



2020

I N T E R I M R E P O R T

BC TECHNOLOGY GROUP LIMITED

Stock Code : 863

Incorporated in the Cayman Islands with limited liability

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CORPORATE INFORMATION

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

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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 Hwaihui 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,

Despite significant macroeconomic challenges, BC Technology Group (the “**Group**”) showed material growth and outperformance in the six months ended 30 June 2020 (1H 2020), posting a year-on-year (YoY) 6% increase in overall revenues and positive adjusted EBITDA* for the first time in four years.

This was a direct result of the continued maturation of its forward-thinking and strategic diversification into digital assets, which began in 2018.

In 1H 2020, as in 2019, the OSL digital asset platform business was the main driver of the Group’s growth, with digital asset revenues up 47% compared to the same period in 2019. OSL was also responsible for 68% of the Group’s total revenues, compared to 49% for the first six months of 2019.

The successful revenue growth and performance by the Group and the OSL digital asset platform was mainly due to an increase in trading volume from the Group’s digital asset trading services and client growth from the Group’s software-as-a-service (SaaS) and related services. The public launch of OSL Exchange and the formal roll-out of OSL’s SaaS product suite and services also accelerated growth over the Period.

Monthly annualised platform trading volumes for OSL reached records during four out of the first six months of the year, continuing a trend of six consecutive quarters of significant platform trading volume growth.

Reflecting the strong performance of the digital assets business and tighter control of operating expenses, the net loss for the Period decreased 31% YoY to RMB91 million (1H 2019: RMB132 million).

Key to these results is a scalable, technology centric platform, and an experienced management team from capital markets, digital assets, and traditional regulated financial institutions. Long-term incentive programmes are also in place with the objective of incentivising performance and staff retention.

The Group has shown its speed and agility with the creation and implementation of the digital asset platform business in under two years. The OSL platform is the Group’s main revenue generator, and the management team has shifted its focus from infrastructure building to financial discipline, growth and acquisition of market share for digital assets.

Bolstering this performance and adaptability, the Group also made three strategic senior hires in 1H 2020, adding former Saxo Bank Hong Kong CEO Matt Long as Managing Director, Head of Distribution and Prime; Nasdaq and HKEx veteran Eric Landheer as Managing Director, Head of Capital Markets Strategy; and digital assets industry leader Jeremy Kerbel as Managing Director, Head of Exchange.

* Adjusted EBITDA is result before net finance costs, income tax expense, depreciation and amortisation, staff benefits comprised mainly share-based payment expenses, fair value change in financial liabilities and impairment loss on financial assets and contract assets. Adjusted EBITDA is used by management as a measure of the Group’s operating performance against those of our peers. Adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit as reported under IFRS or other combined operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted EBITDA presented in this statement may not be comparable to other similarly titled measures of other companies operating in the same or different business industry sectors.

CHIEF EXECUTIVE OFFICER'S STATEMENT

As a result of our hard work in business development and marketing, we also greatly raised awareness of our company and its products and services. OSL is firmly established as an innovative international brand and a global leader in the digital asset sector, and its growth is expected to continue throughout 2020 and beyond.

In 1H 2020, the Greater China economy, as well as global and regional markets, experienced significant headwinds from the ongoing COVID-19 outbreak and other economic factors. Consequently, the Group's China businesses were adversely impacted and experienced mixed results.

The Group's business park area management services businesses remained steady during the Period, and posted a slight increase in revenues. The Group's advertising business was significantly impacted in 1H 2020 and experienced a decline of 56% as a result of government policies and restrictions related to COVID-19, ongoing trade tensions between the US and China, and a continued softening in consumer confidence in the China domestic automotive industry, which also further adversely impacted our major advertising clients.

For the digital asset platform business, the majority of digital asset revenues currently come from OSL's institutional-focused prime brokerage business, which benefited from market volatility, and 1H 2020 was outstanding in this regard. The company also successfully diversified its digital asset revenues through its exchange and SaaS offerings during the Period.

OSL boasts more than 10 SaaS clients, including a tier-one regional bank, and the SaaS suite offers a path to increased distribution and market share. This B2B2C approach provides access to a number of markets and customer segments in both digital assets and traditional finance.

The Group is confident in growing its digital asset platform business significantly as the global introduction of digital asset licensing forces other players out of markets, and regulated asset managers choose to trade with licensed financial intermediaries.

The digital asset industry has established a number of co-operative efforts for standardisation and regulatory compliance, including the broadly accepted IVMS101 (inter-VASP messaging) data standard, and the Travel Rule Protocol (TRP) technical working group, which was created in response to the 39-member Financial Action Task Force's AML-related Travel Rule guidance. The TRP working group, which is gaining broad regional support from major governments and businesses, was started by Standard Chartered and is currently chaired by OSL.

OSL stands apart globally with its unique offering. The nucleus of global digital asset activity is in Asia, and the Group's OSL platform is the only existing player in the region with a strong institutional profile and leading capability to securely service regulated market participants.

POST PERIOD UPDATES — REGULATORY PROGRESS, IP ACQUISITION & SENIOR HIRE

On 21 August, OSL became the first firm to receive approval-in-principle from the Hong Kong Securities and Futures Commission ("**SFC**") for licenses to conduct Types 1 and 7 regulated activities under the SFC's regulatory framework for virtual asset trading platforms. OSL was also the first to apply for these licenses in November 2019.

In July 2020, the Group submitted an application to the Monetary Authority of Singapore ("**MAS**") to be licensed under the Payment Services Act 2019 (the "**PS Act**") as a Major Payment Institution ("**MPI**") providing digital payment token ("**DPT**") services.

Should licenses be granted, OSL would become the world's only licensed, Big-Four audited, listed and insured digital asset platform offering brokerage, exchange, custody and SaaS to institutional counterparties.

Furthermore, the Group expects that OSL will likely be able to broaden the scope and size of its banking relationships, increase the frequency at which it can transact directly and at a larger, institutional scale with other licensed securities companies and asset managers, potentially leading to greater market share as institutions pivot toward licensed operators.

Additionally, on 18 August, the Group acquired the core intellectual property assets of blockchain engineering firm Enuma Technologies, and on-boarded the Enuma team, including CEO Antoine Cote, further bolstering the Group's engineering strength.

A leading figure in the global blockchain and digital assets space, Cote has more than 20 years of experience as a serial entrepreneur and engineer, including the last five as the co-founder and CEO of Enuma. He is a former 12-year veteran of Microsoft, where he led large engineering teams in the United States and China, founded the Microsoft R&D Center in Shanghai and was awarded 14 design patents from the United States Patent Office.

The acquisition also included bridgepoint.io, a SaaS-based digital asset portfolio management system, market data infrastructure, and algorithmic pricing and lending platform with blockchain integration, which will supplement the Group's OSL platform product offerings to regulated asset managers, and will eventually be integrated into OSL's deep liquidity pools.

CHIEF EXECUTIVE OFFICER'S STATEMENT

STRATEGY AND PROSPECTS

The Group's strategic priorities for the rest of 2020 are threefold: (1) Continue to grow market share of the digital asset business in both trading and SaaS as a multi-jurisdictional licenced entity serving tier-1 institutional clients; (2) remain financially disciplined and strengthen the diversity of digital asset revenue streams; and (3) maintain and continuously improve its best-in-class technology offerings and capture market developments to achieve scale.

While global economic conditions remain highly uncertain due to COVID-19 and escalating geo-political tensions, the digital evolution of the financial services ecosystem is set to continue. As global regulatory clarity continues to sharpen, institutional participation in the digital assets space is increasing exponentially, driving customer acquisition and the expansion of counterparty relationships for the Group.

It is expected that revenue growth in the Group's digital asset trading platform and SaaS offerings will continue to outpace existing advertising and business park area management services businesses. While these legacy business lines will continue to be key revenue streams in the near term, the Group sees strong upside potential in digital asset revenues for this year and beyond.

As mentioned in our 2019 Annual Report, I have personally sponsored the Group's Environmental, Social and Governance (ESG) activities and currently chair the Group's ESG committee, which is developing, among other activities, a carbon neutral footprint model through the use of blockchain based carbon offset instruments, and a robust ESG strategy and engagement plan, which includes a diverse range of improvement initiatives.

Looking forward to the second half of 2020, the Group is very confident in its ability to strengthen the diversity of its digital asset revenue streams, with seasonal and cyclical volatility accepted as part of regular market factors.

Additionally, the management team is open to non-organic opportunities, and is watching the market for good value acquisition targets as regulation drives sector consolidation.

ACKNOWLEDGEMENTS

I'd like to personally thank all our shareholders, as well as our Board of Directors, staff and counterparts for their ongoing support.

Madden Hugh Douglas

Chief Executive Officer

BC Technology Group Limited

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL EVENTS

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 J Digital 5 LLC ("**J Digital**") entered into the subscription agreement, under which the Company conditionally agreed to allot and issue to J Digital, and J Digital conditionally agreed to subscribe for, the 1,051,213 subscription shares ("**JD Subscription Shares**") for a total consideration of HK\$7.8 million; and the convertible note ("**Convertible Note**") in an aggregate principal amount of HK\$15.6 million (the "**JD Subscription**").

The subscription price was HK\$7.42 per JD 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 JD Subscription Shares was HK\$10,512.13. The Convertible Note was in a principal amount of HK\$15.6 million 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 bears interest at the rate of 5% per annum and will mature on 31 December 2020.

On the same day, the Company and J Digital entered into the warrant subscription agreement, under which the Company conditionally agreed to issue to J Digital warrants ("**Warrant**") conferring the rights to subscribe for a maximum number of 11,526,270 warrant shares (the "**Warrant Issuance**"). The warrant price of HK\$0.0067 per warrant share was 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.

J Digital 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, J Digital, BC MarketPlace Limited ("**BC MarketPlace**") and OS Holdings Limited ("**OS Holdings**"), which are subsidiaries of the Company, entered into the letter agreement ("**Letter Agreement**"), pursuant to which: (a) immediately prior to completion of the JD Subscription ("**JD Completion**"), OS Holdings shall repurchase from J Digital, and J Digital shall sell to OS Holdings, the convertible note in an aggregate principal amount of US\$2 million dated 14 December 2018 and issue to J Digital by OS Holdings ("**OS CN**") in consideration for an amount of US\$2 million for the repurchase of the OS CN to J Digital ("**OS CN Repurchase Proceeds**"); and (b) immediately prior to JD Completion, BC MarketPlace shall repurchase from J Digital, and J Digital 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 million payable by BC MarketPlace to J Digital for the repurchase of the BC Warrant ("**BC Warrant Repurchase Proceeds**"); and (c) in lieu of J Digital directly receiving the OS CN Repurchase Proceeds, J Digital 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 J Digital in satisfaction of any portion of the total subscription consideration; and (d) in lieu of J Digital directly receiving the BC Warrant Repurchase Proceeds, J Digital 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 J Digital in satisfaction of any portion of the total subscription consideration; and (e) any Total Repurchase Proceeds so elected by J Digital to be so paid directly to the Company by OS Holdings or BC MarketPlace (as the case may be) on behalf of J Digital shall be deemed to have been paid directly by OS Holdings or BC MarketPlace (as the case may be) to J Digital, and then paid directly by J Digital to the Company in satisfaction of the applicable portion of the total subscription consideration.

MANAGEMENT DISCUSSION AND ANALYSIS

The JD 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 JD 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 J Digital agreed that repurchase of the BC Warrant and the OS CN, and the subscription for the JD Subscription Shares, the Convertible Note and the Warrant, together, had the effect of aligning the interests of J Digital with those of the Company and its businesses.

Subsequently on 6 July 2020, all conditions precedent to the JD Subscription and the Warrant Issuance as set out in the subscription agreement and the warrant subscription agreement have been fulfilled, and the JD Subscription and the Warrant Issuance were completed. 1,051,213 Shares have been allotted and issued by the Company to J Digital, the Convertible Note and the warrant has been issued by the Company to J Digital, in each case under the Specific Mandate granted by the Shareholders at the Extraordinary General Meeting held on 17 June 2020.

For further details, please refer to the announcements of the Company dated 10 November 2019, 25 March 2020 and 6 July 2020, and the circular of the Company dated 1 June 2020 for more information.

Subscription of New Shares under General mandate

Reference is made to the Company's announcement dated 24 January 2020 in relation to the subscription for new shares under general mandate.

On 24 January 2020, the Company entered into the subscription agreements with various subscribers, pursuant to which the Company conditionally agreed to allot and issue, and the subscribers conditionally agreed to subscribe for 43,100,000 subscription shares ("**January Subscription Shares**") at the subscription price of HK\$6.50 per January Subscription Share. The closing price of January Subscription 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 January 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 January Subscription Share was approximately HK\$6.50. Currently, the regular and recurring monthly expenditure of the Group amounted to approximately HK\$17 million. As at 30 June 2020, the subscription was completed and an aggregate of 43,100,000 ordinary shares were allotted and issued to the subscribers and net proceeds of approximately HK\$280 million had been received by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of Net Proceeds from January Subscription Shares

The proceeds from January Subscription Shares have been utilised subsequent to the subscription as set out under the section “Reasons for the Subscription and Use of Proceeds” of the Company’s announcement dated 24 January 2020. The table below sets out the proposed application of net proceeds after usage up to 30 June 2020:

Purpose of the net proceeds	Amount of net proceed intended to be allocated HK\$ million (approximately)	Actual utilised amounts as of 30 June 2020 HK\$ million (approximately)	Unutilised amount as of 30 June 2020 HK\$ million (approximately)
Repayment of loans	70	70	–
For general working capital and financial reserves of the group	210	–	11.9
— Payment of monthly expenditure	–	85	–
— Payment of other expenses	–	14.3	–
— Liquidity reserves to facilitate brokering of digital assets	–	98.8	–
	<u>280</u>	<u>268.1</u>	<u>11.9</u>

FINANCIAL ANALYSIS

Overall Performance

For the six months ended 30 June 2020 (the “**Period**”), the Group recorded total revenue and income of RMB90.0 million, representing an increase of approximately 5.9%, or RMB5.0 million, from RMB85.0 million for the corresponding period of 2019, driven by the increase in trading income from the digital asset and blockchain platform business.

The operating loss of the Group was RMB71.8 million for the Period, representing a decrease of RMB40.8 million or 36.2%, from net operating loss of RMB112.6 million for the corresponding period of 2019.

The net loss of the Group decreased from RMB131.8 million for the six months ended 30 June 2019 to RMB90.8 million for the Period, a decrease of RMB41.0 million or 31.1%.

Loss per share of the Group for the Period was RMB31 cents (for the six months ended 30 June 2019: RMB52 cents).

MANAGEMENT DISCUSSION AND ANALYSIS

Digital Assets and Blockchain Platform Business

The digital assets and blockchain platform business started in August 2018 and grew substantially in the Period, becoming the largest business revenue and income contributor to the Group. During the Period, the digital assets and blockchain platform business generated income of RMB61.1 million, which was up 46.8% as compared to income of RMB41.6 million in the corresponding period in 2019. The increase was driven by the increase in trading volume from the Group's digital asset trading services and the provision of digital assets SaaS and related services.

Income from facilitation of trading of digital assets, service fee from SaaS, interest income from inventories financing and other digital assets and blockchain platform related business were RMB56.5 million, RMB2.4 million, RMB1.5 million and RMB0.7 million, respectively. Of the RMB61.1 million in income from the digital assets and blockchain platform business, RMB9.1 million was generated from our automatic trading service offered to registered users of the Group's trading platform or licensed SaaS customers.

Advertising and Business Park Area Management Services Businesses

Revenue from advertising business for the Period was RMB11.8 million, a decline of RMB14.8 million or 55.7% as compared with the corresponding period of 2019. During the Period, the Group was further affected by the slowdown in the automotive industry, the COVID-19 pandemic, declining macroeconomic growth in Mainland China and the unresolved Sino-US trade conflict, which caused 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 Period was RMB17.1 million, remaining steady as compared with RMB16.8 million in the corresponding period of 2019.

As at 30 June 2020, 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 organising lease expense, production costs and holding the lease on the Business Park Area. The Group's cost of revenue for the Period was RMB18.6 million, representing a decrease of 47.0% or RMB16.5 million as compared with RMB35.1 million for the corresponding period of 2019. The cost of revenue decreased correspondingly with the decline in revenue in the advertising business.

The gross profit of advertising and business park area management services for the Period was RMB10.3 million, representing an increase of RMB2.0 million as compared to RMB8.3 million for the corresponding period of 2019. The Group's gross profit margin of advertising and business park area management services was 35.7% (for the six months ended 30 June 2019: 19.2%). Such increase was mainly attributable to the increase in the proportion of rental income from the business park area management services segment which generated higher gross profit margins.

Selling and Distribution Expenses

Selling and distribution expenses increased by RMB0.7 million from RMB7.2 million in the corresponding period of 2019 to RMB7.9 million for the Period. The slight increase was mainly attributable to the increase in staff costs for traders and sales staff for promoting the digital assets and blockchain platform business.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative and Other Operating Expenses

Administrative and other operating expenses for the Period decreased by RMB18.0 million to RMB137.0 million as compared to the corresponding period of 2019. The decrease was mainly due to the tightened controls on expenditures related to business trips, marketing and professional services.

During the Period, research and development costs (mainly included in employee benefit expenses) was RMB16.3 million. Out of the total research and development costs, RMB4.9 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

Despite the decrease in revenue from the advertising business, the net loss of the Group for the Period was RMB90.8 million, a decrease of RMB41.0 million when compared to RMB131.8 million for the corresponding period in 2019. The decrease was mainly driven by the significant increase in income from the digital assets and blockchain platform business for the Period.

Interim Dividends

The Board has resolved not to recommend an interim dividend in respect of the six months ended 30 June 2020 to the holders of ordinary shares of the Company.

Liquidity and Financial Resources

As at 30 June 2020, the Group recorded total assets of RMB1,865.2 million (31 December 2019: RMB1,144.7 million), total liabilities of RMB1,725.9 million (31 December 2019: RMB1,211.0 million) and total shareholders' equity of RMB139.3 million (31 December 2019: deficit in shareholder's equity of RMB66.3 million). As at 30 June 2020, the gross gearing ratio (defined as total liabilities over total assets) was approximately 92.53% (31 December 2019: 105.79%).

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

As at 30 June 2020, total borrowings amounted to RMB522.4 million (31 December 2019: RMB338.2 million). The Group's borrowings comprised other loans denominated in Hong Kong dollars ("HKD"), Renminbi ("RMB") and United States dollars ("USD"). RMB376.8 million (31 December 2019: RMB204.2 million) borrowings were interest bearing with interest rates ranging from 3% to 12% per annum (31 December 2019: 4% to 12% per annum). The remaining borrowings were non-interest bearing. RMB200.9 million (31 December 2019: RMB164.8 million) borrowings were secured by equity interest of a subsidiary, RMB deposits or digital assets. As at 30 June 2020, the Group was in a net current assets position (31 December 2019: net current assets position).

Treasury Policy

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

MANAGEMENT DISCUSSION AND ANALYSIS

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

For operations in Hong Kong, most of the transactions are denominated in 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 is minimal. For operations in Singapore, as digital asset trading transactions and other business transactions are denominated in USD mainly, with only some local operating expenses being settled in Singapore dollars ("SGD"), any SGD-related exposure to foreign exchange risk is minimal.

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

Material Acquisitions and Disposals of Subsidiaries

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

Charge on the Group's Assets

As at 30 June 2020 and 31 December 2019, the Group pledged a certain amount of equity interest of a subsidiary, RMB deposits and digital assets.

Contingent Liabilities

As at 30 June 2020 and 31 December 2019, the Group did not have any significant contingent liabilities.

Human Resources Cost

As at 30 June 2020, the Group had a total of 130 employees across its Hong Kong, Singapore and Mainland China offices (30 June 2019: 177 employees). The total staff cost during the Period was RMB99.6 million (30 June 2019: RMB101.3 million).

The emolument policy of the Group is on the basis of the qualifications and contributions of individuals to the Group. 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 Company operates a share option scheme for the purpose of providing incentives to, retaining, recognising and motivating eligible Directors, employees and other eligible participants who make a contribution to the Group. The Company has granted 23,000,000 share options under its share option scheme during the Period (30 June 2019: 2,851,111).

The Company has also adopted a share award plan to recognise and reward the contributions of certain employees and persons to the growth and development of the Group and to provide them with incentives in order to retain them for the continual operation of the Group and to attract suitable personnel for further development of the Group. The Company has granted 3,288,974 new shares under its share award plan during the Period (30 June 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

During the Period, the global business and macroeconomic environment experienced unprecedented changes as a result of the COVID-19 pandemic, forcing companies in virtually every sector and market to respond to an environment that challenged existing business and operating models.

While this situation had an adverse impact on many industries, including those related to the Group's Mainland China businesses, digital assets were an exception and benefited disproportionately during the market turmoil. As a result, the Group outperformed the market, with overall revenues of RMB90.0 million for the Period, representing an increase of 5.9% from RMB85.0 million in the first half of 2019.

In the first half of 2020, the Group's OSL digital asset and blockchain platform business continued its pace of exceptional performance, with income of RMB61.1 million, representing a significant increase of 46.8% when compared to the first six months of 2019. Contributions from the Group's digital asset and blockchain platform business also continue to grow, and it now comprises 68% of all Group income and revenues.

There were several factors that contributed to this outperformance, including a global shift to online platforms necessitated by the social distancing rules and work from home policies implemented in response to the pandemic. Continued volatility in the digital asset market and a growing acceptance of the viability of the asset class among regulators, governments, retail and professional investors alike also contributed to the growth of the segment.

The first half of 2020 also saw a steady increase in widely reported participation and interest in digital assets from leading financial players such as: Jefferies, Paul Tudor-Jones, Standard Chartered, JP Morgan, Fidelity International, Deutsche Borse, Nomura, ING Bank and many others. In May, Bitcoin experienced its third halving event (a once-every-four-year event that reduces the number of new Bitcoin entering circulation every 10 minutes by half) and maintained its status as one of the best performing assets of the decade.

As a result of these developments, as well as operational and technical investments made by the Group over the past two years, the OSL digital asset platform is now firmly established as global leader and is driving institutional adoption of the digital asset class, while setting industry standards for security, performance and compliance. The OSL digital asset 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.

The Group's two Mainland China businesses had mixed results in the first half of 2020 as a result of the impact of the COVID-19 pandemic and corresponding economic slowdown in the country. Despite the headwinds, the business park area management services saw a slight increase in rental income compared to the same period in the previous year. The advertising and marketing communications business saw a 55.7% decline in revenues compared to the first six months of 2019 and also was impacted by an ongoing decline in consumer confidence in the China domestic automotive industry.

In view of the positive outlook for digital assets regulatory clarity and growth in Hong Kong, as well as the likely continued adverse impact of the COVID-19 pandemic and other factors that will affect the Group's PRC-focused business, the Group remains committed to capturing growth in the expanding digital asset sector.

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

In the first half of 2020, the OSL digital asset and blockchain platform business significantly outperformed, despite an extremely challenging macroeconomic business environment, proving itself to be resilient and well-timed to regulatory shifts in the global financial services industry.

Major business and operational development milestones accomplished by the Group over the previous 18-months contributed to this performance and assisted the OSL digital asset platform business to develop rapidly and in time with the maturation of the broader digital asset market. These included the launch of an automated trade matching service to facilitate trading in non-securities digital assets, continuous investment in OSL's technical and operational capabilities, the consolidation of several businesses under the OSL brand, and the launch of Asia's first insured digital asset custody product.

OSL's highly developed operational and technical capabilities have allowed professional investors and institutions to utilise the platform to enter the digital asset market at pace. These investors 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 OSL digital asset platform and services 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 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.

Overall digital asset trading income for OSL was RMB56.5 million for the Period, a 42.9% YoY increase from RMB39.6 million during the same period in 2019. Active customers for the OSL digital asset platform increased in the first half of 2020 by 813.4% compared to the first half of 2019.

Revenues and income from automatic trading-related technology solutions including SaaS solutions for the first half of 2020 were RMB9.1 million representing an increase of 161% over RMB3.5 million from the first half of 2019.

An existing counterpart agreed in May 2020 to a new two-year contract for managed services to implement a SaaS platform to scale OSL's capabilities to its clients, including customised white label branding, streamlined operations and settlement enhancements.

OSL was also selected in May to provide digital asset safekeeping services to SFC-licensed blockchain and crypto-related asset manager MaiCapital's crypto-themed quantitative hedge fund, the Bitcoin+ Investment Fund.

The Group's OSL Custody Service was also selected in June as the official digital asset custodian for Equities First Holdings LLC (EFH), a global investment firm in the United States and early participant in the digital asset financial sector.

With this increase in client numbers and revenues, The Group is optimistic that the liquidity of its trending venue will continue to increase.

MANAGEMENT DISCUSSION AND ANALYSIS

The success of the first half of 2020 builds off a banner year in 2019, when the Group also saw a significant seven-fold increase in digital asset income, with digital assets becoming the main revenue driver of the Group, and a significant increase in its number of institutional and professional investors as customers and counterparties.

With the recent rapid increase in regulation of digital asset markets, the Group is optimistic that it can capture immediate and longer-term opportunities for its digital asset business as the wider digital asset ecosystem continues to grow and mature.

PRC advertising business and business park area management services businesses

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

The Group's business park area management services business provides operation and management services for commercial property in the Jingwei Park business park in Shanghai. During the Period, the business park was fully leased and occupied by a leading real estate and shared workspace company under a long-term agreement. This resulted in rental income of RMB17.1 million for the Period, stable compared to rental income of RMB16.8 million in the first half of 2019. Stable rental income is expected from this segment for the foreseeable future.

The Group's PRC advertising business includes the provision of professional and customised one-stop integrated marketing communication services to customers through diversified communication platforms such as above-the-line advertising, outdoor, print and digital advertising and roadshows. Major customers include automotive companies, government authorities and advertising agencies.

In the first half of 2020, the automotive industry has faced downward pressure, as a result of macroeconomic uncertainty, intense industry competition and an overall decline in customer confidence. The sudden outbreak of the COVID-19 pandemic intensified this trend and had an impact on the financial performance of many automobile companies, including major customers of the Group, leading to reduced marketing budgets. The Group's advertising business therefore reported RMB11.8 million in revenue during the Period, representing a decline of 55.7% compared to the first half of 2019.

In the first six months of 2020, the COVID-19 pandemic brought uncertainty to the Group's operating environment in Mainland China. To combat the spread of the virus, the Chinese government introduced a number of measures, including but not limited to: government mandated stay-at-home orders, closure of public and private facilities and businesses, suspension of large gatherings of people and public events, social distancing rules and travel restrictions. These measures had an adverse impact on our business, particularly diminishing the Group's ability to conduct roadshows, and place print and outdoor advertising.

Recent Developments

On 21 August 2020 the Group, through its wholly-owned subsidiary OSL Digital Securities Limited ("**OSL Digital Securities**"), received approval-in-principle of its November 2019 application to the SFC for licenses to conduct Types 1 and 7 regulated activities under the SFC's regulatory framework for virtual asset trading platforms.

Additionally, in July 2020, the Group submitted an application to the MAS to be licensed under the PS Act as a MPI providing DPT services.

MANAGEMENT DISCUSSION AND ANALYSIS

Should final licence approvals be granted, BC Group's OSL asset platform would become singularly unique in the global digital asset market as the only licensed, audited, listed and insured digital asset platform offering brokerage, exchange, custody and SaaS institutional counterparties.

In addition, as an entity licensed to buy, sell and trade digital assets, OSL Digital Securities will likely be able to broaden the scope and size of its banking relationships, and frequently transact directly and at a larger, institutional scale with other licensed securities companies and asset managers.

In general, heightened confidence from regulated firms in the digital asset space likely will translate to these companies gaining greater institutional market share at the expense of unlicensed competitors.

Such a situation could present significant opportunities for expansion and diversification, and for the OSL digital asset platform to capture market opportunities and grow income.

Prospects

Throughout the first half of 2020, the Group's digital assets platform business and SaaS revenues continued to outpace its advertising and business park area management services lines. In addition, the Group's geographic expansion in the digital assets sector increased its customer base and provided operational redundancies with capability to support potential business disruption during the current global pandemic.

Through its pursuit of relevant digital asset financial services licences in Hong Kong and Singapore, the Group in the first half of 2020 also continued to actively support the development of regulation of digital assets and the acceptance of the asset class by institutions and professional investors. Regulatory clarity dramatically increased in the first six months of 2020, resulting in more high-quality professional participants entering the space. These participants are actively seeking partners such as BC Group that possess world-class technology, risk management, security, and compliance protocols which adhere to new regulatory standards.

As one of a few market participants with the ability to comply with new and emerging regulations, the Group has seen substantial interest from institutional investors seeking to enter the market. The nature of these engagements is far ranging and includes discussions around strategic partnerships as well as existing and new potential SaaS offerings. Accordingly, the Group continues to build its standalone capabilities in technology, security, risk and compliance systems to meet regulatory standards as well as the operational and technical requirements of existing and potential partners and counterparties.

The Group believes that revenue growth in its digital asset trading platform and SaaS offerings will continue to outpace existing advertising and business park area management services businesses. However, both new and existing business lines will continue to be key revenue streams in the near future.

Looking forward, the Group will strengthen its efforts to diversify revenue and expand its customer base in Hong Kong and other key jurisdictions predominantly in Asia, where it is focused on the provision of digital asset trading platforms and related SaaS. The Group will take a cautious approach to pursuing growth opportunities in its advertising and business park management services business in Mainland China.

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

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

		Unaudited For the six months ended 30 June	
		2020	2019
	Notes	RMB	RMB
Continuing operations			
Income from principal activities:			
— Revenue from advertising business	7	11,783,668	26,603,023
— Rental income from business park area management services		17,138,963	16,771,821
— Income from digital assets and blockchain platform business	8	61,085,810	41,623,739
		90,008,441	84,998,583
Cost of revenue relating to advertising and business park area management services		(18,583,808)	(35,064,500)
Net impairment losses on financial assets and contract assets		(658,634)	(414,467)
Other income	9	349,041	657,878
Other gains/(losses), net	9	1,958,208	(571,083)
Selling and distribution expenses		(7,862,365)	(7,238,414)
Administrative and other operating expenses		(137,031,462)	(155,004,524)
Operating loss		(71,820,579)	(112,636,527)
Finance income		4,569,056	4,182,521
Finance costs		(22,764,446)	(23,278,990)
Finance costs, net		(18,195,390)	(19,096,469)
Loss before income tax		(90,015,969)	(131,732,996)
Income tax expense	11	(735,275)	(19,217)
Loss from continuing operations		(90,751,244)	(131,752,213)
Loss from discontinued operations (attributable to owners of the Company)	12	(3,717)	(4,369)
Loss for the period		(90,754,961)	(131,756,582)

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

	Unaudited	
	For the six months ended	
	30 June	
	2020	2019
	RMB	RMB
Loss for the period	(90,754,961)	(131,756,582)
Other comprehensive (loss)/income		
<i>Item that may be reclassified to profit or loss:</i>		
Currency translation differences on translation of foreign operations with a functional currency different from the Company's presentation currency	(6,809,305)	316,303
<i>Item that will not be reclassified to profit or loss:</i>		
Currency translation differences related to the Company on translation of functional currency to presentation currency	6,386,270	40,628
Other comprehensive (loss)/income for the period	(423,035)	356,931
Total comprehensive loss for the period	(91,177,996)	(131,399,651)
Loss for the period attributable to:		
Owners of the Company		
— Loss from continuing operations	(92,950,311)	(133,287,779)
— Loss from discontinued operations	(3,717)	(4,369)
	(92,954,028)	(133,292,148)
Non-controlling interests		
— Profit from continuing operations	2,199,067	1,535,566
	(90,754,961)	(131,756,582)

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

		Unaudited For the six months ended 30 June	
	Notes	2020 RMB	2019 RMB
Loss per share for loss from continuing operations attributable to owners of the Company			
Basic (RMB per share)	14	(0.31)	(0.52)
Diluted (RMB per share)	14	(0.31)	(0.52)
Loss per share for loss from continuing and discontinued operations attributable to owners of the Company			
Basic (RMB per share)	14	(0.31)	(0.52)
Diluted (RMB per share)	14	(0.31)	(0.52)
Total comprehensive loss for the period attributable to:			
Owners of the Company			
— Loss from continuing operations		(93,459,645)	(132,935,901)
— Loss from discontinued operations		(3,717)	(4,369)
		(93,463,362)	(132,940,270)
Non-controlling interests			
— Profit from continuing operations		2,285,366	1,540,619
		(91,177,996)	(131,399,651)

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As at 30 June 2020 RMB	Audited As at 31 December 2019 RMB
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	15	187,755,518	205,361,704
Intangible assets	16	51,299,670	50,878,423
Prepayments, deposits and other receivables		127,452,570	122,313,540
Inventories due from counterparties		–	17,401,244
Deferred income tax assets		3,288,202	3,288,202
Total non-current assets		369,795,960	399,243,113
Current assets			
Inventories	17	876,235,290	446,561,751
Contract assets	7	24,718,382	28,370,842
Trade and bills receivables	18	54,872,093	34,108,709
Prepayments, deposits and other receivables		69,355,965	34,944,349
Inventories due from counterparties		–	6,960,714
Cash and cash equivalents		470,234,529	191,852,375
		1,495,416,259	742,798,740
Assets directly associated with assets classified as held for sale		–	2,627,398
Total current assets		1,495,416,259	745,426,138
Total assets		1,865,212,219	1,144,669,251
LIABILITIES			
Non-current liabilities			
Deposits received and other payables		13,536,585	36,146,698
Lease liabilities	20	151,660,038	166,735,799
Borrowings	22	200,198,930	262,898,149
Financial liabilities at fair value through profit or loss	23	–	6,054,129
Deferred income tax liabilities		9,006,956	9,503,404
Total non-current liabilities		374,402,509	481,338,179

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As at 30 June 2020 RMB	Audited As at 31 December 2019 RMB
	Notes		
Current liabilities			
Trade payables	19	37,869,658	41,243,692
Accruals and other payables		106,601,797	60,496,531
Contract liabilities	7	4,755,857	2,556,873
Liabilities due to customers	21	825,048,981	496,189,194
Lease liabilities	20	31,834,231	29,808,175
Financial liabilities at fair value through profit or loss	23	21,032,826	13,524,247
Borrowings	22	322,181,656	75,325,596
Current income tax liabilities		2,178,591	3,564,262
		<u>1,351,503,597</u>	<u>722,708,570</u>
Liabilities directly associated with assets classified as held for sale		—	6,906,283
Total current liabilities		<u>1,351,503,597</u>	<u>729,614,853</u>
Total liabilities		<u>1,725,906,106</u>	<u>1,210,953,032</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	2,713,487	2,325,726
Other reserves		686,092,557	390,221,762
Accumulated losses		(554,756,475)	(461,802,447)
		<u>134,049,569</u>	<u>(69,254,959)</u>
Non-controlling interests		<u>5,256,544</u>	<u>2,971,178</u>
Total equity/(deficit)		<u>139,306,113</u>	<u>(66,283,781)</u>

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Attributable to owners of the Company								Non-controlling interests	Total equity
		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		
At 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)/profit for the period		-	-	-	-	-	-	(133,292,148)	(133,292,148)	1,535,566	(131,756,582)
Currency translation differences		-	-	-	351,878	-	-	-	351,878	5,053	356,931
Total comprehensive income/(loss)		-	-	-	351,878	-	-	(133,292,148)	(132,940,270)	1,540,619	(131,399,651)
Equity — settled share-based payments under share option scheme	29	-	-	-	-	-	11,679,606	-	11,679,606	-	11,679,606
Equity — settled share-based payments under share award scheme	28	-	-	-	-	-	16,202,665	-	16,202,665	-	16,202,665
Shares allocated for subscription of new shares		194,590	97,100,002	-	-	-	-	-	97,294,592	-	97,294,592
At 30 June 2019		2,318,571	309,886,992	3,278,827	(2,736,741)	15,238,857	45,904,736	(351,514,148)	22,377,094	6,027,409	28,404,503
At 1 January 2020		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)
(Loss)/profit for the period		-	-	-	-	-	-	(92,954,028)	(92,954,028)	2,199,067	(90,754,961)
Currency translation differences		-	-	-	(509,334)	-	-	-	(509,334)	86,299	(423,035)
Total comprehensive (loss)/income		-	-	-	(509,334)	-	-	(92,954,028)	(93,463,362)	2,285,366	(91,177,996)
Issuance of new shares	24	387,761	251,657,201	-	-	-	-	-	252,044,962	-	252,044,962
Equity — settled share-based payments under share option scheme	29	-	-	-	-	-	17,043,849	-	17,043,849	-	17,043,849
Equity — settled share-based payments under share award scheme	28	-	-	-	-	-	27,679,079	-	27,679,079	-	27,679,079
At 30 June 2020		2,713,487	565,607,232	3,278,827	(8,034,585)	15,238,857	110,002,226	(554,756,475)	134,049,569	5,256,544	139,306,113

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Unaudited For the six months ended 30 June	
	Notes	2020 RMB	2019 RMB
Cash flows from operating activities			
Cash generated from/(used in) operations		98,581,897	(50,027,344)
Income tax paid		(1,665,620)	(2,320,723)
Net cash generated from/(used in) operating activities		96,916,277	(52,348,067)
Cash flows from investing activities			
Interest received		217,463	193,688
Purchase of property, plant and equipment		(1,505,654)	(8,096,588)
Purchase of intangible assets	16	(4,934,444)	(2,030,379)
Disposal of subsidiaries, net of cash disposal	25	(121,139)	–
Proceeds from disposals of property, plant and equipment		77,775	–
Net cash used in investing activities		(6,265,999)	(9,933,279)
Cash flows from financing activities			
Interest paid		(18,379,901)	(16,247,651)
Proceeds from borrowings		60,216,904	383,921,387
Repayment of borrowing		(101,524,805)	(269,337,017)
Principal elements of lease liabilities		(11,996,261)	(13,478,651)
Proceeds from issuance of new shares	24	252,044,962	9,212,147
Net cash generated from financing activities		180,360,899	94,070,215
Net increase in cash and cash equivalents		271,011,177	31,788,869
Effect of exchange rate changes on cash and cash equivalents		7,370,977	1,104,920
Cash and cash equivalents at the beginning of the period		191,852,375	294,838,046
Cash and cash equivalents at the end of the period		470,234,529	327,731,835

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

This unaudited condensed consolidated interim financial statements are presented in RMB, unless otherwise stated.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with the International Accounting Standard ("**IAS**") IAS 34 Interim Financial Reporting and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange ("**Listing Rules**").

The unaudited condensed consolidated interim financial information should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the "**2019 Annual Financial Statements**"), which have been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**"). The condensed consolidated interim financial information are unaudited but have been reviewed by the Audit Committee.

2.1 CHANGES IN ACCOUNTING POLICIES

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated interim financial statements of the Group for the period are consistent with those applied in the 2019 Annual Financial Statements except for the adoption of amended standards and framework as set out below.

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

The Group has applied the following amendments to standards for the first time for their annual reporting period commencing on 1 January 2020:

Amendments to IAS 1 and IAS 8	Definition of materiality
Amendments to IFRS 3	Definition of a business
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting
Amendments to IAS 39, IFRS 7 and IFRS 9	Hedge accounting
Amendments to IFRS 16	COVID-19-related rent concessions

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

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

Certain new accounting standard and amendments to standards have been published that are not mandatory for financial year beginning on 1 January 2020 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to IAS 37	Onerous contracts — costs of fulfilling a contract	1 January 2022
Amendments to IFRS 3	Update reference to the conceptual framework	1 January 2022
IFRS 17	Insurance contracts	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

3 RISK DISCLOSURES

The Group operates in three main business segments, including traditional 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.

The unaudited condensed consolidated interim financial information does not include all risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2019 Annual Financial Statements. There have been no changes in any risk management policies since the year end.

4 FAIR VALUE MEASUREMENT

(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 unaudited condensed consolidated interim 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
Unaudited					
At 30 June 2020					
Financial liabilities at fair value through profit or loss	23	–	–	21,032,826	21,032,826
Liabilities due to customers					
— Digital asset liabilities	21	544,021,705	5,008,009	–	549,029,714
Liabilities due to customers					
— Fiat currency liabilities	21	276,019,267	–	–	276,019,267
		<u>820,040,972</u>	<u>5,008,009</u>	<u>21,032,826</u>	<u>846,081,807</u>
Audited					
At 31 December 2019					
Financial liabilities at fair value through profit or loss	23	–	–	19,578,376	19,578,376
Liabilities due to customers					
— Digital asset liabilities	21	354,156,330	2,957,150	–	357,113,480
Liabilities due to customers					
— Fiat currency liabilities	21	139,075,714	–	–	139,075,714
		<u>493,232,044</u>	<u>2,957,150</u>	<u>19,578,376</u>	<u>515,767,570</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4 FAIR VALUE MEASUREMENT *(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 period.

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 periods ended 30 June 2020 and 30 June 2019:

	Convertible note		Warrant		Total	
	30 June	30 June	30 June	30 June	30 June	30 June
	2020	2019	2020	2019	2020	2019
	RMB	RMB	RMB	RMB	RMB	RMB
Opening balance						
at 1 January	13,524,247	13,747,067	6,054,129	6,873,163	19,578,376	20,620,230
Change in fair value	–	–	920,534	869,501	920,534	869,501
Currency translation differences	357,197	(9,903)	176,719	19,943	533,916	10,040
Closing balance at 30 June	13,881,444	13,737,164	7,151,382	7,762,607	21,032,826	21,499,771

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4 FAIR VALUE MEASUREMENT *(Continued)*

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

(iii) Valuation inputs and relationships to fair value

Financial instruments	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	
	30 June	31 December			30 June	31 December
	2020	2019			2020	2019
	RMB	RMB				
(1) Convertible note with a conversion right to convert the note into shares of OS Holdings	13,881,444	13,524,247	Level 3	Black-Scholes Formula is adopted and the key inputs are the share price of OS Holdings, the volatilities of the assets and the risk free rate	Yield to maturity 8.26%	Yield to maturity 8.26%
(2) Warrant with a conversion right to convert the warrant into ordinary shares of BC MarketPlace	7,151,382	6,054,129	Level 3	Discounted cash flow model is adopted and the key inputs are terminal growth rate and discount rate	Discount rate: 29%	Discount rate: 29%
(3) Liabilities due to customers — digital asset liabilities <i>(Note)</i>	5,008,009	2,957,150	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 asset inventories are held mainly for the facilitation 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, and the obligations to settle or deliver such digital assets are recognised as digital asset liabilities due to customers.

4 FAIR VALUE MEASUREMENT *(Continued)*

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

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

As at 30 June 2020 and 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 asset 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.

The directors are of the opinion that any reasonable changes in the unobservable inputs would not result in a significant change in the Group's result. Accordingly, no sensitivity analysis is presented for level 3 financial instruments.

(iv) 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 have been determined by Vigers Appraisal & Consulting Limited.

As at 30 June 2020, the Group reviews significant unobservable input and performs valuation adjustment for the fair values of the financial liabilities at fair value through profit and loss.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4 FAIR VALUE MEASUREMENT *(Continued)*

(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 unaudited condensed consolidated interim 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 4(a) above.

Recurring fair value measurements

	Notes	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
Unaudited					
At 30 June 2020					
Non-financial assets					
Digital asset inventories	17	<u>869,415,130</u>	<u>6,820,160</u>	<u>–</u>	<u>876,235,290</u>
Non-financial liabilities					
Collateral payables (including in accruals and other payables)		<u>72,748,503</u>	<u>–</u>	<u>–</u>	<u>72,748,503</u>
Interest payable arising from inventories borrowed from counterparties		<u>391,149</u>	<u>–</u>	<u>–</u>	<u>391,149</u>
Inventories borrowed from counterparties	22	<u>223,433,150</u>	<u>–</u>	<u>–</u>	<u>223,433,150</u>
		<u>296,572,802</u>	<u>–</u>	<u>–</u>	<u>296,572,802</u>
Audited					
At 31 December 2019					
Non-financial assets					
Digital assets inventories	17	410,589,431	35,972,320	–	446,561,751
Interest receivables arising from inventories due from counterparties		–	207,667	–	207,667
Inventories due from counterparties		–	24,361,958	–	24,361,958
		<u>410,589,431</u>	<u>60,541,945</u>	<u>–</u>	<u>471,131,376</u>
Non-financial liabilities					
Collateral payables (including in accruals and other payables)		31,906,302	–	–	31,906,302
Interest payable arising from inventories borrowed from counterparties		18,216	49,753	–	67,969
Inventories borrowed from counterparties	22	<u>4,176,300</u>	<u>3,480,249</u>	<u>–</u>	<u>7,656,549</u>
		<u>36,100,818</u>	<u>3,530,002</u>	<u>–</u>	<u>39,630,820</u>

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4 FAIR VALUE MEASUREMENT *(Continued)*

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

(ii) Valuation inputs and relationships to fair value

Digital asset inventories are held mainly for the facilitation 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 30 June 2020 and 31 December 2019, the digital asset inventories are measured at level 1 or level 2 fair value. The determination of fair value hierarchy level for valuation of the digital asset inventories would depend on whether the underlying digital assets are 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 asset 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:

Non-financial assets/ liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	
	30 June	31 December			30 June	31 December
	2020	2019			2020	2019
	RMB	RMB				
Digital asset inventories	6,820,160	35,972,320	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.	N/A	Quoted price of BTC
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.	N/A	Quoted price of BTC
Interest payable arising from inventories borrowed from counterparties	-	49,753	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.	N/A	Quoted price of BTC
Inventories borrowed from counterparties	-	3,480,249	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.	N/A	Quoted price of BTC

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the unaudited condensed consolidated interim 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.

In preparing the unaudited condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2019 Annual Financial Statements.

6 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 services 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 — facilitation of 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 had decided to discontinue the operation of wireless advertising business on 29 December 2016. In accordance with IFRS 5, the segment of wireless advertising service for the periods ended 30 June 2020 and 2019 were classified as discontinued operations in the Group's unaudited condensed consolidated interim financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6 SEGMENT REPORTING (Continued)

	Continuing operations				Discontinued operations	
	Traditional advertising	Business park area management	Digital assets and blockchain platform business	Unallocated	Subtotal	Wireless advertising
	RMB	RMB	RMB	RMB	RMB	RMB
						Total
						RMB
Unaudited for the six months ended						
30 June 2020						
Results						
Revenue from contracts with customers:						
Revenue from advertising	11,783,668	-	-	-	11,783,668	-
Service fee from SaaS	-	-	2,412,569	-	2,412,569	-
Interest income from inventories financing and other revenue	-	-	2,125,881	-	2,125,881	-
Income from other sources:						
Rental income from business park area management services	-	17,138,963	-	-	17,138,963	-
Other income from digital asset and blockchain platform business	-	-	56,547,360	-	56,547,360	-
(Loss)/profit for the period	(479,172)	1,235,777	(137,566)	(91,370,283)	(90,751,244)	(3,717)
(Loss)/profit for the period from continuing operations	(479,172)	1,235,777	(137,566)	(91,370,283)	(90,751,244)	-
Loss for the period from discontinued operations	-	-	-	-	-	(3,717)
	(479,172)	1,235,777	(137,566)	(91,370,283)	(90,751,244)	(3,717)
Unaudited as at 30 June 2020						
Assets and liabilities						
Reportable segment assets (Note (iii))	106,316,280	112,044,322	1,389,129,660	255,079,847	1,862,570,109	2,642,110
Reportable segment liabilities (Note (iii))	33,958,196	114,748,932	1,243,260,048	333,938,930	1,725,906,106	-

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6 SEGMENT REPORTING (Continued)

	Traditional advertising RMB	Business park area management RMB	Continuing operations Digital assets and blockchain platform business RMB	Unallocated RMB	Subtotal RMB	Discontinued operations Wireless advertising RMB	Total RMB
Unaudited for the six months ended							
30 June 2019							
Results							
Revenue from contracts with customers:							
Revenue from advertising	26,603,023	–	–	–	26,603,023	–	26,603,023
Service fee from SaaS	–	–	2,053,233	–	2,053,233	–	2,053,233
Income from other sources:							
Rental income from business park area management services	–	16,771,821	–	–	16,771,821	–	16,771,821
Income from digital assets trading business	–	–	39,570,506	–	39,570,506	–	39,570,506
(Loss)/profit for the period	(8,559,164)	(1,587,906)	15,405,090	(137,010,233)	(131,752,213)	(4,369)	(131,756,582)
(Loss)/profit for the period from continuing operations	(8,559,164)	(1,587,906)	15,405,090	(137,010,233)	(131,752,213)	–	(131,752,213)
Loss for the period from discontinued operations	–	–	–	–	–	(4,369)	(4,369)
	(8,559,164)	(1,587,906)	15,405,090	(137,010,233)	(131,752,213)	(4,369)	(131,756,582)
Audited as at 31 December 2019							
Assets and liabilities							
Reportable segment assets (Note (ii))	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

Notes:

- (i) All revenue and income were generated from external customers. There were no sales or other transactions between the business segments for the periods ended 30 June 2020 and 2019.
- (ii) Unallocated assets mainly include cash and cash equivalents in head office and pledged deposits. Unallocated liabilities mainly include borrowings.

7 REVENUE FROM CONTRACTS WITH CUSTOMERS UNDER IFRS 15

(a) Disaggregation of revenue from contracts with customers

During the period ended 30 June 2020, all sources of revenue from contracts with customers were recognised over time (30 June 2019: same).

	Unaudited For the six months ended 30 June	
	2020	2019
	RMB	RMB
Revenue from advertising business	11,783,668	26,603,023
Service fee from SaaS	2,412,569	2,053,233
Interest income from inventories financing	1,450,608	–
Others	675,273	–

(b) Assets and liabilities related to contracts with customers

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

	Unaudited 30 June 2020 RMB	Audited 31 December 2019 RMB
Contract assets from advertising and business park area management services	22,255,442	26,953,196
Contract assets from digital assets and blockchain platform business	1,330,203	1,387,179
Less: Loss allowance	(1,909,182)	(1,909,182)
	<u>21,676,463</u>	<u>26,431,193</u>
Assets recognised from costs to fulfill revenue contracts	3,041,919	1,939,649
	<u>24,718,382</u>	<u>28,370,842</u>
Total contract assets		
	<u>24,718,382</u>	<u>28,370,842</u>
Contract liabilities	4,755,857	2,556,873
	<u>4,755,857</u>	<u>2,556,873</u>

7 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:

	Unaudited 30 June 2020 RMB	Audited 31 December 2019 RMB
At the beginning of the period/year	1,909,182	9,686,597
Provision for impairment of contract assets	–	365,438
Reclassification of impairment provision to assets held for sale	–	(8,142,853)
At the end of the period/year	1,909,182	1,909,182

(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 period.

	Unaudited For the six months ended 30 June 2020 RMB	2019 RMB
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	1,572,018	931,198

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8 INCOME FROM DIGITAL ASSETS AND BLOCKCHAIN PLATFORM BUSINESS

	Unaudited For the six months ended 30 June	
	2020	2019
	RMB	RMB
Income from digital assets and blockchain platform business:		
Trading of digital assets <i>(Note (a))</i>	56,706,816	40,262,961
Net fair value loss on digital assets inventories <i>(Note (a))</i>	(159,456)	(692,455)
Service fee from SaaS	2,412,569	2,053,233
Interest income from inventories financing	1,450,608	–
Others	675,273	–
	61,085,810	41,623,739

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 gain or loss 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.

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

	Unaudited For the six months ended 30 June	
	2020	2019
	RMB	RMB
Other income		
Government grant <i>(Note)</i>	349,041	–
Other service income	–	657,878
Total	349,041	657,878
Other gains/(losses), net		
Gain on disposal of subsidiaries <i>(Note 25)</i>	1,880,700	–
Exchange gains, net	781,581	283,742
Fair value changes of financial liabilities through profit or loss	(920,534)	(869,501)
Gain on disposals of property, plant and equipment	77,775	–
Others	138,686	14,676
Total	1,958,208	(571,083)

Note: Included government assistance received under COVID-19 related Employment Support Scheme and Research and Development Cash Rebate Scheme.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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:

	Unaudited For the six months ended 30 June	
	2020	2019
	RMB	RMB
Continuing operations		
Amortisation of intangible assets	4,838,086	3,833,111
Cost of revenue relating to advertising services (excluding employee benefits)	9,589,688	23,416,057
Depreciation of property, plant and equipment (excluding right-of-use assets)	4,626,414	4,051,691
Depreciation of right-of-use assets	16,505,002	19,350,148
Employee benefit expenses (including directors' emoluments)	91,762,690	101,305,159
Expense relating to short-term leases (included in administrative and other operating expenses)	1,002,359	1,703,683

11 INCOME TAX EXPENSE

No provision for Hong Kong profits tax and Singapore corporate income tax have been made as the Group did not generate any assessable profits arising in Hong Kong and Singapore during the six months ended 30 June 2020 and 2019.

Taxes on profits assessable in the PRC have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof. The PRC corporate income tax rate of all the PRC subsidiaries during the six months ended 30 June 2020 and 2019 was 25% on their taxable profits.

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

	Unaudited For the six months ended 30 June	
	2020	2019
	RMB	RMB
Continuing operations		
Current tax		
PRC corporate income tax	1,292,379	19,217
Deferred income tax	(557,104)	–
Income tax expense	735,275	19,217

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12 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 six months ended 30 June 2020 and 2019 is as below:

	Unaudited For the six months ended 30 June	
	2020	2019
	RMB	RMB
Discontinued operations		
Statement of profit or loss of the discontinued operations:		
Administrative and other operating expenses	(3,717)	(4,369)
Loss for the period from discontinued operations (attributable to owners of the Company)	(3,717)	(4,369)
Statement of cash flows of the discontinued operations:		
Net cash used in operating activities and net cash outflows	(121,651)	(4,334)

13 DIVIDENDS

The Board did not recommend the payment of any dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

14 LOSS PER SHARE

For continuing and discontinued operations

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

	Unaudited For the six months ended 30 June	
	2020	2019
	RMB	RMB
Loss from continuing operations:		
Loss for the period attributable to owners of the Company	92,954,028	133,292,148
Add: Loss for the period from discontinued operations (attributable to owners of the Company)	(3,717)	(4,369)
Loss for the period from continuing operations attributable to owners of the Company for the purpose of basic and diluted loss per share	92,950,311	133,287,779

14 LOSS PER SHARE *(Continued)*

For continuing and discontinued operations *(Continued)*

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

	Unaudited	
	For the six months ended	
	30 June	
	2020	2019
	RMB	RMB

Loss from continuing and discontinued operations:

Loss for the period attributable to owners of the Company
for the purpose of basic and diluted loss per share

92,954,028	133,292,148
-------------------	-------------

	Unaudited	
	For the six months ended	
	30 June	
	2020	2019

Number of shares:

Weighted average number of ordinary shares used as the denominator
in calculating basic and diluted loss per share

303,666,406	255,077,080
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Loss per share for loss from continuing operations attributable to
owners of the Company

Basic *(RMB per share)*

(0.31)	(0.52)
---------------	--------

Diluted *(RMB per share)*

(0.31)	(0.52)
---------------	--------

Loss per share for loss from continuing and discontinued operations
attributable to owners of the Company

Basic *(RMB per share)*

(0.31)	(0.52)
---------------	--------

Diluted *(RMB per share)*

(0.31)	(0.52)
---------------	--------

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 period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14 LOSS PER SHARE *(Continued)*

For continuing and discontinued operations *(Continued)*

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 six months ended 30 June 2020, 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 (30 June 2019: except the convertible note granted by the Company's non-wholly owned subsidiary had dilutive effect to the Group, the share options, share award and warrants had anti-dilutive effect to the Group).

15 PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment with a cost of approximately RMB1,505,654 (six months ended 30 June 2019: approximately RMB13,029,120).

16 INTANGIBLE ASSETS

Intangible assets included computer software and domain, goodwill, acquired lease with favorable terms and capitalised development costs. During the Period, the Group capitalised and subsequently transferred to computer software and domain with a cost of approximately RMB4,934,444 (six months ended 30 June 2019: approximately RMB2,030,379).

As at 30 June 2020 and 31 December 2019, intangible assets included goodwill of RMB9,275,778 arose from the acquisition of 上海憬威企業發展有限公司 ("Shanghai Jingwei"), on 1 October 2016, whose principal activity is the provision of operation and management services of the business park area.

17 INVENTORIES

	Unaudited As at 30 June 2020 RMB	Audited As at 31 December 2019 RMB
Digital asset inventories:		
— Held in the Group own wallet	856,075,118	446,561,751
— Digital assets held on exchange institution <i>(Note)</i>	20,160,172	—
	876,235,290	446,561,751

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

17 INVENTORIES (Continued)

Note:

The digital assets held on third party exchange institution are measured at fair value. They represent balance of digital assets attributable to the Group held in shared wallet of the third party exchanges.

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

As at 30 June 2020, the balance of digital assets inventories included digital assets held by the Group in designated customer accounts under various contractual arrangements totaling RMB549,029,714 (31 December 2019: RMB357,113,480) (Note 21). It also included the Group's proprietary inventories of RMB327,205,576 (31 December 2019: RMB89,448,271). The balance is measured at fair value through profit or loss.

Net fair value loss of RMB159,456 (30 June 2019: RMB692,455) from remeasurement of digital assets inventories at 30 June 2020 to the extent it is not offset by remeasurement of digital asset liabilities due to customers at the same date is presented as part of the "income from digital assets and blockchain platform business" in the unaudited condensed consolidated statement of profit or loss (Note 8).

18 TRADE AND BILLS RECEIVABLES

	Unaudited As at 30 June 2020 RMB	Audited As at 31 December 2019 RMB
Trade receivables from advertising and business park area management services	24,716,598	24,302,600
Less: Loss allowance	(9,695,606)	(9,695,606)
	<u>15,020,992</u>	<u>14,606,994</u>
Bills receivables from advertising business	899,731	2,247,811
Trade receivables from digital assets and blockchain platform business	44,561,926	22,121,930
Less: Loss allowance	(5,610,556)	(4,868,026)
	<u>38,951,370</u>	<u>17,253,904</u>
Trade and bills receivables	<u>54,872,093</u>	<u>34,108,709</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

18 TRADE AND BILLS RECEIVABLES *(Continued)*

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

Customers of the digital assets and blockchain platform business are generally required to prefund their accounts prior to a 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 actions are taken to recover overdue debts.

At 30 June 2020 and 31 December 2019, the ageing analysis of the Group's trade and bills receivables, based on invoice date, were as follows:

	Unaudited As at 30 June 2020 RMB	Audited As at 31 December 2019 RMB
0–30 days	34,746,563	18,699,932
31–90 days	1,517,627	1,160,083
91–180 days	4,397,542	4,923,915
181–365 days	10,187,222	3,619,024
Over 365 days	3,123,408	3,457,944
	53,972,362	31,860,898
Bills receivables	899,731	2,247,811
	54,872,093	34,108,709

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

19 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, was as follows:

	Unaudited As at 30 June 2020 RMB	Audited As at 31 December 2019 RMB
0–30 days	11,878,700	11,006,538
31–90 days	5,733,997	15,304,563
91–180 days	5,296,714	3,977,227
181–365 days	14,459,914	9,013,970
Over 365 days	500,333	1,941,394
	<u>37,869,658</u>	<u>41,243,692</u>

20 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Amounts recognised in the unaudited condensed consolidated statement of financial position

The unaudited condensed consolidated statement of financial position shows the following amounts relating to leases:

	Unaudited As at 30 June 2020 RMB	Audited As at 31 December 2019 RMB
Right-of-use assets (<i>Note</i>)		
Properties	<u>153,427,950</u>	<u>168,065,020</u>
Lease liabilities (<i>Note</i>)		
Non-current	<u>151,660,038</u>	166,735,799
Current	<u>31,834,231</u>	<u>29,808,175</u>
	<u>183,494,269</u>	<u>196,543,974</u>

Note: Included in the line item 'property, plant and equipment' and 'lease liabilities' in the unaudited condensed consolidated statement of financial position.

During the period ended 30 June 2020, there was no addition to the right-of-use assets (31 December 2019: Nil).

20 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

(b) Amounts recognised in the unaudited condensed consolidated statement of profit or loss

The unaudited condensed consolidated statement of profit or loss shows the following amounts relating to leases:

	Unaudited For the six months ended 30 June	
	2020	2019
	RMB	RMB
<hr/>		
Depreciation charge of right-of-use assets		
Properties	<u>16,505,002</u>	<u>19,350,148</u>
	Unaudited For the six months ended 30 June	
	2020	2019
	RMB	RMB
<hr/>		
Interest expense (included in finance costs)	11,120,477	12,705,864
Expense relating to short-term leases (included in administrative and other operating expenses) <i>(Note 10)</i>	<u>1,002,359</u>	<u>1,703,683</u>
	<u>12,122,836</u>	<u>14,409,547</u>

The total cash outflow for leases during the period ended 30 June 2020 was RMB24,119,097 (30 June 2019: RMB27,888,198).

21 LIABILITIES DUE TO CUSTOMERS

	Unaudited As at 30 June 2020 RMB	Audited As at 31 December 2019 RMB
Liabilities due to customers		
— Fiat currency liabilities	276,019,267	139,075,714
— Digital asset liabilities	549,029,714	357,113,480
	825,048,981	496,189,194

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

22 BORROWINGS

	Unaudited As at 30 June 2020 RMB	Audited As at 31 December 2019 RMB
Non-current		
Secured borrowings	126,260,860	115,580,353
Unsecured borrowings	66,861,273	147,317,796
Inventories borrowed from counterparties	7,076,797	–
	200,198,930	262,898,149
Current		
Secured borrowings	74,599,460	49,192,072
Unsecured borrowings	31,225,843	18,476,975
Inventories borrowed from counterparties	216,356,353	7,656,549
	322,181,656	75,325,596
Total borrowings	522,380,586	338,223,745

As at 30 June 2020, RMB376,764,945 (31 December 2019: RMB204,166,417) borrowings were interest bearing with interest rates ranging from 3% to 12% per annum (31 December 2019: 4% to 12% per annum). The remaining borrowings were non-interest bearing. RMB16,500,000 (31 December 2019: RMB16,500,000) borrowings were 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. RMB126,260,860 (31 December 2019: RMB115,580,353) borrowings were secured by deposits of RMB119,512,561 (31 December 2019: RMB105,058,604). Borrowings were provided by a non-financial institution with a principal amount of USD8,209,853 (equivalent to RMB58,099,460) (31 December 2019: USD4,696,801 (equivalent to RMB32,692,072)). Under the terms of loan, the Group has pledged a total of 1,691 BTC (31 December 2019: 881 BTC) to the lenders as collateral.

The following table is prepared based on the scheduled repayment date set out in the relevant agreement:

	Unaudited As at 30 June 2020 RMB	Audited As at 31 December 2019 RMB
On demand	19,354,781	–
Within 1 year	302,826,875	75,325,596
Between 1 and 2 years	200,198,930	262,898,149
	522,380,586	338,223,745

23 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Warrant

On 14 December 2018, BC MarketPlace, 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 BC MarketPlace. Under the agreement, BC MarketPlace 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 BC MarketPlace 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 BC MarketPlace.

Before the maturity date of 14 December 2024, the Subscriber holds a put right to require BC MarketPlace to purchase the warrant, in the instance of a sale of BC MarketPlace.

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 BC MarketPlace 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 unaudited condensed consolidated statement of profit or loss.

The following table presents the fair value of the item:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2020	2019
	RMB	RMB
Opening balance at 1 January	6,054,129	6,873,163
Change in fair value	920,534	(892,631)
Currency translation difference	176,719	73,597
Closing balance	7,151,382	6,054,129

23 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Convertible Note

On 14 December 2018, OS Holdings, 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 OS Holdings to convert all or part of the principal amount outstanding under the convertible note into ordinary shares of OS Holdings at a conversion price of (i) the lowest price per share paid by an independent third party to purchase any shares issued by OS Holdings 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. OS Holdings 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 OS Holdings 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 unaudited condensed consolidated statement of profit or loss.

24 SHARE CAPITAL

	Unaudited As at 30 June 2020		Audited As at 31 December 2019	
	Number of shares	RMB	Number of shares	RMB
Authorised:				
Ordinary shares of HKD0.01 each at 30 June 2020 and 31 December 2019	2,000,000,000	16,632,421	2,000,000,000	16,632,421
Issued and fully paid:				
At the beginning of the period/year	284,483,913	2,325,726	261,607,553	2,123,981
Issuance of new shares <i>(Note)</i>	43,100,000	387,761	22,876,360	201,745
At the end of the period/year	327,583,913	2,713,487	284,483,913	2,325,726

Note:

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.

On 24 January 2020, the Company entered into the subscription agreements with various subscribers, pursuant to which the Company agreed to allot and issue, and the subscribers agreed to subscribe for 43,100,000 subscription shares at the subscription price of HK\$6.5 per share. Upon the issuance of the shares, HKD431,000 (equivalent to approximately RMB387,761) was credited to share capital and HKD279,719,000 (equivalent to approximately RMB251,657,201) was credited to share premium.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

25 DISPOSAL OF SUBSIDIARIES

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 上海巨流信息科技有限公司 (“巨流信息”) and 上海巨流软件有限公司 (“巨流软件”), which are principally engaged in wireless advertising business in the PRC. The disposals of 巨流信息 and 巨流软件 were completed on 17 January 2020 and 15 June 2020 respectively.

The net assets and liabilities of 巨流信息 and 巨流软件 at the date of disposal were as follows:

	17 January 2020 巨流信息 RMB	15 June 2020 巨流软件 RMB	Total RMB
Analysis of assets and liabilities over which control was lost:			
Property, plant and equipment	78,159	–	78,159
Other receivables	3,353,902	1,472,383	4,826,285
Cash and cash equivalents	120,770	369	121,139
Trade and other payables (Note)	(4,138,183)	(2,113,850)	(6,252,033)
Contract liabilities	(242,347)	–	(242,347)
Current income tax liabilities	(234,733)	(177,170)	(411,903)
Net liabilities disposed of	(1,062,432)	(818,268)	(1,880,700)
Gain on disposal of subsidiaries:			
Consideration received	–	–	–
Net liabilities disposed of	1,062,432	818,268	1,880,700
Gain on disposal of subsidiaries	1,062,432	818,268	1,880,700
Net cash outflow on disposal of subsidiaries			
Cash consideration	–	–	–
Less: cash and cash equivalents disposed of	(120,770)	(369)	(121,139)
	(120,770)	(369)	(121,139)

Note: Balance is net of available debt waiver.

26 RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

Save as disclosed elsewhere in these unaudited condensed consolidated interim financial statements, the Group had the following material related party transactions:

	Unaudited For the six months ended 30 June	
	2020	2019
	RMB	RMB
Interest expenses accrued on borrowings from related companies of a director (<i>Note (a)</i>)	2,186,097	1,239,699

Note:

- (a) 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.

(b) Balances with related parties

Save as disclosed elsewhere in these unaudited condensed consolidated interim financial statements, the Group had the following material balances with its directors and related parties:

	Unaudited As at 30 June 2020 RMB	Audited As at 31 December 2019 RMB
Fiat currency and digital assets liabilities		
Amount due to Mr. Chapman David James (<i>Note (iii)</i>)	38,708,460	3,098,650
Amount due to Mr. Madden Hugh Douglas (<i>Note (iii)</i>)	6,659,424	3,535,192
Amount due to Mr. Lo Ken Bon (<i>Note (iii)</i>)	3,156,919	3,110,156
Amount due to a related company of Mr. Chapman David James and Mr. Madden Hugh Douglas (<i>Notes (i) and (iii)</i>)	13,851,056	22,991,899
Amount due to a related company of Mr. Madden Hugh Douglas (<i>Notes (ii) and (iii)</i>)	84,215,075	37,051,810
	146,590,934	69,787,707
Borrowing and interest payable		
Amounts due to related companies of Mr. Ko Chun Shun, Johnson (<i>Note (iv)</i>)	38,796,759	122,807,968

26 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties *(Continued)*

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 21 to the unaudited condensed consolidated interim 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

27 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:

	Unaudited As at 30 June 2020 RMB	Audited As at 31 December 2019 RMB
Financial assets at amortised cost		
Contract assets (excluding costs to fulfill revenue contract)	21,676,463	26,431,193
Trade and bills receivables (Note 18)	54,872,093	34,108,709
Prepayments, deposits and other receivables (excluding prepayments, other tax receivables and interest receivables arising from inventories due from counterparties)	187,938,025	145,271,036
Cash and cash equivalents	470,234,529	191,852,375
	734,721,110	397,663,313
Financial liabilities measured at amortised cost		
Trade payables (Note 19)	37,869,658	41,243,692
Accruals, other payables and deposits received (excluding employee benefits, other tax payables, non-financial interest payable and collateral payables)	41,563,891	55,338,463
Lease liabilities (Note 20)	183,494,269	196,543,974
Borrowings (excluding inventories borrowed from counterparties) (Note 22)	298,947,436	330,567,196
	561,875,254	623,693,325
Financial liabilities at fair value through profit or loss		
Liabilities due to customers (Note 21)	825,048,981	496,189,194
Financial liabilities at fair value through profit or loss (Note 23)	21,032,826	19,578,376
	846,081,807	515,767,570

28 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.

Tricor Trust (HK) Limited (formerly known as 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 plan. The Trustee will hold the shares on trust for the selected participants. The Trustee 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 shareholders in general meeting.

Under the share award plan, 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.

The 3% Plan Limit (“**Refreshed Scheme Limit**”) was refreshed by the shareholders at the annual general meeting of the Company held on 28 June 2019. The maximum number of shares which can be granted under the Refreshed Scheme Limit shall be 8,510,982 shares, representing 2.6% of the shares in issue.

During the period ended 30 June 2020, 3,288,974 new shares were allocated and issued to the Trustee. Out of 12,529,097 outstanding awarded shares, 8,266,063 awarded shares will be vested on 4 September 2020, 4,219,701 awarded shares will be vested on 4 September 2021, and 43,333 awarded shares will be vested on 4 September 2022.

The Group recognised an expense of approximately RMB27,679,079 (30 June 2019: RMB16,202,665) for the period ended 30 June 2020 in relation to share award granted by the Company.

29 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. 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.

29 SHARE OPTION SCHEME *(Continued)*

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 15 January 2020 and 12 June 2020, 1,700,000 and 21,300,000 share options were granted under the Share Option Scheme respectively. Up to 30 June 2020, 43,000,000 had been granted, representing about 13.13% of the shares in issue while 2,096,666 share options had been lapsed and no share options had been exercised, hence 40,903,334 share options were remained outstanding.

Pursuant to a resolution passed at the annual general meeting of the Company held on 28 June 2019, a new scheme mandate limit was refreshed, which allowed the Company to grant 28,369,941 options, representing 10% of the shares in issue as at 28 June 2019. At the date of reporting the total number of share options that can be granted was 5,369,941, representing approximately 1.64% of the total issued shares of the Company.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

29 SHARE OPTION SCHEME (Continued)

The following share options were granted under the Scheme with fair value using the Black-Scholes option pricing model with the following input variables:

	Date of grant	Number of options	Exercise price per option (HK\$)	Closing price of shares before the date of grant (HK\$)	Vesting period of share options	Exercise period of share options	Fair value on grant date (HK\$)	Risk-free interest rate (%)	Expected dividend yield (Note 2)	Expected volatility (Note 3)
1.	22 August 2018 (2018 Share Option 1)	16,715,556	8.88	8.75	22 August 2018 to 22 August 2020	(i) two-thirds: 22 August 2020 to 21 August 2023	3.53	2.03		
					22 August 2018 to 22 August 2021	(ii) one-third: 22 August 2021 to 21 August 2023	3.77	2.03		
2.	10 December 2018 (2018 Share Option 2)	433,333	7.84	7.80	10 December 2018 to 22 August 2020	(i) two-thirds: 22 August 2020 to 21 August 2023	3.04	2.03		
					10 December 2018 to 22 August 2021	(ii) one-third: 22 August 2021 to 21 August 2023	3.26	2.03		
3.	18 January 2019 (2019 Share Option 1)	2,851,111	7.53	7.50	18 January 2019 to 22 August 2020	(i) two-thirds: 22 August 2020 to 21 August 2023	2.88	2.03		
					18 January 2019 to 22 August 2021	(ii) one-third: 22 August 2021 to 21 August 2023	3.09	2.03		
4.	15 January 2020 (2020 Share Option 1)	1,700,000	7.45	7.45	15 January 2020 to 22 August 2020	(i) two-thirds: 22 August 2020 to 21 August 2023	2.33	1.34		
					15 January 2020 to 22 August 2021	(ii) one-third: 22 August 2021 to 21 August 2023	2.59	1.42		
5.	12 June 2020 (2020 Share Option 2)	21,300,000	7.99	7.99	12 June 2020 to 22 August 2021	(i) one-third of 14,300,000 shares: 22 August 2021 to 22 August 2025	2.83	0.34		
					12 June 2020 to 22 August 2022	(ii) one-third of 14,300,000 shares: 22 August 2022 to 22 August 2025	3.03	0.35		
					12 June 2020 to 22 August 2023	(iii) one-third of 14,300,000 shares: 22 August 2023 to 22 August 2025	3.21	0.37		
					12 June 2020 to 22 August 2021	(iv) one-third of 6,800,000 shares: 22 August 2021 to 22 August 2025 (Note 1)	2.84	0.34		
					12 June 2020 to 22 August 2022	(v) one-third of 6,800,000 shares: 22 August 2022 to 22 August 2025 (Note 1)	3.04	0.35		
					12 June 2020 to 22 August 2023	(vi) one-third of 6,800,000 shares: 22 August 2023 to 22 August 2025 (Note 1)	3.22	0.37		
					12 June 2020 to 22 August 2021	(vii) two-thirds of 200,000 shares: 22 August 2021 to 22 August 2025	2.83	0.34		
					12 June 2020 to 22 August 2022	(viii) one-third of 200,000 shares: 22 August 2022 to 22 August 2025	3.03	0.35		

Notes:

- The vesting of options is subject to certain accelerated vesting conditions relating to the market price and the trading volume of the Company's shares.
- There is no expected dividend yield for all share options granted.
- The expected volatility is 54% for the share options granted on 22 August 2018, 10 December 2018, 18 January 2019 and 15 January 2020. The expected volatility for the share option granted on 12 June 2020 is 51%.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

29 SHARE OPTION SCHEME (Continued)

The following table discloses movements of the Company's share options held by the employees, consultants and directors during the period:

Option type	Outstanding at 1 January 2020	Issued during period	Exercised during period	Forfeited during period	Outstanding at 30 June 2020
2018 Share Option 1	15,048,890	–	–	–	15,048,890
2018 Share Option 2	433,333	–	–	(100,000)	333,333
2019 Share Option 1	2,621,111	–	–	(100,000)	2,521,111
2020 Share Option 1	–	1,700,000	–	–	1,700,000
2020 Share Option 2	–	21,300,000	–	–	21,300,000
Total	18,103,334	23,000,000	–	(200,000)	40,903,334

Option type	Outstanding at 1 January 2019	Issued during period	Exercised during period	Forfeited during period	Outstanding at 30 June 2019
2018 Share Option 1	16,715,556	–	–	(833,333)	15,882,223
2018 Share Option 2	433,333	–	–	–	433,333
2019 Share Option 1	–	2,851,111	–	–	2,851,111
Total	17,148,889	2,851,111	–	(833,333)	19,166,667

The Group recognised an expense of approximately RMB17,043,849 (30 June 2019: RMB11,679,606) for the period ended 30 June 2020 in relation to share options granted by the Company.

30 EVENT OCCURRING AFTER THE REPORTING PERIOD

On 10 November 2019, the Group entered into the subscription agreement with J Digital to allot and issue 1,051,213 shares and the convertible note in an aggregate principal amount of HK\$15,600,000 to J Digital (the "**JD Subscription**") and the warrant subscription agreement with J Digital to issue warrants to J Digital conferring the rights to subscribe for a maximum number of 11,526,270 warrant shares (the "**Warrant Issuance**"), respectively. All the completion conditions precedent to the JD Subscription and the Warrant Issuance as set out in the subscription agreement and the warrant subscription agreement have been fulfilled, and the JD Subscription and the Warrant Issuance were completed on 6 July 2020.

31 COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation.

OTHER INFORMATION

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 30 June 2020, 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

Name of Director	Number of Ordinary Shares Held				Number of underlying shares held			% of the issued share capital of the Company	
	Personal Interest	Family Interest	Corporate Interests	Total	Personal Interests	Family Interests	Total	Grand Total	
Mr. Ko Chun Shun, Johnson	–	–	187,536,194 (Note (i))	187,536,194	4,200,000 (Note (ii))	–	4,200,000	191,736,194	58.53%
Mr. Lo Ken Bon	–	–	–	–	5,200,000 (Note (iii))	1,111,111 (Note (iii))	6,311,111	6,311,111	1.93%
Mr. Madden Hugh Douglas	–	–	–	–	5,200,000 (Note (iii))	–	5,200,000	5,200,000	1.59%
Mr. Chapman David James	–	–	–	–	5,200,000 (Note (iii))	–	5,200,000	5,200,000	1.59%
Mr. Chau Shing Yim, David	–	–	–	–	500,000 (Note (iii))	–	500,000	500,000	0.15%
Mr. Chia Kee Loong, Lawrence	–	–	–	–	500,000 (Note (iii))	–	500,000	500,000	0.15%
Mr. Tai Benedict	–	–	–	–	500,000 (Note (iii))	–	500,000	500,000	0.15%
Mr. Tiu Ka Chun, Gary	–	–	–	–	300,000 (Note (iii))	–	300,000	300,000	0.09%

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.
- (iii) This represents the share options of the Company granted to the spouse of Mr. Lo under the Company's Share Option Scheme.

Save as disclose above, as at 30 June 2020, 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.

OTHER INFORMATION

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 at no time during the Period 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

As at 30 June 2020, 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:

Name	Number of Ordinary Shares Held		Total	% of the issued share capital of the Company
	Direct Beneficially owned	Through controlled Corporation		
East Harvest Global Limited	187,536,194	–	187,536,194	57.25%
Wise Aloe Limited	–	187,536,194 (Note (i))	187,536,194	57.25%
Bell Haven Limited	–	187,536,194 (Note (ii))	187,536,194	57.25%
Colour Day Limited	–	187,536,194 (Note (iii))	187,536,194	57.25%
Mr. Ko Chun Shun, Johnson	4,200,000 (Note (v))	187,536,194 (Note (iv))	191,736,194	58.53%
Eternity Investment Limited	18,000,000	–	18,000,000	5.49%
Clever Gain Management Limited	23,077,000	–	23,077,000	7.04%
Shinning Ocean Ventures Limited	–	23,077,000 (Note (vi))	23,077,000	7.04%
Vistra Trust (Singapore) Pte. Limited	–	23,077,000 (Note (vii))	23,077,000	7.04%
FIL Investment Management (Hong Kong) Limited	17,000,000	–	17,000,000	5.19%
FIL Asia Holdings Pte Limited	–	17,000,000 (Note (viii))	17,000,000	5.19%
FIL Limited	–	17,000,000 (Note (ix))	17,000,000	5.19%
Pandanus Partner L.P.	–	17,000,000 (Note (x))	17,000,000	5.19%
Pandanus Associates Inc.	–	17,000,000 (Note (xi))	17,000,000	5.19%

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES *(Continued)*

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.
- (vi) Shinning Ocean Ventures Limited is deemed to be interested in the 23,077,000 ordinary shares of the Company held by Clever Gain Management Limited under the SFO by virtue of its interests in Clever Gain Management Limited.
- (vii) Vistra Trust (Singapore) Pte. Limited is deemed to be interested in the 23,077,000 ordinary shares of the Company held by Clever Gain Management Limited under the SFO by virtue of its interests in Shinning Ocean Ventures Limited.
- (viii) FIL Asia Holdings Pte Limited is deemed to be interested in the 17,000,000 ordinary shares of the Company in which FIL Investment Management (Hong Kong) Limited has an interest under the SFO by virtue of its interests in FIL Investment Management (Hong Kong) Limited.
- (ix) FIL Limited is deemed to be interested in the 17,000,000 ordinary shares of the Company in which FIL Investment Management (Hong Kong) Limited has an interest under the SFO by virtue of its interests in FIL Asia Holdings Pte Limited.
- (x) Pandanus Partner L.P. is deemed to be interested in the 17,000,000 ordinary shares of the Company in which FIL Investment Management (Hong Kong) Limited has an interest under the SFO by virtue of its interests in FIL Limited.
- (xi) Pandanus Associates Inc. is deemed to be interested in the 17,000,000 ordinary shares of the Company in which FIL Investment Management (Hong Kong) Limited has an interest under the SFO by virtue of its interests in Pandanus Partner L.P.

Save as disclosed above, as at 30 June 2020, 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.

OTHER INFORMATION

SHARE OPTION SCHEME AND SHARE AWARD PLAN

The following table discloses the movements in the Company's share options held by each of the directors, chief executive or substantial shareholders, and each of the employees and consultants of the Company in aggregate granted under the Scheme during the period ended 30 June 2020:

Name or category of grantees	Date of grant of share options	Exercise Price (HK\$)	Validity Period	Number of share options					Balance as at 30 June 2020	Closing price of shares before the date of grant (HK\$)
				Balance as at 1 January 2020	Granted during the period	Exercised during the period	Lapsed during the period	Canceled during the period		
(i) Executive Directors										
Mr. Ko Chun Shun, Johnson	22 August 2018	8.88	22 August 2018 to 21 August 2023 (Note 1)	1,000,000	–	–	–	–	1,000,000	8.75
	12 June 2020	7.99	12 June 2020 to 22 August 2025 (Note 2)	–	3,200,000	–	–	–	3,200,000	7.99
Mr. Lo Ken Bon	22 August 2018	8.88	22 August 2018 to 21 August 2023 (Note 1)	2,000,000	–	–	–	–	2,000,000	8.75
	12 June 2020	7.99	12 June 2020 to 22 August 2025 (Note 2)	–	3,200,000	–	–	–	3,200,000	7.99
Mr. Madden Hugh Douglas	22 August 2018	8.88	22 August 2018 to 21 August 2023 (Note 1)	2,000,000	–	–	–	–	2,000,000	8.75
	12 June 2020	7.99	12 June 2020 to 22 August 2025 (Note 2)	–	3,200,000	–	–	–	3,200,000	7.99
Mr. Chapman David James	22 August 2018	8.88	22 August 2018 to 21 August 2023 (Note 1)	2,000,000	–	–	–	–	2,000,000	8.75
	12 June 2020	7.99	12 June 2020 to 22 August 2025 (Note 2)	–	3,200,000	–	–	–	3,200,000	7.99
Mr. Tiu Ka Chun, Gary	15 January 2020	7.45	15 January 2020 to 21 August 2023 (Note 1)	–	300,000	–	–	–	300,000	7.45
Non-Executive Directors										
Mr. Chau Shing Yim, David	22 August 2018	8.88	22 August 2018 to 21 August 2023 (Note 1)	200,000	–	–	–	–	200,000	8.75
	12 June 2020	7.99	12 June 2020 to 22 August 2025 (Note 2)	–	300,000	–	–	–	300,000	7.99
Mr. Chia Kee Loong, Lawrence	22 August 2018	8.88	22 August 2018 to 21 August 2023 (Note 1)	200,000	–	–	–	–	200,000	8.75
	12 June 2020	7.99	12 June 2020 to 22 August 2025 (Note 2)	–	300,000	–	–	–	300,000	7.99
Mr. Tai Benedict	22 August 2018	8.88	22 August 2018 to 21 August 2023 (Note 1)	200,000	–	–	–	–	200,000	8.75
	12 June 2020	7.99	12 June 2020 to 22 August 2025 (Note 2)	–	300,000	–	–	–	300,000	7.99
(ii) Other employees	22 August 2018	8.88	22 August 2018 to 21 August 2023 (Note 1)	7,448,890	–	–	–	–	7,448,890	8.75
	10 December 2018	7.84	10 December 2018 to 21 August 2023 (Note 1)	433,333	–	–	(100,000)	–	333,333	7.80
	18 January 2019	7.53	18 January 2019 to 21 August 2023 (Note 1)	2,621,111	–	–	(100,000)	–	2,521,111	7.50
	15 January 2020	7.45	15 January 2020 to 21 August 2023 (Note 1)	–	1,400,000	–	–	–	1,400,000	7.45
	12 June 2020	7.99	12 June 2020 to 22 August 2025 (Note 3)	–	7,000,000	–	–	–	7,000,000	7.99
(iii) Other consultants	12 June 2020	7.99	12 June 2020 to 22 August 2025 (Note 2)	–	600,000	–	–	–	600,000	7.99
Total				18,103,334	23,000,000	–	(200,000)	–	40,903,334	

Notes:

- The exercise period is (i) two-thirds of the options granted shall be exercisable on or after 22 August 2020, and (ii) one-third of the options granted shall be exercisable on or after 22 August 2021.
- The exercise period is one-third of the options granted shall vest on each of 22 August 2021, 22 August 2022 and 22 August 2023.

OTHER INFORMATION

SHARE OPTION SCHEME AND SHARE AWARD PLAN *(Continued)*

Notes: (Continued)

3. For 6,800,000 options granted to four employees (including a member of senior management), one-third of the options granted shall vest on each of 22 August 2021, 22 August 2022 and 22 August 2023 subject to certain accelerated vesting conditions relating to the market price and the trading volume of the shares. For 200,000 options granted to an employee, (i) two-thirds of the options shall be exercisable on or after 22 August 2021, and (ii) one-third of the options granted shall be exercisable on or after 22 August 2022.

Details of the movements in the share options and share award of the Company during the Period are set out in Notes 28 and 29 to the unaudited condensed consolidated interim financial statements respectively.

DIRECTORS

The Directors of the Company during the Period 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

Independent Non-Executive Directors

Mr. Chau Shing Yim, David

Mr. Chia Kee Loong, Lawrence

Mr. Tai Benedict

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 Period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry with all the Directors, each of the Directors confirmed that he has complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2020.

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2020, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the provisions of the relevant Corporate Governance Code from time to time, as set out in Appendix 14 to the Listing Rules.

All other information on the Corporate Governance Code of the Company have been disclosed in the Corporate Governance Report contained in the 2019 Annual Report of the Company issued in April 2020.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in compliance with Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

Currently, the Audit Committee comprises three independent non-executive Directors of the Company namely Mr. Chau Shing Yim, David (chairman), Mr. Chia Kee Loong, Lawrence and Mr. Tai Benedict.

The Audit Committee together with the management has reviewed the accounting principles and practices adopted by the Group and discussed the financial reporting matters including the review of the Group's unaudited consolidated interim results for the six months ended 30 June 2020 with no disagreement with the accounting treatment adopted by the Company.

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

Hong Kong, 12 August 2020

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