution which was controlled by Mr. Fang Bin, the former executive director of the Company, with a principal of HKD21,195,421 (equivalent to RMB18,476,975) (2018: Nil). The borrowing is denominated in RMB, unsecured, interest-free, and repayable in 5 months from the balance sheet date.

As at 31 December 2018, the amounts included a borrowing provided by a financial institution with principal of HKD100,000,000 (equivalent to RMB87,866,513). The borrowing was denominated in HKD, unsecured, interest bearing at 8% per annum, and repayable in 12 months from the balance sheet date. During the year ended 31 December 2019, the Company issued 20,000,000 new shares to settle the loan. For details, please refer to Note 32.

(c) Inventories borrowed from counterparties, with fiat-backed stablecoins being the loan principal, amounted to US$1,100,000 (equivalent to RMB7,656,549) (2018: nil). The borrowings are unsecured, interest bearing at a fixed rate, ranging from 4.3% to 5.5% per annum, and repayable in 12 months from the balance sheet date.

29 BORROWINGS *(Continued)*

The following table is prepared based on the scheduled repayment date set out in the relevant agreement:

	2019 RMB	2018 RMB
Within 1 year	**75,325,596**	221,462,651
Between 1 and 2 years	**262,898,149**	15,500,000
	338,223,745	236,962,651

30 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB	2018 RMB
Convertible note *(Note (a))*	**13,524,247**	13,747,067
Warrant *(Note (b))*	**6,054,129**	6,873,163
	19,578,376	20,620,230
Less: non-current portion	**(6,054,129)**	(20,620,230)
Current portion	**13,524,247**	–

(a) Convertible note

On 14 December 2018, OS Holdings Limited ("OSHL"), a non-wholly owned subsidiary of the Company, entered into a subscription agreement with an independent third party ("Noteholder") in relation to a convertible note with a coupon rate of 5% per annum in an aggregate principal amount of USD2,000,000 (equivalent to RMB13,763,235). Subject to the terms of the agreement, the Noteholder may require OSHL to convert all or part of the principal amount outstanding under the convertible note into ordinary shares of OSHL at a conversion price of (i) the lowest price per share paid by an independent third party to purchase any shares issued by OSHL after the issuance of the convertible note; or (ii) USD1,000 per share at any time prior to the maturity date on 31 December 2020. OSHL shall repay the entire principal amount outstanding under the convertible note to the Noteholder (together with all interest accrued thereon yet unpaid) on the maturity date.

Since the conversion feature of the convertible note fails the fixed to fixed requirement for equity classification, the conversion feature should be recognised as a derivative liability. The Group decided to designate the entire hybrid instrument of convertible note as a financial liability at fair value through profit or loss, since the convertible note of OSHL contain embedded derivatives that are not closely related to the host contract. The convertible note is measured at fair value subsequently under IFRS 9 with fair value changes being charged or credited to the consolidated statement of profit or loss.

30 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(b) Warrant

On 14 December 2018, BC MarketPlace Limited ("BCMP"), a wholly owned subsidiary of the Company, entered into a subscription agreement with an independent third party (the "Subscriber") in relation to the subscription of a warrant of BCMP. Under the agreement, BCMP issued the warrant to the Subscriber at a price of USD1,000,000 (equivalent to RMB6,881,617) which was settled on 15 December 2018. The Subscriber may exercise the warrant to subscribe up to 10,000 ordinary shares of BCMP in tranches until its expiration on 14 December 2024. The exercise amount of shares is subject to an adjustment mechanism based upon the trading volume during the two-year period commencing from the initial date of operation of the platform of BCMP.

Before the maturity date of 14 December 2024, the Subscriber holds a put right to require BCMP to purchase the warrant, in the instance of a sale of BCMP.

Since the conversion feature of the warrant fails the fixed to fixed requirement for equity classification, the warrant is recognised as a derivative liability. The Group has chosen to designate the entire hybrid instrument of warrant as a financial liability at fair value through profit or loss, since the warrant of the BCMP contains embedded derivatives that are not closely related to the host contract. The warrant is measured at fair value subsequently under IFRS 9 with fair value changes being charged or credited to the consolidated statement of profit or loss.

31 DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities is as follow:

	2019 **RMB**	2018 RMB
Deferred income tax assets	**3,288,202**	1,908,401
Deferred income tax liabilities	**(9,503,404)**	(10,195,766)

31 DEFERRED INCOME TAX *(Continued)*

The movement of deferred income tax assets during the year is as follows:

Deferred income tax assets

	Leases under IFRS 16	Tax loss	Provision of impairment for financial assets and contract assets	Total
	RMB	RMB	RMB	RMB
At 1 January 2018, as restated	–	1,312,793	658,020	1,970,813
Credited/(charged) to profit or loss	1,123,610	(1,312,793)	126,771	(62,412)
At 31 December 2018 and 1 January 2019	**1,123,610**	**–**	**784,791**	**1,908,401**
Credited to profit or loss	**923,497**	**–**	**456,304**	**1,379,801**
At 31 December 2019	**2,047,107**	**–**	**1,241,095**	**3,288,202**

The movement of deferred income tax liabilities during the year is as follows:

Deferred income tax liabilities

	Accumulated depreciation of property, plant and equipment	Fair value surplus in respect of business combination	Total
	RMB	RMB	RMB
At 1 January 2018	–	(8,913,659)	(8,913,659)
(Charged)/credited to profit or loss	(2,362,084)	1,114,208	(1,247,876)
Currency translation differences	(34,231)	–	(34,231)
At 31 December 2018 and 1 January 2019	**(2,396,315)**	**(7,799,451)**	**(10,195,766)**
(Charged)/credited to profit or loss	**(374,637)**	**1,114,208**	**739,571**
Currency translation differences	**(47,209)**	**–**	**(47,209)**
At 31 December 2019	**(2,818,161)**	**(6,685,243)**	**(9,503,404)**

31 DEFERRED INCOME TAX *(Continued)*

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has unrecognised tax losses of RMB432,576,509 (2018: RMB219,823,689) that can be carried forward against future taxable income. These tax losses have not been recognised due to uncertainty of future realisation. Such tax losses have no expiry date, except for the tax losses amounting to RMB80,134,774 (2018: RMB72,695,412) which will be expired within 5 years.

32 SHARE CAPITAL

	2019		2018	
	Number of shares	**RMB**	Number of shares	RMB
Authorised:				
Ordinary shares of HKD0.01 each at 1 January 2018 and 31 December 2018 and 2019	**2,000,000,000**	**16,632,421**	2,000,000,000	16,632,421
Issued and fully paid:				
At the beginning of the year	**261,607,553**	**2,123,981**	251,771,079	2,037,681
Issuance of new shares *(Note)*	**22,876,360**	**201,745**	9,836,474	86,300
At the end of the year	**284,483,913**	**2,325,726**	261,607,553	2,123,981

Note:

On 2 October 2018, the Company issued 9,836,474 new shares at HKD0.01 for each share to a trustee, pursuant to the new share award plan adopted on 21 August 2018, to recognise and reward the contribution of directors, employees and consultants providing services to the Company and its subsidiaries.

The Board applied HKD98,365 (equivalent to RMB86,300) which is the total issue price of the new shares at par, in the share premium account of the Company to issue New Shares credited as fully paid to the Trustee. The Board further resolved to grant awards for a total of 9,836,474 shares to 159 Selected Participants pursuant to the Plan. None of these Selected Participants is a connected person of the Company.

On 27 May 2019, the Company entered into 8 subscription agreements with 8 subscribers, pursuant to which the Company agreed to allot and issue, and the subscribers agreed to subscribe for 22,876,360 subscription shares at the subscription price of HK$5 per share. Upon the issuance of the shares, HKD228,764 (equivalent to approximately RMB201,745) was credited to share capital and HKD114,153,036 (equivalent to approximately RMB100,670,711) was credited to share premium.

The Group was indebted to one of the subscribers an outstanding a loan of HKD100,000,000 (equivalent to RMB88,073,394), which would be due on 11 July 2019. It was agreed with the subscriber that the Group would set-off the outstanding loan by way of issuing 20,000,000 subscription shares to the subscriber. Apart from the above loan set-off arrangement, the Company received net proceeds of HKD14,381,800 (equivalent to approximately RMB12,799,062) from the shares subscription.

33 OTHER RESERVES

The breakdown of other reserves and the movements during the year are shown as follows:

	Share premium RMB	Capital surplus RMB	Exchange reserve RMB	Statutory reserve RMB	Share-based payments reserve RMB	Total RMB
At 1 January 2018	212,873,290	2,000,000	(851,975)	7,922,520	–	221,943,835
Currency translation difference	–	–	(2,236,644)	–	–	(2,236,644)
Total comprehensive loss	–	–	(2,236,644)	–	–	(2,236,644)
Change in shareholding in existing subsidiary without losing control	–	1,278,827	–	–	–	1,278,827
Transfer of profit to statutory reserve	–	–	–	7,316,337	–	7,316,337
Equity-settled share-based payments under share option scheme	–	–	–	–	7,922,185	7,922,185
Equity-settled share-based payments under share award scheme	–	–	–	–	10,100,280	10,100,280
Share allotted under share award scheme	(86,300)	–	–	–	–	(86,300)
At 31 December 2018 and 1 January 2019	**212,786,990**	**3,278,827**	**(3,088,619)**	**15,238,857**	**18,022,465**	**246,238,520**
Currency translation difference	**–**	**–**	**(4,436,632)**	**–**	**–**	**(4,436,632)**
Total comprehensive loss	**–**	**–**	**(4,436,632)**	**–**	**–**	**(4,436,632)**
Issuance of new shares *(Note 32)*	**100,670,711**	**–**	**–**	**–**	**–**	**100,670,711**
Share award vest	**492,330**	**–**	**–**	**–**	**(492,330)**	**–**
Equity-settled share-based payments under share option scheme	**–**	**–**	**–**	**–**	**22,341,974**	**22,341,974**
Equity-settled share-based payments under share award scheme	**–**	**–**	**–**	**–**	**25,407,189**	**25,407,189**
At 31 December 2019	**313,950,031**	**3,278,827**	**(7,525,251)**	**15,238,857**	**65,279,298**	**390,221,762**

34 CAPITAL COMMITMENT

	2019 RMB	2018 RMB
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of the acquisition of:		
Property, plant and equipment	–	8,137,660

35 OPERATING LEASE ARRANGEMENTS — AS LESSOR

As at 31 December 2019 and 2018, some of the Group's properties are leased to tenants under long-term operating leases with rentals payable monthly. The future aggregate minimum lease receipts under non-cancellable operating leases receivables by the Group were as follows:

	2019 RMB	2018 RMB
Minimum lease payments under non-cancellable operating leases of properties not recognised in the financial statements are receivable as follows:		
Within one year	**33,765,852**	26,586,600
Later than one year but no later than five years	**166,141,639**	119,639,700
Later than 5 years	**47,334,827**	74,442,480
	247,242,318	220,668,780

36 RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following material related party transactions:

	Year ended 31 December	
	2019	2018
	RMB	RMB
Purchase of office and computer equipment from a related company of a director *(Note (a))*	**–**	822,840
Purchase of office and computer equipment from a related company of a director *(Note (b))*	**–**	770,596
Purchase of intangible assets from a related company of a director *(Note (c))*	**–**	621,440
Interest expenses accrued on borrowings from related companies of a director *(Note (d))*	**4,739,748**	–
	4,739,748	2,214,876

Notes:

(a) A director of the Company, Mr. Chapman David James, is also a director of the seller. The above transaction was conducted in the normal course of business of the Group and charged at terms mutually agreed by the parties concerned.

(b) A director of the seller is the close family member of the director of the Company, Mr. Lo Ken Bon. The above transaction was conducted in the normal course of business of the Group and charged at terms mutually agreed by the parties concerned.

(c) A director of the Company, Mr. Chapman David James, is also a director of the seller. The above transaction was conducted in the normal course of business of the Group and charged at terms mutually agreed by the parties concerned.

(d) A director of the Company, Mr. Ko Chun Shun, Johnson, is also the owner of the lenders. The above transactions were conducted in the normal course of business of the Group and charged at terms mutually agreed by the parties concerned.

36 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following material balances with its directors and related parties:

	2019 RMB	2018 RMB
Fiat currency and digital assets liabilities		
Amount due to Mr. Chapman David James *(Note (iii))*	**3,098,650**	1,455,895
Amount due to Mr. Madden Hugh Douglas *(Note (iii))*	**3,535,192**	1,317,413
Amount due to Mr. Lo Ken Bon *(Note (iii))*	**3,110,156**	2,008,758
Amount due to a related company of Mr. Chapman David James and Mr. Madden Hugh Douglas *(Note (i) and (iii))*	**22,991,899**	36,125,842
Amount due to a related company of Mr. Madden Hugh Douglas *(Note (ii) and (iii))*	**37,051,810**	–
	69,787,707	40,907,908
Borrowing and interest payable		
Amounts due to related companies of Mr. Ko Chun Shun, Johnson *(Note (iv))*	**122,807,968**	–

Notes:

(i) The directors of the Company, Mr. Chapman David James and Mr. Madden Hugh Douglas are also the directors of a customer of the Group's digital assets trading business.

(ii) A director of the Company, Mr. Madden Hugh Douglas is also the director of a customer of the Group's digital assets trading business.

(iii) The above directors/related companies are regarded as ordinary customers as the Group has a contractual relationship with them governed by the DATA in the ordinary course of the Group's digital asset trading business.

Based on the respective rights and obligations of the Group and its customers under the DATA, fiat 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. Refer to Note 28 to the consolidated financial statements for details.

(iv) A director of the Company, Mr. Ko Chun Shun, Johnson, is also the owner of the lenders. The borrowings are unsecured, interest bearing and due in accordance with the terms of the underlying agreements.

(c) Key management compensation

Remuneration for key management personnel of the Group, including amounts paid to the executive directors as disclosed in Note 12 to the consolidated financial statements, and other senior management is as follows:

	2019 RMB	2018 RMB
Salaries, allowances and benefits in kinds	**12,553,248**	7,110,287
Pension scheme contributions	**85,240**	153,950
Share-based compensation	**11,650,568**	3,990,805
	24,289,056	11,255,042

37 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of loss before income tax to cash generated from operations:

	2019 RMB	2018 RMB
Loss before income tax		
Continuing operations	**(246,655,587)**	(155,775,810)
Discontinued operations	**(44,579)**	225,966
Loss before income tax, from continuing and discontinued operations	**(246,700,166)**	(155,549,844)
Adjustments for:		
Amortisation of intangible assets *(Note 10)*	**8,197,399**	4,750,421
Depreciation of property, plant and equipment *(Note 10)*	**48,598,089**	25,844,906
Interest income from bank deposits *(Note 9)*	**(476,002)**	(799,092)
Imputed interest income from rental deposits *(Note 9)*	**(623,155)**	(233,720)
Imputed interest income from borrowings *(Note 9)*	**(11,833,110)**	(11,286,028)
Imputed interest income from pledged deposits *(Note 9)*	**(9,438,059)**	–
Interest expense on borrowings *(Note 9)*	**14,289,270**	4,149,105
Interest expense on lease liabilities *(Note 9)*	**25,475,840**	26,244,221
Interest expense on inventories borrowed from counterparties *(Note 9)*	**92,817**	–
Imputed interest expense on pledged deposits *(Note 9)*	**10,489,692**	9,438,059
Imputed interest expense on borrowings *(Note 9)*	**11,415,696**	–
Interest expense on a convertible note *(Note 9)*	**699,801**	–
Loss on write-off of intangible assets *(Note 8)*	**60,630**	–
Loss on disposals of property, plant and equipment *(Note 8)*	**449,759**	125,135
Loss on disposal of subsidiaries *(Note 8)*	**–**	2,790,042
Gain on disposal of an associate *(Note 8)*	**–**	(67,734)
Gain on termination of lease contracts *(Note 8)*	**(315,440)**	–
Fair value changes of financial liabilities through profit or loss *(Note 8)*	**(1,292,809)**	6,882
Fair value loss/(gain) on digital assets inventories *(Note 7)*	**689,398**	(212,444)
Provision/(reversal of provision) for impairment of contract assets *(Note 6 (b))*	**365,438**	(879,619)
Provision for impairment of trade receivables *(Note 21)*	**7,933,712**	6,342,797
Provision for impairment of other receivables *(Note 22)*	**5,672,587**	–
Share-based payment expenses	**47,749,163**	18,022,465
Operating losses before working capital changes	**(88,499,450)**	(71,314,448)
Change in trade and bills receivables	**(29,924,481)**	68,460,650
Change in prepayments, deposits and other receivables	**3,684,598**	(99,532,203)
Change in inventories	**(58,512,456)**	–
Change in contract assets	**21,233,843**	(49,034,789)
Change in contract liabilities	**1,842,303**	(5,910,301)
Change in trade payables	**6,648,253**	(10,155,465)
Change in accruals, other payables and deposits received	**14,030,916**	4,492,252
Change in liabilities due to customers	**(65,652,931)**	189,908,944
Cash (used in)/generated from operations	**(195,149,405)**	26,914,640

37 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities:

	Borrowings	Financial liabilities at fair value through profit or loss	Lease liabilities	Total
	(Note 29)	*(Note 30)*	*(Note 27)*	
	RMB	RMB	RMB	RMB
At 1 January 2018	9,565,000	–	–	9,565,000
Additions — lease liabilities	–	–	233,589,432	233,589,432
Cash flows:				
— inflow from financing activities	245,989,709	20,644,852	–	266,634,561
— outflow from financing activities	(9,565,000)	–	(5,354,961)	(14,919,961)
Imputed interest income	(11,286,028)	–	–	(11,286,028)
Fair value changes	–	6,882	–	6,882
Currency translation differences	2,258,970	(31,504)	923,039	3,150,505
As at 31 December 2018 and 1 January 2019	**236,962,651**	**20,620,230**	**229,157,510**	**486,740,391**
Additions — lease liabilities	**–**	**–**	**–**	**–**
Cash flows:				
— inflow from financing activities	**462,478,306**	**–**	**–**	**462,478,306**
— outflow from financing activities	**(285,340,183)**	**–**	**(32,026,624)**	**(317,366,807)**
Imputed interest income	**(11,833,110)**	**–**	**–**	**(11,833,110)**
A borrowing off-set by allotment of new shares	**(88,073,394)**	**–**	**–**	**(88,073,394)**
Termination of lease	**–**	**–**	**(2,634,062)**	**(2,634,062)**
Imputed interest expense	**11,415,696**	**–**	**–**	**11,415,696**
Inventories borrowed from counterparties	**7,589,636**	**–**	**–**	**7,589,636**
Fair value changes	**–**	**(1,292,809)**	**–**	**(1,292,809)**
Currency translation differences	**5,024,143**	**250,955**	**2,047,150**	**7,322,248**
At 31 December 2019	**338,223,745**	**19,578,376**	**196,543,974**	**554,346,095**

37 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) In the consolidated statements of cash flows, proceeds from disposal of property and equipment comprise:

	2019 RMB	2018 RMB
Net book value *(Note 17)*	**551,258**	125,135
Loss on disposals of property, plant and equipment *(Note 8)*	**(449,759)**	(125,135)
Proceeds from the disposal of property, plant and equipment	**101,499**	–

(d) In the consolidated statements of cash flows, proceeds from disposal of an associate comprise:

	2019 RMB	2018 RMB
Net book value	**–**	2,932,266
Gain on disposal of an associate *(Note 8)*	**–**	67,734
Proceeds from the disposal of an associate	**–**	3,000,000

(e) Non-cash transactions

The Group entered into the following major non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

(i) During the year ended 31 December 2019, the Group issued 20,000,000 new shares to set-off against the loan amount of HKD100,000,000 (Note 32).

(ii) As at 31 December 2019, the non-cash working capital changes of digital assets and liabilities amounting to RMB191,800,581 (2018: RMB180,513,792) represented the following:

	2019 RMB	2018 RMB
Digital assets inventories held on customers' accounts	**176,599,688**	180,513,792
Inventories due from counterparties	**(24,361,958)**	–
Collateral payables to counterparties	**31,906,302**	–
Inventories borrowed from counterparties	**7,656,549**	–
	191,800,581	180,513,792

(iii) As at 31 December 2019, interest expense of RMB67,969 was outstanding as they were due upon the maturity of the loan agreements and the balances were net off with the working capital changes of other payables.

37 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(e) Non-cash transactions *(Continued)*

(iv) As at 31 December 2019, interest income of RMB207,667 was outstanding as they were receivable upon maturity of the loan agreements and the balances were net off with the working capital changes of other receivables.

38 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

	2019 RMB	2018 RMB
Financial assets at amortised cost		
Contract assets (excluding costs to fulfill revenue contract)	**26,431,193**	49,914,408
Trade and bills receivables *(Note 21)*	**34,108,709**	11,821,876
Prepayments, deposits and other receivables (excluding prepayments, other tax receivables and interest receivables arising from inventories due from counterparties) *(Note 22)*	**145,271,036**	145,344,553
Cash and cash equivalents *(Note 24)*	**191,852,375**	294,838,046
	397,663,313	501,918,883
Financial liabilities measured at amortised cost		
Trade payables *(Note 25)*	**41,243,692**	34,512,869
Accruals, other payables and deposits received (excluding employee benefits, other income tax payables, non-financial interest payable and collateral payables) *(Note 26)*	**55,338,463**	39,526,150
Lease liabilities *(Note 27)*	**196,543,974**	229,157,510
Borrowings (excluding inventories borrowed from counterparties) *(Note 29)*	**330,567,196**	236,962,651
	623,693,325	540,159,180
Financial liabilities at fair value through profit or loss		
Liabilities due to customers *(Note 28)*	**496,189,194**	380,701,523
Financial liabilities at fair value through profit or loss *(Note 30)*	**19,578,376**	20,620,230
	515,767,570	401,321,753

39 SHARE AWARD SCHEME

Acheson Limited, a company incorporated in Hong Kong and authorised to undertake trust business in accordance with the laws of Hong Kong, was appointed as the trustee (the "Trustee") for the administration of the share award scheme. The Trustee will hold the shares on trust for the selected participants. Acheson Limited and its ultimate beneficial owners are third parties independent of, and not connected with, the Group or its connected persons.

The Group shall pay the Trustee service fee and reimburse its proper expenses incurred in the operation of the trust under the trust deed. The service fees to be paid to the Trustee are determined after considering the service fees to be charged by other independent trustee companies and on arm's length negotiations between the Group and the Trustee.

The aggregate number of Awarded Shares currently permitted to be awarded under the Award Scheme throughout the duration of the Award Scheme is limited to 5% of the issued share capital of the Company to be refreshed by the Board from time to time subject to the approval of the independent shareholders in general meeting.

Under the share award scheme, the employees and consultants of the Group ("Selected Participants") are entitled to receive shares in the Company. New shares have been allotted and issued by the Company to an independent trustee which holds the shares for the benefits of the Selected Participants before the share awards are vested.

When a Selected Participant has satisfied all vesting conditions, which might include service and/or performance conditions, specified by the Board at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the Trustee shall transfer the relevant vested Awarded Shares to that employee at no cost.

The Trustee shall not exercise the voting rights in respect of any shares of the Company held under the Trust, including, inter alia, the Awarded Shares and further shares of the Company acquired out of the income derived therefrom.

39 SHARE AWARD SCHEME *(Continued)*

During the year ended 31 December 2018, 9,836,474 new shares were allotted and issued to the Trustee. Out of 9,836,474 Awarded Shares, 6,557,645 Awarded Shares will be vested on 3 September 2020. The remaining balance of 3,278,829 Awarded Shares will be vested on 3 September 2021.

Award type	Outstanding at 1 January 2018	Issued during the year	Forfeited during the year	Regrant during the year	Vested during the year	Outstanding at 31 December 2018
Share award	–	9,836,474	–	–	–	9,836,474

Award type	**Outstanding at 1 January 2019**	**Issued during the year**	**Forfeited during the year**	**Regrant during the year**	**Vested during the year**	**Outstanding at 31 December 2019**
Share award	**9,836,474**	**–**	**(2,920,500)**	**2,920,500**	**(100,000)**	**9,736,474**

The Group recognised an expense of approximately RMB25,407,189 (2018: RMB10,100,280) for the year ended 31 December 2019 in relation to share award granted by the Company.

40 SHARE OPTION SCHEME

On 10 April 2012, the Group has adopted the share option scheme (the "Scheme"). The Scheme is for a period of ten years commencing from 10 April 2012 whereby the Directors at its absolute discretion grant any employee and director of our Group, to take up options to subscribe for shares of the Company. The terms and conditions of the grant were determined by the Directors at the time of grant. The exercisable period of an option shall not exceed a period of ten years from the offer date. The options gave the holder the rights to subscribe for ordinary shares in the Company. A nominal consideration of HKD1.00 was payable by the grantee upon acceptance of an option. Options were lapsed in three months if the employee leaves the Group.

On 22 August 2018, 10 December 2018 and 18 January 2019, the Company offered to grant a total of 16,715,556 share options (the "2018 Share Option 1"), 433,333 share options (the "2018 Share Option 2") and 2,851,111 share options (the "2019 Share Option") respectively under the Scheme, to certain directors and eligible employees of the Group pursuant to the Scheme. The details of these share options are summarised as follows:

		2018 Share Option 1		2018 Share Option 2		2019 Share Option	
	% of the total share options	Vesting period	Exercise period	Vesting period	Exercise period	Vesting period	Exercise period
Tranche 1	two-third	22 August 2018 to 22 August 2020	22 August 2020 to 21 August 2023	10 December 2018 to 22 August 2020	22 August 2020 to 21 August 2023	18 January 2019 to 21 August 2020	21 August 2020 to 21 August 2023
Tranche 2	one-third	22 August 2018 to 22 August 2021	22 August 2021 to 21 August 2023	10 December 2018 to 22 August 2021	22 August 2021 to 21 August 2023	18 January 2019 to 21 August 2021	21 August 2021 to 21 August 2023

Grant date	22 August 2018	10 December 2018	**18 January 2019**
Fair value on grant date (HKD)			
Tranche 1	3.53	3.04	**2.88**
Tranche 2	3.77	3.26	**3.09**

The following table lists the inputs to the fair value at the grant date for the 2018 Share Option 1, 2018 Share Option 2 and 2019 Share Option:

	2018 Share Option 1	2018 Share Option 2	**2019 Share Option**
Share price at the date of grant (HKD)	8.75	7.80	**7.50**
Exercise price (HKD)	8.88	7.84	**7.53**
Expected volatility	54.0%	54.0%	**54.0%**
Risk-free interest rate (%)	2.03%	2.03%	**2.03%**
Expected dividend yield	0%	0%	**0%**

40 SHARE OPTION SCHEME *(Continued)*

The following table disclose movements of the Company's share options held by employees, consultants and directors during the years ended 31 December 2018 and 2019:

Option type	Outstanding at 1 January 2018	Issued during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2018
2018 Share Option 1	–	16,715,556	–	–	16,715,556
2018 Share Option 2	–	433,333	–	–	433,333
Total	–	17,148,889	–	–	17,148,889

Option type	**Outstanding at 1 January 2019**	**Issued during the year**	**Exercised during the year**	**Forfeited during the year**	**Outstanding at 31 December 2019**
2018 Share Option 1					
Number of share options granted to executive directors of the Company					
Mr. Ko Chun Shun, Johnson	**1,000,000**	**–**	**–**	**–**	**1,000,000**
Mr. Lo Ken Bon	**2,000,000**	**–**	**–**	**–**	**2,000,000**
Mr. Madden Hugh Douglas	**2,000,000**	**–**	**–**	**–**	**2,000,000**
Mr. Chapman David James	**2,000,000**	**–**	**–**	**–**	**2,000,000**
Number of share options granted to non-executive directors of the Company					
Mr. Chau Shing Yim, David	**200,000**	**–**	**–**	**–**	**200,000**
Mr. Chia Kee Loong, Lawrence	**200,000**	**–**	**–**	**–**	**200,000**
Mr. Tai Benedict	**200,000**	**–**	**–**	**–**	**200,000**
Number of share options granted to employees of the Company	**9,115,556**	**–**	**–**	**(1,666,666)**	**7,448,890**
2018 Share Option 2					
Number of share options granted to employees of the Company	**433,333**	**–**	**–**	**–**	**433,333**
2019 Share Option					
Number of share options granted to employees of the Company	**–**	**2,851,111**	**–**	**(230,000)**	**2,621,111**
Total	**17,148,889**	**2,851,111**	**–**	**(1,896,666)**	**18,103,334**

The Group recognised an expense of approximately RMB22,341,974 (2018: RMB7,922,185) for the year ended 31 December 2019 in relation to share options granted by the Company.

41 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2019 RMB	2018 RMB
Assets			
Non-current assets			
Investments in subsidiaries		**8,953**	8,018
Current assets			
Prepayments and other receivables		**2,567,297**	2,719,102
Amounts due from subsidiaries		**272,817,241**	218,830,121
Cash and cash equivalents		**154,315**	104,674
Total current assets		**275,538,853**	221,653,897
Total assets		**275,547,806**	221,661,915
Liabilities			
Current liabilities			
Other payables and accruals		**21,270,522**	11,845,508
Amounts due to subsidiaries		**6,003,084**	6,003,062
Borrowings		**18,476,975**	201,429,086
Total current liabilities		**45,750,581**	219,277,656
Non-current liability			
Borrowings		**115,580,353**	–
Total liabilities		**161,330,934**	219,277,656
Equity attributable to owners of the Company			
Share capital		**2,325,726**	2,123,981
Other reserves	*41(b)*	**381,615,189**	231,844,924
Accumulated losses	*41(b)*	**(269,724,043)**	(231,584,646)
Total equity		**114,216,872**	2,384,259

41 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(Continued)

(b) Reserve movement of the Company

Company	Share premium (Note i) RMB	Exchange reserve (Note ii) RMB	Share-based payments reserve (Note iii) RMB	Accumulated losses (Note iv) RMB
At 1 January 2018	212,873,290	937,664	–	(198,513,656)
Loss for the year	–	–	–	(33,070,990)
Other comprehensive income	–	97,805	–	–
Total comprehensive income/(loss)	–	97,805	–	(33,070,990)
Equity-settled share-based payment under share option plan	–	–	7,922,185	–
Equity-settled share-based payments under share award scheme	–	–	10,100,280	–
Shares allotted under share award scheme	(86,300)	–	–	–
At 31 December 2018 and 1 January 2019	**212,786,990**	**1,035,469**	**18,022,465**	**(231,584,646)**
Loss for the year	**–**	**–**	**–**	**(38,139,397)**
Other comprehensive income	**–**	**1,350,391**	**–**	**–**
Total comprehensive income/(loss)	**–**	**1,350,391**	**–**	**(38,139,397)**
Share awards vested	**492,330**	**–**	**(492,330)**	**–**
Equity-settled share-based payment under share option plan	**–**	**–**	**22,341,974**	**–**
Equity-settled share-based payments under share award scheme	**–**	**–**	**25,407,189**	**–**
Issuance of new shares	**100,670,711**	**–**	**–**	**–**
At 31 December 2019	**313,950,031**	**2,385,860**	**65,279,298**	**(269,724,043)**

41 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company *(Continued)*

Notes:

(i) Share premium represents amount subscribed for share capital in excess of par value.

(ii) Exchange reserve represents gains/losses arising on retranslating the net assets of foreign operations into presentation currency.

(iii) It represents the reserve for the share options granted on 22 August 2018, 10 December 2018 and 18 January 2019 (Note 40) and the shares allotted under the share award scheme on 21 August 2018 (Note 39).

(iv) It represents cumulative net gains and losses recognised in profit or loss.

42 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Share issuance

On 24 January 2020, the Group entered into the subscription agreements to allot and issue 43,100,000 shares to the subscribers with a total consideration of approximately HKD280,000,000 (equivalent to approximately RMB250,000,000). All the completion conditions of the subscription agreements have been completed and the proceeds from the issuance were received by the Group in February and March 2020.

Impact on COVID-19

There is an outbreak of coronavirus disease (COVID-19) in early 2020 throughout the world. The Group expects the economy in Hong Kong and the PRC to be negatively impacted and this may potentially affect the Group's business and financial performance in 2020. As of the date of the report, the overall financial effect cannot be reliably estimated and are subject to further evaluation. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

RESULTS

	2019 RMB	2018 RMB	2017 RMB Restated	2016 RMB	2015 RMB
Revenue	**93,040,057**	136,399,460	162,015,156	160,374,361	201,569,895
Income from digital assets and blockchain business	**71,648,388**	8,560,749	–	–	–
(Loss)/profit before tax from continuing operations	**(246,655,587)**	(155,775,810)	(52,341,406)	(34,344,694)	9,343,569
Income tax credit/(expense)	**1,577,857**	(5,147,114)	(1,870,192)	(503,352)	(5,560,624)
(Loss)/profit for the year from continuing operations	**(245,077,730)**	(160,922,924)	(54,211,598)	(34,848,046)	3,782,945
(Loss)/profit for the year from discontinued operations	**(44,579)**	225,966	(3,012,125)	(173,901,301)	33,573,881
(Loss)/profit for the year	**(245,122,309)**	(160,696,958)	(57,223,723)	(208,749,347)	37,356,826
Exchange differences on translating foreign operations	**(4,410,382)**	(2,239,619)	46,127	(29,324)	49,536
Total comprehensive income for the year	**(249,532,691)**	(162,936,577)	(57,177,596)	(208,778,671)	37,406,362
(Loss)/profit for the year attributable to:					
Owners of the Company	**(243,580,447)**	(161,232,680)	(58,211,920)	(208,921,924)	37,356,826
Non-controlling interests	**(1,541,862)**	535,722	988,197	172,577	–
	(245,122,309)	(160,696,958)	(57,223,723)	(208,749,347)	37,356,826
Total comprehensive (loss)/income for the year attributable to:					
Owners of the Company	**(248,017,079)**	(163,469,324)	(58,165,793)	(208,951,248)	37,406,362
Non-controlling interests	**(1,515,612)**	532,747	988,197	172,577	–
	(249,532,691)	(162,936,577)	(57,177,596)	(208,778,671)	37,406,362

FIVE YEAR FINANCIAL SUMMARY

SUMMARY OF ASSETS AND LIABILITIES

	2019 RMB	2018 RMB	2017 RMB Restated	2016 RMB	2015 RMB
Total non-current assets	**399,243,113**	312,924,787	62,597,286	100,869,059	163,716,770
Total current assets	**745,426,138**	689,654,383	233,877,282	243,943,234	328,066,663
Total current liabilities	**729,614,853**	711,702,576	95,809,749	85,103,309	57,986,783
Net current assets/(liabilities)	**15,811,285**	(22,048,193)	138,067,533	158,839,925	270,079,880
Non-current liabilities	**481,338,179**	256,249,303	19,811,464	20,925,672	639,800
Net (liabilities)/assets	**(66,283,781)**	34,627,291	180,853,355	238,783,312	433,156,850
Capital and reserves					
Total equity attributable to owners of the Company	**(69,254,959)**	30,140,501	176,195,368	234,110,735	433,156,850
Non-controlling interests	**2,971,178**	4,486,790	4,657,987	4,672,577	–
Total (deficit)/equity	**(66,283,781)**	34,627,291	180,853,355	238,783,312	433,156,850