BC GROUP

BC TECHNOLOGY GROUP LIMITED
BC科技集團有限公司
Stock code: 863 HK

Incorporated in the Cayman Islands with limited liability

ANNUAL REPORT
2021

Asia's Leading Digital Asset and Fintech Company

Parent of

OSL | THE TRUSTED DIGITAL ASSET PLATFORM

SaaS · Brokerage · Custody · Exchange

CONTENTS

Corporate Information

CORPORATE INFORMATION

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

STOCK CODE: 863

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Risk Management Committee

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

AUTHORISED REPRESENTATIVES

Mr. Lo Ken Bon
Ms. Chau Wing Kei

COMPANY SECRETARY

Ms. Chau Wing Kei

PRINCIPAL BANKERS

Bank of China (Hong Kong)
CMB Wing Lung Bank
Bank of Communications Co., Limited
Chiyu Banking Corporation Limited
Signature Bank
Silvergate Bank

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered Public Interest Entity Auditor

LEGAL ADVISERS

Baker & McKenzie

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CORPORATE INFORMATION

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

Unit 1704,
Shanghai Times Square,
No. 99 Middle Huaihai 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

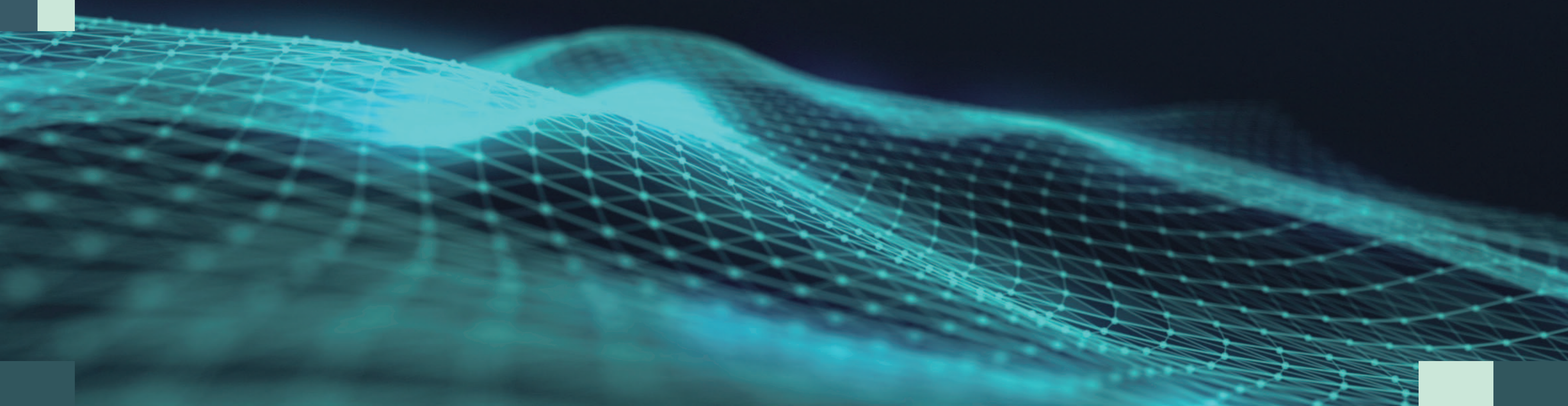
Hong Kong Branch Share Registrar and Transfer Office

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

INVESTOR RELATIONS

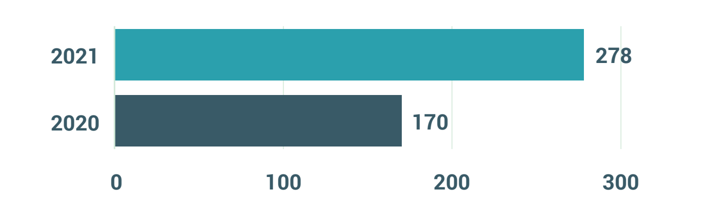
Investor Relations Department
Telephone: (852) 3504 3200
Website: bc.group
Email: ir@bc.group

2021
Financial Highlights and Business Milestones

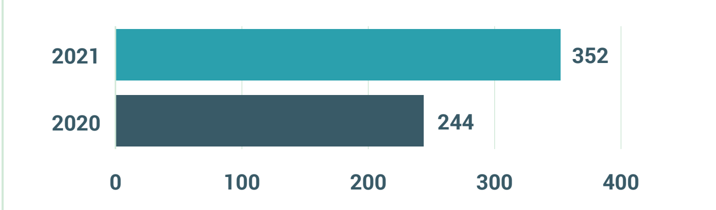


2021 FINANCIAL HIGHLIGHTS

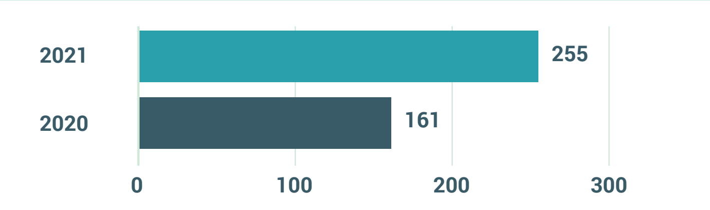
Total OSL digital asset business revenue (HKD millions) — YoY +63%



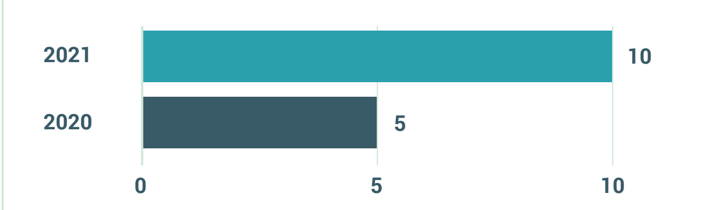
Group revenue (HKD millions) — YoY +44%



Prime brokerage revenue (HKD millions) — YoY +58%

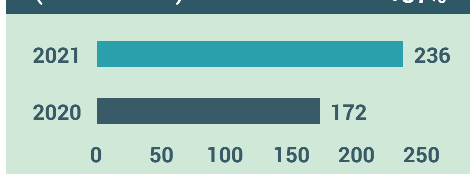


Service fees from SaaS (HKD millions) — YoY+104%

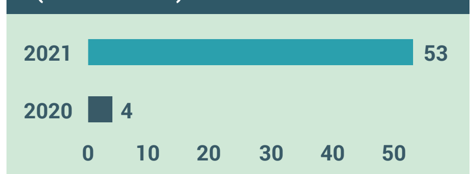


Total platform trading volume (HKD billions) — YoY +73%

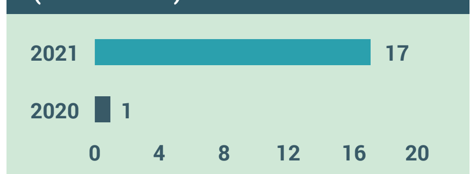
Prime brokerage volume (HKD billions) — YoY +37%



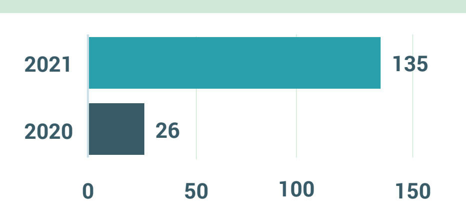
Exchange trading volume (HKD billions)



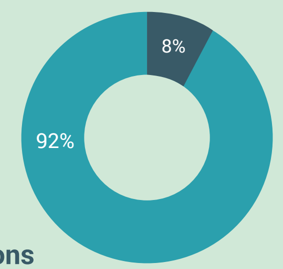
SaaS trading volume (HKD billions)



Active clients (thousands)

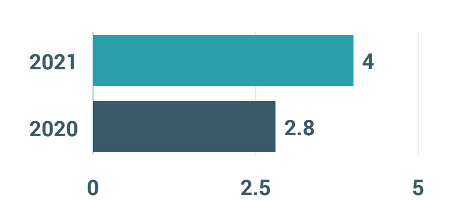


Client mix by trading volumes



HNWI's
Institutions

Asset on platform (HKD billions) — YoY +44%



2021 BUSINESS MILESTONES

Two share placements totalling HKD1.24 billion in 2021

Capital invested in business growth and infrastructure buildout

Fundraising led by

Morgan Stanley
MACQUARIE

Top-tier firms participated

Fidelity International
ROBECO The Investment Engineers
GIC

Capital invested in

- Operational excellence and platform efficiency
- Product development and token listings
- Growing OSL's presence in Singapore, the Americas & the UK
- Key new hires

OSL SaaS rapidly captured global market share with tier-1 financial services clients

- Philippines — PDAX
- UK and Europe — standard chartered | zodia markets
- Singapore — DBS
- Mongolia — ALTEX
- Latin America — Allaria Ledesma & Cia 50 años

OSL Prime Brokerage and Exchange businesses expanded at pace

Global growth

Key new accounts and partners

animoca BRANDS, BlockFi, Hashdex, FALCONX, MatbaRofex, meitu美图, DV chain, QR ASSET MANAGEMENT

Coin universe expansion

BTC, ETH, BCH, LTC, USDT, BAT, ENJ, OGN, SNX, SUSHI, COMP, AAVE, LINK, UNI, GRT, MATIC, YFI, MANA, BAND, DAI

Chief Executive Officer's Statement

CHIEF EXECUTIVE OFFICER'S STATEMENT

> "The Company has demonstrated the efficacy of its approach from 2018 by building OSL into a digital asset powerhouse uniquely equipped to handle regulated institutional capital inflows into the sector."

Dear Shareholders and Partners,

In FY2021, BC Technology Group Limited (the "Company") and its OSL platform experienced substantial growth in-line with its core strategic objectives. At the same time, the potential addressable market for the Company's software-as-a-service ("SaaS") core trading platform expanded to include any financial services firm that seeks to offer digital assets to its customers, positioning BC Group for material growth in the months and years ahead.

During the Year, the OSL digital asset platform recorded a 63% year-on-year ("YoY") increase in income and revenue to HK$278 million and a 73% YoY increase in overall platform trading volumes to HK$306 billion. With FY2021 marking three consecutive years of rapid growth, OSL remained the Company's best performing business and its largest income and revenue contributor, totaling 79% of all Company income and revenue, up 9% from the previous year.

The Company formed OSL in late 2018 with a forward-looking strategic vision based on two primary assertions:

(1) *The "changing of the guard" from unregulated to regulated players in digital assets was inevitable* — The untapped opportunity was therefore in offering OSL as a suitably **credible and licensed counterpart** to facilitate regulated and institutional asset allocation to the burgeoning digital asset class.

(2) *A keystone product suite was needed to win and grow at market pace* — A unique SaaS product offering would enable OSL to **rapidly scale globally**, increasing its addressable market substantially outside of its core markets, and driving non-linear income and revenue growth.

The "changing of the guard" is imminent, with OSL leading the charge. In January, the Hong Kong Securities and Futures Commission ("SFC") and the Hong Kong Monetary Authority ("HKMA") issued a joint circular on digital assets that explains that licensed brokers and banks in Hong Kong **must** partner with SFC-licensed digital asset platform operators — which are those that are licensed to conduct type 1 (dealing in securities) and 7 (automated trading systems) regulated activities related to digital assets — to offer digital asset dealing services. As of this writing, Company subsidiary OSL Digital Securities Limited ("OSL DS") remains the only firm in Hong Kong licensed by the SFC to conduct type 1 and 7 regulated activities related to digital assets.

Institutional demand for digital assets also grew substantially during the Year, and most financial services firms, whether on the buy or sell side, are now executing or planning a digital asset strategy. These firms are faced with a critical choice, "buy or build?" Due to restrictive operations and set-up costs and extremely long time-to-market for core trading systems, most firms will opt to buy rather than build.

The Company's SaaS core trading product is currently the only offering on the market that allows tier-1 financial services firms to offer digital assets to their clients with a very short lead time (several weeks as opposed to several years), and at a much lower cost than building an offering from scratch. Thus, the addressable market for the SaaS business has grown by many orders of magnitude to include any financial services firm that is looking to quickly participate in digital assets.

To date, the Company has signed a landmark JV with Standard Chartered's SC Ventures, is the technology services provider for DBS in Singapore, and won tier-1 institutional clients in the Philippines, Latin America, Mongolia and other markets.

Given its unique offering, its existing client base, as well as a strong pipeline of new customers, SaaS is expected to quickly become an increasingly material growth driver for the Company. The revenue potential and stickiness of SaaS from these engagements has positioned the Company for exponential growth as the "changing of the guard" occurs and unregulated firms exit markets. Achieving this growth is a fundamental strategic focus moving forward.

In addition, the OSL Prime Brokerage business unit continued to build on its position as one of the world's premier digital asset brokers during the Year, expanding its offering in the Americas, and maintaining its record of success working with traditional and digital asset hedge funds and asset managers and digital asset ETFs.

In March of 2021, OSL DS, the Company's Hong Kong SFC-licensed entity, went live with the territory's first-ever trades of regulated digital securities and digital assets. The Company anticipates security token issuance and trading will form a significant portion of OSL's overall business in the medium term, and OSL DS therefore plans to launch and distribute a security token within 2022.

Also during the Year, the Company completed two share placements for ~HK$1.24 billion, and invested the capital into the OSL digital asset business, enhancing platform efficiency and operational excellence. In turn, OSL's global product suite expanded significantly and its global presence increased dramatically. The growing geographical footprint was supported by a number of hires across the business, with OSL adding more than 90 employees during the Year, including core personnel in Hong Kong, Singapore, the Americas and the United Kingdom ("UK").

ESG was also a key focus during FY2021, and the Company made progress on its initiatives, conducting an in-depth materiality assessment to guide its strategy and publishing a comprehensive ESG report. In addition, the Company offset its carbon footprint for three years and made a strategic investment in AllInfra — blockchain carbon offset company.

FY2021 was arguably the biggest year on record for the digital asset space as a result of a number of global milestones that continued to drive mainstream adoption. For example, Bitcoin topped US$1 trillion in market capitalization for the first time and US$30 billion was invested into the space in 2021 — more than all previous years combined.

Globally, regulation of digital assets also continued to gain momentum, as evidenced by recent guidance in tier-1 financial markets such as Hong Kong, Singapore, Australia and the United States. OSL is now a household name with a strong brand, and is regarded as a leader in regulatory compliance, security and transparency. It has earned a reputation as the technology provider of choice for regulated firms. As a result, the OSL platform is better positioned than ever before to capture rapidly increasing global institutional capital inflows into digital assets.

The Company has demonstrated the efficacy of its approach from 2018 by building OSL into a digital asset powerhouse uniquely equipped to handle regulated institutional capital inflows into the sector. And while OSL's performance has been exemplary over the past three years, its aims are much higher. With the core SaaS technology offering rapid market access to digital assets for large regulated financial services firms, it is on the precipice of its next chapter of growth — exponential outperformance.

Growth opportunities and scale must be considered in tandem with relevant risk, and risk cycles are a material consideration for a Hong Kong-headquartered firm. In practice, staffing flexibility, as well as growing international income and revenue and increasing globalization of the firm's footprint were partly a side effect of COVID-19 restrictions and OSL's diverse operating model. However, these factors have also reduced exposure to any single operational hub. OSL now has a critical mass of operations spread internationally across several key locations.

Since OSL's inception, the Company has repeatedly stated its firm commitment to international expansion. Moving forward, emphasis will be placed on global growth, staff diversity and executing 24/7 for clients utilizing a "follow-the-sun" model.

I would like to personally thank all of our clients, partners, shareholders, as well as our Board of Directors and staff for their continued support and collaboration as we continue on our mission to lead the global regulated evolution of the institutional digital asset market.

H Madden

Madden Hugh Douglas
Chief Executive Officer
BC Technology Group Limited

Management Discussion and Analysis

MATERIAL EVENTS

Placing of Existing Shares and Top-up Subscription of New Shares under General Mandate

On 5 January 2021, the Company and East Harvest Global Limited (the "Vendor") entered into the placing and subscription agreement (the "Placing and Subscription Agreement") with Morgan Stanley & Co International PLC ("Morgan Stanley") pursuant to which Morgan Stanley agreed to act as agent for the Vendor to place a total of 45,000,000 placing shares ("January Placing Shares") owned by the Vendor at a price of HK$15.50 per placing share (the "January Placing") to no less than six independent placees ("January Placees").

The January Placees were professional, institutional or other investors approved, selected and/or procured by or on behalf of Morgan Stanley as contemplated by the Placing and Subscription Agreement, who and whose respective ultimate beneficial owners were third parties independent of the Company and its connected persons and who would not become substantial shareholders of the Company after completion of the January Placing. The Vendor conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue to the Vendor 45,000,000 new ordinary shares ("January Subscription Shares") at the subscription price, which was equal to the placing price (the "January Subscription"). The closing price of Subscription Shares on the date of entering the Placing and Subscription Agreement (i.e. 5 January 2021), was HK$19.22 per January Subscription Share. The aggregate nominal value of the 45,000,000 subscription shares was HK$450,000.

The Company considered that the January Placing and the January Subscription represented an opportunity to raise capital for the Company and its subsidiaries (the "Group") while broadening its shareholder base and that it would also strengthen the financial position of the Group for the expansion of the Group's digital assets and blockchain platform business.

The gross proceeds and the received net proceeds from the January Subscription were approximately HK$697.5 million and approximately HK$658.0 million, respectively. The Company intends to use the net proceeds as to (i) approximately HK$40.0 million for developing and enhancing platform technology of digital asset platform business; (ii) approximately HK$225.0 million for maintaining sufficient liquid capital to satisfy the SFC licence requirement of the licensed entity and the expansion of prime brokerage business; (iii) approximately HK$293.0 million for operating working capital including rental expenses, staff costs, marketing and IT expenses, other general expenses and professional fees; and (iv) approximately HK$100.0 million for potential future acquisition and general working capital of the Group. The net price per January Subscription Share was approximately HK$14.62.

For details, please refer to the Company's announcement dated 6 January 2021.

Placing of New Shares under General Mandate

On 11 June 2021, the Company and Macquarie Capital Limited ("Macquarie") entered into the placing agreement (the "Placing Agreement") pursuant to which the Company appointed Macquarie to place a total of 31,952,500 new ordinary shares ("June Placing Share") at a price of HK$17.00 per June Placing Share ("June Placing").

The Company considers that the June Placing represents an opportunity to raise capital for the development and furtherance of the Group's business and will also strengthen the financial position of the Group for the development and expansion of the Group's digital assets and blockchain platform business.

The closing price on the last trading day prior to signing of the Placing Agreement for June Placing Shares (i.e. 10 June 2021) was HK$19.26 per share. The aggregate nominal value of the June Placing Shares was HK$319,525. The June Placing Shares were placed to one placee, namely GIC ("GIC"). GIC is a global investment management company established in 1981 to manage Singapore's foreign reserves. GIC invests internationally in equities, fixed income, foreign exchange, commodities, money markets, alternative investments, real estate and private equity. Headquartered in Singapore, GIC has investments in over 40 countries and employs over 1,800 people across 10 offices in key financial cities worldwide.

The gross proceeds from the June Placing were approximately HK$543.2 million. The received net proceeds, after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements) incidental to the June Placing, were approximately HK$534.7 million, representing a net price of approximately HK$16.74 per June Placing Share.

The Company intends to use the net proceeds from the June Placing as to (i) approximately HK$198.0 million for IT-related costs including digital transformation, developing and enhancing platform technology of digital asset platform business; (ii) approximately HK$236.0 million for operating working capital other than IT-related costs including rental expenses, staff costs, marketing expenses, other general expenses and professional fees; and (iii) approximately HK$100.0 million as reserves for future expansion in markets including the UK, Singapore and the Americas.

For details, please refer to the Company's announcement dated 11 June 2021.

Use of Net Proceeds for January Subscription and Placing and June Placing

The proceeds from the January Subscription and Placing of Shares and the June Placing of Shares have been utilised as intended subsequent to the Company's announcement dated 5 January 2021 and 11 June 2021. The table below sets out the actual use of proceeds up to 31 December 2021:

Event	Purpose of the net proceeds	Amount of net proceeds intended to be allocated HK$ million (approximately)	Actual utilised amount as of 31 December 2021 HK$ million (approximately)	Unutilised amount as of 31 December 2021 HK$ million (approximately)	Expected timeline for utilisation of the unutilised proceeds
January Subscription and Placing	For developing and enhancing platform technology of digital asset platform business	40	40	–	N/A
	For maintaining sufficient liquid capital to satisfy SFC licence requirement of the licensed entity and the expansion of prime brokerage business	225	225	–	N/A
	For operating working capital including rental expenses, staff costs, marketing and IT expenses, other general expenses and professional fees	293	293	–	N/A
	For potential future acquisition and general working capital of the Group	100	44.04	55.96	On or before 31 December 2022
		658	602.04	55.96	

Event	Purpose of the net proceeds	Amount of net proceeds intended to be allocated HK$ million (approximately)	Actual utilised amount as of 31 December 2021 HK$ million (approximately)	Unutilised amount as of 31 December 2021 HK$ million (approximately)	Expected timeline for utilisation of the unutilised proceeds
June Placing	For IT-related costs including digital transformation, developing and enhancing platform technology of digital asset platform business	198	26.57	171.43	On or before 30 June 2024
	For operating working capital other than IT-related costs including rental expenses, staff costs, marketing expenses, other general expenses and professional fee	236	80.51	155.49	On or before 30 June 2023
	As reserves for future expansion in markets including UK, Singapore and America	100	20.61	79.39	On or before 30 June 2023
		534	127.69	406.31	

Establishment of Institutional Digital Asset Trading Venue in Partnership with Standard Chartered

On 2 June 2021, the Group entered into a partnership with SC Ventures, the innovation and ventures unit of Standard Chartered, to jointly establish Zodia Markets Holdings Limited ("Zodia"), a digital asset brokerage and exchange platform for institutional and corporate clients in the UK and Europe.

Based in the UK, and initially targeting the European market, Zodia will connect institutional traders to counterparts across markets, delivering access to deep pools of liquidity in Bitcoin, Ether and other digital assets.

For details, please refer to the Company's announcement dated 2 June 2021.

REVIEW OF RESULTS

Change of presentation currency

The consolidated financial statements were presented in Renminbi ("RMB") in prior years. Starting from 1 January 2021, the directors (the "Directors") considered that as a result of the Group's forward-looking internationalisation strategy and potential sources of funding, the Group changed its presentation currency for the preparation of its consolidated financial statements from RMB to Hong Kong dollar ("HKD"). The Directors considered that the change of presentation currency to HKD enables shareholders and potential investors of the Company to have a more accurate picture of the Group by aligning the currency presentation of the Group's financial performance with its share price.

The effects of the change in the presentation currency have been accounted for retrospectively with comparative figures restated in HKD. The Group has also presented its consolidated statement of financial position as at 1 January 2020 without related notes.

Overall Performance

For the year ended 31 December 2021 (the "Year" or "FY2021"), the Group recorded total revenue and income of HK$352.0 million, representing an increase of approximately 44.4%, or HK$108.3 million, from HK$243.7 million for the year ended 31 December 2020 ("FY2020"), driven by an increase in trading income from the OSL digital asset and blockchain platform business.

The operating loss of the Group was HK$334.8 million for the Year, representing an increase of HK$82.2 million or 32.5%, from net operating loss of HK$252.6 million for FY2020.

The net loss of the Group increased from HK$291.2 million for FY2020 to HK$369.2 million for the Year, an increase of HK$78.0 million or 26.8%.

Loss per share of the Group for the Year was HK$95 cents (FY2020: HK$89 cents).

Digital Assets and Blockchain Platform Business: OSL

The OSL digital asset and blockchain platform business started in August 2018 and has grown substantially in the following years, maintaining its status as the largest business revenue and income contributor to the Group. During the Year, the digital assets and blockchain platform business generated income of HK$277.7 million, which was up 63.2% as compared to income of HK$170.2 million in FY2020. The significant increase was driven by an increase in trading volume from the Group's digital asset trading services and the provision of digital asset SaaS and related services.

OSL prime brokerage revenue, exchange revenues, service fees from SaaS and income from other digital asset and blockchain platform related business were HK$254.5 million, HK$8.3 million, HK$10.1 million and HK$4.8 million, respectively.

Advertising and Business Park Area Management Services Businesses

Revenue from the advertising business for the Year was HK$27.7 million, a decline of HK$2.4 million or 7.9% as compared with FY2020.

Rental income from business park area management services for the Year was HK$46.7 million, representing an increase of HK$3.1 million as compared to HK$43.5 million in FY2020.

During the Year, the cost of generating revenues from advertising and business park area management services mainly comprised expenses and costs for procuring advertising space, staff remuneration, event organisation, lease expense, production costs and holding the lease on the business park area. The cost of revenue from advertising and business park area management services for the Year increased from HK$46.1 million in FY2020 to HK$47.8 million, representing an increase of 3.6%.

The gross profit for advertising and business park area management services for the Year and FY2020 was HK$26.6 million and HK$27.5 million, respectively. The Group's gross profit margin for the advertising and business park area management services businesses was 35.7% (FY2020: 37.3%). The decrease was mainly attributable to the advertising business, which incurred additional costs due to increased market competitiveness in the second half of the Year.

Selling and Distribution Expenses

Selling and distribution expenses decreased by HK$31.7 million from HK$119.8 million for FY2020 to HK$88.2 million for the Year. The decrease was mainly attributable to the decrease in warrant expenses incurred for the Year. The intention of the warrant is to promote liquidity within the Group's trading platforms by encouraging trading activities of J Digital in order to create quantitative benefits to the Group in the form of trading commissions or revenues resulting from client transaction volumes attributable to the liquidity provided.

Administrative and Other Operating Expenses

Administrative and other operating expenses for the Year increased by HK$204.7 million to HK$536.5 million as compared to FY2020. The increase was mainly due to an increase in staff costs resulting from the increase in the number of employees from 144 to 239 and an increase in expenditures related to establishing the corporate and technical infrastructure for the regulated institutional digital asset segment, including technology, legal and compliance, marketing and insurance.

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

Net Loss

Net loss of the Group for the Year was HK$369.2 million, an increase of HK$78.0 million as compared with HK$291.2 million for FY2020. Despite the significant increase in income from the digital assets and blockchain platform business for the Year, the increase in net loss was primarily due to the expansion of the Group's digital assets and blockchain platform business globally.

Human Resources Cost

As at 31 December 2021, the Group had a total of 239 employees in Hong Kong, Singapore, the UK, the Americas and Mainland China (FY2020: 144 employees). The total staff cost before capitalisation during the Year was HK$356.2 million (FY2020: HK$221.6 million). The increase in staff cost was mainly due to the increase in the number of employees to service and grow the expanding global digital asset and blockchain platform business.

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

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

The Company granted 5,000,000 share options during the Year, in which 3,500,000 share options were granted under 2012 Share Option Scheme on 27 January 2021 and 1,500,000 share options were granted under 2021 Share Option Scheme on 8 October 2021 (FY2020: 24,838,500).

The Company also adopted the share award scheme ("2018 Share Award Plan") to recognise and reward the contributions of certain employees and persons to the growth and development of the Group and to provide them with incentives in order to retain them for the continual operation of the Group and to attract suitable personnel for further development of the Group.

The Company granted 2,720,860 new shares ("Awarded Shares") under its 2018 Share Award Plan during the Year, in which 2,160,860 Awarded Shares were granted on 27 January 2021 and 560,000 were granted on 8 October 2021 (FY2020: 5,013,474). Subsequently, 349,430 Awarded Shares were granted on 4 April 2022.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2021 , the Group recorded total assets of HK$5,278.8 million (31 December 2020: HK$4,039.8 million), total liabilities of HK$4,087.6 million (31 December 2020: HK$3,879.4 million) and total shareholder equity of HK$1,191.1 million (31 December 2020: total shareholder equity of HK$160.4 million). As at 31 December 2021, the gross gearing ratio (defined as total liabilities over total assets) was approximately 77.4% (31 December 2020: 96.0%).

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

As of 31 December 2021, total borrowing amounted to HK$119.1 million (31 December 2020: HK$566.3 million). The Group's borrowing comprised other loans denominated in HKD and United States dollar ("USD"). HK$119.1 million (31 December 2020: HK$420.2 million) borrowing was interest bearing with interest rates ranging from 3% to 8% per annum (31 December 2020: 3% to 8% per annum). The remaining borrowing as at 31 December 2020 were non-interest bearing.

HK$64.1 million (31 December 2020: HK$250.1 million) borrowing was secured by digital assets (31 December 2020: secured by RMB deposits or digital assets). As at 31 December 2021, the Group was in a net current assets position (31 December 2020: 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 instruments with high risk. During the Year, the Group continued to adopt a conservative approach in financial risk management and did not employ any material financial instrument for hedging purposes. Most of the assets, receipts and payments of the Group were denominated in RMB, HKD and USD.

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

For operations in Hong Kong, most of the transactions are denominated in HKD and USD. The exchange rate of USD against HKD is stable, and the related currency exchange risk is minimal. For operations in Mainland China, most of the transactions are settled in RMB, and the impact of foreign exchange exposure to the Group is negligible. For operations in Singapore and the Americas, 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") and Mexican peso ("MXN") respectively, any SGD and MXN related exposures to foreign exchange risk are minimal.

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

Material Acquisitions and Disposals of Subsidiaries

During the Year, the Group did not have any material acquisitions or disposals of subsidiaries.

Charge on the Group's Assets

As of 31 December 2021, the Group pledged digital assets of 496 Bitcoin (31 December 2020: digital assets of 2,090 Bitcoin and RMB deposits of HK$149.4 million).

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

In June 2021, BC HoldCo I Limited, a wholly-owned subsidiary of the Company, entered into agreements with an independent third party in relation to the subscription of 24.99% equity interest in Zodia, which was a new entity incorporated in the UK. As at 31 December 2021, the Group's total commitment contracted but not provided for investment in an associate was USD1.75 million (equivalent to approximately HK$13.6 million) which is subject to fulfilment of certain conditions.

Contingent Liabilities

As at 31 December 2021 and 31 December 2020, the Group did not have any significant contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events relating to the Company or by the Group after 31 December 2021 and up to the date of this annual report.

BUSINESS REVIEW AND PROSPECTS

Overview

As the global economy began to recover from the impact of COVID-19 variants, and markets saw increased uncertainty as a result of macroeconomic and geopolitical events, the Group experienced substantial growth in FY2021 in-line with its core strategic objectives.

Group revenue and income was HK$352.0 million for the Year, an increase of 44.4% from HK$243.7 million for FY2020. The OSL digital asset platform led the Group's growth, with income of HK$277.7 million for the Year, an increase of 63.2% YoY from HK$170.2 million in FY2020.

The OSL digital asset platform aims to lead the global regulated, institutional evolution of the digital asset market, and in FY2021 made major strides in pursuit of this objective in terms of business milestones, financial performance and operational excellence.

Since its inception in 2018, OSL has grown rapidly, becoming the best performing business and largest revenue contributor for the Group. Continuing this trend in FY2021, OSL income comprised 78.9% of all Group income and revenue, up from 69.8% in FY2020.

In January 2021, the Group successfully raised approximately HK$697.5 million in a top-up share placement led by Morgan Stanley as the sole placing agent. The placement included a significant investment from a tier-1 international financial firm and several other institutional investors. This was followed by a second share placement in June 2021 for approximately HK$543.2 million led by Macquarie as the placing agent, with Singapore's GIC as the sole placee.

Also in June 2021, the Group and SC Ventures, the innovation and ventures unit of Standard Chartered, announced a joint venture partnership to establish Zodia, a digital asset brokerage and exchange platform for institutional and corporate clients in the UK and Europe. Former Group Chief Information Officer Usman Ahmad is now Zodia CEO, and Nick Philpott, formerly of SC Ventures, is Zodia Chief Operating Officer.

On 3 March 2021, the Group announced that it signed an memorandum of understanding ("MOU") with Venture Smart Asia Limited ("VSAL"), a Hong Kong-licensed asset manager and investment advisory firm, to provide brokerage and related services for VSAL's Hong Kong-regulated digital asset funds (the DigiTrackers Bitcoin and the Arrano Alpha Fund). The agreement was the first collaboration between the first SFC-approved digital asset manager and the parent of OSL DS, the first SFC-licensed brokerage and exchange in Hong Kong.

In a Hong Kong-first on 15 March 2021, the Group's OSL DS unit announced its official go-live with the execution of the first customer trades via its licensed trading desk, breaking new ground for financial services in Asia. In another Hong Kong-first on 4 June 2021, OSL DS conducted the first regulated security token trades with the Blockchain Capital (BCAP) token.

In July 2021, the Group entered into a mutual collaboration agreement with ZA International, under which OSL became the exclusive digital asset trading partner to ZA international. As part of the collaboration, OSL leverages ZA International's advanced proprietary technologies in areas such as facial recognition and machine learning to enhance the user experience of its trading platform.

Throughout FY2021, OSL also expanded its geographic footprint and dramatically grew its product and services offering. This included: the launch of a dedicated digital asset prime brokerage in the Americas; the expansion of access to the OSL Exchange to customers in the Americas; securing a Money Services Business registration from the United States Department of the Treasury's Financial Crimes Enforcement Network (FinCEN); and the growth of the OSL global token universe to over 20 total top-tier tokens across the platform.

This global expansion was supported by a number of hires across the business, with OSL adding more than 90 employees during the Year, including core senior hires in Hong Kong, Singapore, the Americas and the UK.

The Group also saw several milestones in Environmental, Social & Governance ("ESG") during the Year, including successfully offsetting three years of its carbon footprint, a strategic investment in carbon blockchain and tokenization ESG firm Allinfra, and the completion of a comprehensive materiality assessment for FY2021.

The Group's Mainland China-based non-digital asset business was stable during the Year. Overall revenues for this business were HK$74.3 million for the Year, a slight increase of 1.0% from HK$73.6 million in FY2020.

In 2021, the Group further strengthened its position as a leader in regulated digital assets, rapidly growing its global reach and accelerating the financial performance of its OSL platform. At the same time, global regulation of digital assets continued to gain momentum, as evidenced by recent guidance in global-leading financial markets such as Hong Kong, Singapore and the United States. With its specialist expertise in regulatory compliant digital asset trading and prime brokerage, as well as its unique SaaS offering, the Group is confident that the OSL digital asset platform will continue to scale as the digital asset sector becomes further integrated into the global financial services ecosystem.

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

During the Year, the OSL digital asset and blockchain platform business continued to drive revenues for the Group, maintaining its track record of success from the previous two years.

Overall digital asset platform volumes were up by 72.8% YoY to HK$306.1 billion from HK$177.1 billion in FY2020. Total clients assets-on-platform for OSL were up 44.2% YoY to HK$4.0 billion from HK$2.8 billion in FY2020, and active platform customers increased by 424.2% compared to the same period the previous year.

The OSL digital asset platform comprises two main business segments: a digital asset services business (exchange, prime brokerage and custody), and a digital asset technology infrastructure business (SaaS).

The OSL digital asset services business generates income through trade commissions, fees or trading spreads from clients who buy and/or sell digital assets through the platform. Current clients include high-net-worth-individuals and professional investors. In FY2021, OSL's institutional-focused trading business generated the majority of revenues for the platform.

For the digital asset services business, OSL Prime Brokerage revenue, which is the combined revenue from over-the-counter ("OTC") and intelligent Request for Quote ("iRFQ") trading and digital assets lending, was up 58.3% YoY to HK$254.5 million in FY2021 from HK$160.7 million in FY2020. OSL digital asset brokerage OTC trading volumes were also up 10.8% to HK$172.5 billion from HK$155.7 billion in FY2020 and iRFQ trading volumes up 289.5% YoY to HK$63.8 billion in FY2021 from HK$16.4 billion in FY2020. Exchange trading volume was also up 1,206.0% YoY to HK$52.8 billion in FY2021 from HK$4.0 billion in FY2020.

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

SaaS trading volume increased 1,630.0% YoY to HK$17.1 billion in FY2021 from HK$1.0 billion in FY2020. Service fees from SaaS increased 104.2% YoY to HK$10.1 million in FY2021 from HK$5.0 million in FY2020. Revenues for the SaaS business are expected to increase at a more rapid pace throughout the year ended 31 December 2022 ("FY2022") as client platform builds are completed and larger engagements go-live in the first half of 2022.

FY2021 saw the OSL digital asset platform continue its market outperformance from the previous two years. Throughout the Year, the Group made significant investments in the OSL digital asset business in terms of operational excellence, technology, marketing, regulatory compliance, human capital and geographical reach. This has set the stage for a new chapter of growth and for OSL to further scale in FY2022.

Mainland China-based businesses

The Group has two Mainland China-based businesses, a business park area management services business and an advertising and marketing communications services business.

The Group's business park area management services business operates and manages a commercial property in the Jingwei Park business park in Shanghai.

During the Year, the property was fully leased and occupied, and rental income was HK$46.7 million, representing an increase of 7.2% compared to HK$43.5 million in FY2020. This was mainly attributable to the appreciation of exchange rates of RMB against HKD.

The Group's advertising business includes the provision of professional and customised one-stop integrated marketing communication services to customers through diversified communication platforms comprising traditional advertising, digital advertising and roadshows. Traditional advertising includes outdoor, TV and print advertising while digital advertising mainly covers blogging and bulletin board sites. The Group's major customers are from the automotive industry.

The Group's advertising business revenues declined 7.9% from HK$30.1 million in FY2020 to HK$27.7 million during the Year. This was the result of a continuous loss of customers due to keen competition, especially from on-line advertising.

RISK DISCLOSURES

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

(a) Business Development and the Associated Risks in 2021

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

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

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

(i) Regulatory Risk in Relevant Jurisdictions

The Group's digital asset trading businesses currently operate in Hong Kong, Singapore and the Americas.

In Hong Kong, the SFC has implemented a licensing regime for the regulation and licensing of digital asset trading platforms. On 15 December 2020, OSL DS, a wholly owned subsidiary of the Group, was granted a licence (for Types 1 and 7 Regulated Activities) by the SFC to operate a regulated brokerage and automated trading service for digital assets in Hong Kong, and began to provide its trading and related services to professional investors in Hong Kong in March 2021.

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

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

In light of the licence in Hong Kong, the pending licence application in Singapore, the Money Services Business registration in the United States of America and ongoing regulatory developments across the globe, the Group's digital asset trading businesses are and will continue to be subjected to the stringent regulatory compliance requirements in each relevant jurisdiction in which the Group may operate. This includes, for example, Anti-Money Laundering ("AML") systems and controls, and in the case of Hong Kong and Singapore, requirements for minimum capital and liquid assets, business continuity, client asset protection, periodic reporting and financial and compliance audits.

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

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

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

(ii) Price Risk of Digital Assets

The Group holds digital assets in order to facilitate and support the settlement process of the digital asset trading business. Price volatility of digital assets may cause significant impact to the Group's performance. To manage these risks, the level of digital asset holdings is controlled by limits based on volatility, position size and liquidity, as approved by the Risk Committee and as overseen by the Group's Risk Department. During times of heightened price volatility, the Group may choose to reduce its digital asset exposure either by selling down or entering into hedge transactions such as futures contracts. Additionally, the Group has implemented policies for the review and assessment of each type of digital assets that may be admitted for trading via its trading services, and such reviews and assessments take into account various characteristics, such as the assets underlying technology infrastructure, transparency of provenance, ability to monitor for AML and Counter-Financing of Terrorism risks, liquidity and price volatility.

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

(iii) Risks Related to Safekeeping of Assets

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

To mitigate such risks, the Group has implemented guidelines and risk control protocols to adjust the level of digital assets maintained in "hot" wallets required to facilitate settlement. The Group has developed a proprietary digital asset wallet solution with comprehensive security controls and risk mitigation processes in place. Control procedures cover wallet generation, day-to-day wallet management and security, as well as monitoring and safeguarding of the Group's "hot" and "cold" wallets and public and private keys. In 2021, the Group continued to maintain insurance cover from third-party insurance providers covering both its "hot" and "cold" wallets.

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

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

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

(v) Technology Leakage Risk

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

Technology leakage risks are mitigated by controls of information, ability to defend against intrusion into the Group's technology infrastructure, IP protection and prevention of leakage of sensitive data.

(vi) Information Security Risks

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

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

(vii) New Product Risk

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

(viii) Credit Risk

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

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

(ix) Business Continuity

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

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

(x) Operational Risk

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

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

(xi) Performance Risk

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

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

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

(xii) Investment Risk

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

PROSPECTS

During the Year, the Group strengthened its financial position through two share placements and further enhanced its leadership in the digital asset market via substantial investments in the OSL platform's geographic reach, regulatory compliance, operational excellence, technology and products and services.

This resulted in a more robust service offering, further diversification of the customer base, and led to substantial YoY growth in digital asset revenue, platform volumes and trading volumes, as well as expansion of an already deep global pipeline across all OSL business units in FY2021.

As in previous reporting periods, OSL digital asset platform and SaaS revenues grew at a faster rate during the Year than the Group's advertising and business park area management services lines. With several clients secured at the end of the year and the beginning of 2022, as well as a strong pipeline of potential new customers, SaaS is quickly becoming a material driver of revenue for the Group. SaaS engagements and clients are highly sticky and utilize a recurring revenue model, making the business highly scalable, with low cost of capital.

The outlook for the SaaS business is strong. SaaS saw major tier-1 customers come online late in the Year, and significant new business wins in Asia and Latin America in the first quarter of 2022. The Zodia joint venture with Standard Chartered's SC Ventures and a series of newly signed SaaS clients are expected to be fully launched and operational at around mid-year 2022, and this is likely to generate increased revenues for the SaaS business unit in FY2022.

Prospects for the OSL prime brokerage and exchange businesses are also positive. OSL Prime Brokerage is an established industry leader as a result of its success working with traditional and digital asset hedge funds and asset managers and digital asset ETFs. These successes have resulted in a strong global pipeline as well as new clients and partners signing onto OSL Brokerage and Exchange in the post-results period.

Additionally, the Hong Kong SFC-regulated OSL DS business dramatically expanded its pipeline following the 28 January 2022 joint SFC-HKMA circular, which requires licensed brokers and banks in Hong Kong to partner with SFC-licensed digital asset platform operators to offer digital asset dealing services. OSL DS is currently the only SFC licensed digital asset trading platform in Hong Kong. In Singapore, the result of OSL's MAS licence application is expected in the coming months, and several new product launches are planned throughout FY2022.

In March 2021, OSL DS became the first entity in Hong Kong to offer security tokens on its licensed digital asset trading platform. The Group anticipates security token issuance and trading will form a significant portion of OSL's overall business in the medium term, and OSL DS therefore plans to launch and distribute a security token within 2022.

The Group expanded OSL's geographic footprint in 2021, and is committed to sustained growth in key global markets in the near future, including Hong Kong, Singapore, the United States, Mexico and Australia.

Looking ahead, the Group will continue to invest in operational excellence in terms of regulatory compliance, human capital, trading, technology, and platform efficiency to rapidly acquire customers, including major tier-1 financial institutions. A strategic investment in product development and global targeted marketing is also underway with the objective of further growing the OSL platform's client base and broadening its reach. More specifically, the Group intends to direct resources to aggressively build and launch trading products, further automate and scale the platform and exponentially increase the OSL global token universe.

A key strategic growth focus in 2022 will be monetising the Group's technology platform via a deep and robust mix of products and services offered directly to customers via the OSL trading venues, and through the highly scalable SaaS model.

The Group will also pursue opportunities to enhance the breadth and depth of its offering, and expand its expertise in engineering and other functional areas through acquisitions and strategic partnerships.

Growth in the Group's OSL digital asset financial services platform and SaaS offering is expected to continue to outpace existing advertising and business park area management services as market conditions favor new technology and investment strategies. The Group will carefully review the business strategy of the advertising business going forward, and continue to increase focus and resources on the digital asset business as a strategic growth priority.

To support its ongoing growth and expansion, the Group is actively seeking funding through debt and equity in order to strengthen its working capital base and finance global expansion plans.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lo Ken Bon ("Mr. Lo"), aged 45, has been an executive Director of the Company since April 2018 and the Deputy Chairman of the Board since July 2019. He is also the chairman of the Nomination Committee, the Risk Management Committee and a member of the Remuneration Committee.

Mr. Lo is a blockchain thought leader with over 20 years' experience in management consulting and strategy execution. Widely recognised for his knowledge in blockchain technology, Mr. Lo often speaks on blockchain trends at major industry events, including Hong Kong's Belt and Road Conference and Hong Kong Fintech Week. He has also shared his insights on fintech with decision- makers and influencers around the world in interviews with top-tier media including Bloomberg, CNBC and CNN.

Mr. Lo also serves on the Corporate Membership Outreach Committee for the Hong Kong Securities Institute ("HKSI"). Prior to joining the Company, Mr. Lo worked in senior roles at leading global companies such as Verizon, British Telecom, Accenture, Bank of Montreal and ANX International.

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

Mr. Ko Chun Shun, Johnson ("Mr. Ko"), aged 70, has been an executive Director of the Company since April 2018. Mr. Ko is also the deputy chairman and an executive director of Frontier Services Group Limited (stock code: 500), which is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Ko has extensive experience in direct investment, mergers and acquisitions, TMT (Technology, Media and Telecom) and financial services.

Mr. Madden Hugh Douglas ("Mr. Madden"), aged 45, has been an executive Director since August 2018 and the Chief Executive Officer of the Company since July 2019. He is also a director of a subsidiary of the Company.

Mr. Madden has had two decades of experience in blockchain, financial markets and security and previously served as the Chief Technology Officer of the Company.

Mr. Madden worked as Lead Architect, FX, at HSBC and as Solutions Architect, Institutional Banking & Markets at Commonwealth Bank of Australia. His professional experience also includes senior roles at Lloyds Bank, the Bank of Scotland Treasury Australia and ANX International.

Mr. Madden is active in several industry associations and holds a Bachelor's in Computer Science from the University of Newcastle. Mr. Madden has not held any position in other listed companies in the last three years.

Mr. Chapman David James ("Mr. Chapman"), aged 41, has been an executive Director of the Company since August 2018. In his role, he focuses on strategic partnerships and investor relations for the Group. He is also a director in a number of subsidiaries of the Company.

Mr. Chapman is a serial entrepreneur and has more than 14 years of experience in blockchain, digital assets, finance and technology.

Prior to joining the Company, Mr. Chapman held senior roles with HSBC, Credit Suisse, Barclays Capital, ABN AMRO and Bear Stearns, among others. In these roles, he specialised in risk analysis and order management systems and was responsible for the design and implementation of a wide range of trading platforms.

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

Mr. Tiu Ka Chun, Gary ("Mr. Tiu"), aged 44, has been an executive Director of the Company since July 2019. He is also the Company Head of Regulatory Affairs.

Mr. Tiu has more than 20 years of experience as a corporate legal counsel, specialising in regulatory affairs and financial products.

Prior to joining the Company, Mr. Tiu served as General Counsel for Yunfeng Financial Group and Asia Head of Legal and Compliance for Cantor Fitzgerald and BGC Partners. Earlier in his career, Mr. Tiu specialised in structured derivatives, private equity and managed investment products at Macquarie Group and CITIC Capital.

Mr. Tiu holds a Bachelor of Laws and a Bachelor of Arts from the University of New South Wales. Mr. Tiu has not held any position in other listed companies in the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Shing Yim, David ("Mr. Chau"), aged 58, has been an independent non-executive Director of the Company since April 2018. He is also the chairman of the Audit Committee, the Remuneration Committee and is a member of the Nomination Committee and the Risk Management Committee of the Company.

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

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

Mr. Chau was also an independent non-executive director of Richly Field China Development Limited (stock code: 313) from February 2014 to September 2018 and Asia Grocery Distribution Limited (stock code: 8413) from March 2017 to August 2018. All the aforesaid companies are listed on the Stock Exchange.

Mr. Chia Kee Loong, Lawrence ("Mr. Chia"), aged 67, has been an independent non-executive Director of the Company since April 2018. He is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company.

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

Mr. Chia was an independent non-executive Director of New Frontier Health Corporation, a company listed in the New York Stock Exchange from March 2020 to January 2022.

Mr. Tai Benedict ("Mr. Tai"), aged 66, has been an independent non-executive Director of the Company since June 2018. He is also a member of the Audit Committee and the Risk Management Committee of the Company.

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

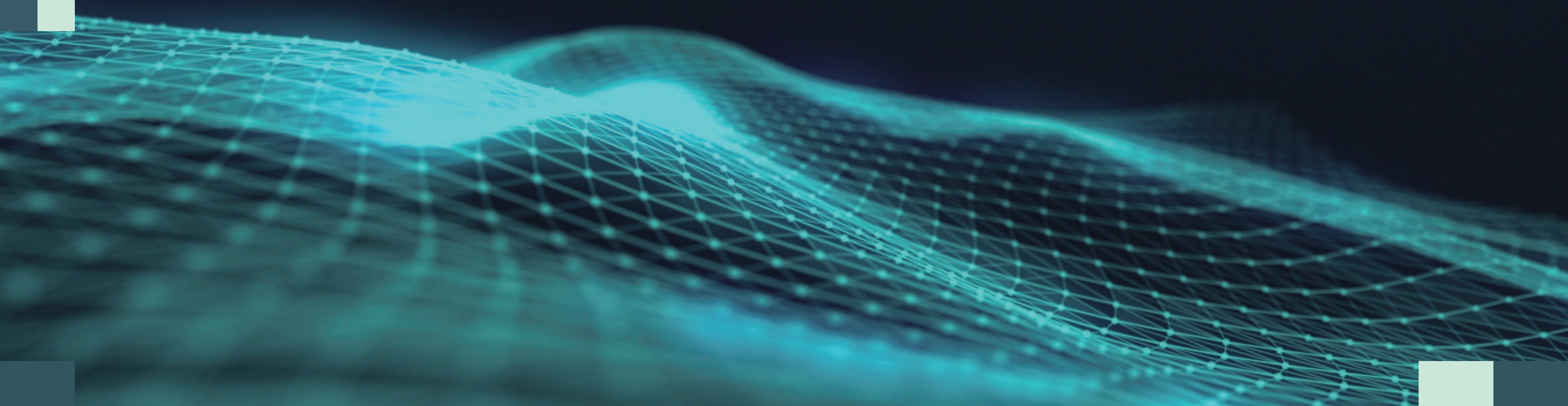
Mr. Wayne Trench ("Mr. Trench"), aged 39, has been the Chief Executive Officer of OSL since October 2018. Mr. Trench also holds directorship in various subsidiaries of the Company and is the Responsible Officer of the Company's SFC-licensed entity, OSL DS.

Mr. Trench oversees all of OSL's activities, including trading and brokerage operations, product development and governance. He has more than 15 years of experience in digital assets, investment banking, trading and finance. Prior to joining OSL, Mr. Trench held senior roles in major financial institutions, including as CEO of Octagon Strategy and Asia head of electronic trading coverage for Morgan Stanley. He is also an entrepreneur, co-founding Aspir, a diversified mineral processing technology and equipment supplier in Australia, which was acquired by the Weir Group in 2013. He holds an MBA from the University of Southern Queensland, a Bachelor's in Business Management from the University of Queensland and is a graduate of the Australian Institute of Company Directors.

Mr. Davin Wu ("Mr. Wu") , aged 37, was appointed as the Group Chief Financial Officer of the Company in March 2022.

Having worked in the finance industry for more than 16 years, Mr. Wu has extensive experience in financial management, M&A, investor relations and capital markets. Mr. Wu held positions in a number of leading Hong Kong listed technology companies, investment banks and Big Four accounting firm, including DIT Group, Digital China, Credit Suisse AG, Goldman Sachs (Asia) L.L.C., PricewaterhouseCoopers. Mr. Wu holds a bachelor's degree in accounting and finance from the University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants.

Corporate Governance Report



The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2021.

The Company wishes to highlight the importance of the Board in ensuring effective leadership and control of the Company, transparency and accountability of all aspects of operations and that its business is conducted in accordance with high ethical standards and applicable laws and regulations.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board considers that good corporate governance provides a framework that is crucial for effective management, successful business growth and a healthy corporate culture. In return, this benefits the Group's stakeholders as a whole, ensures that overall business risk is understood and managed appropriately and that high ethical standards are maintained.

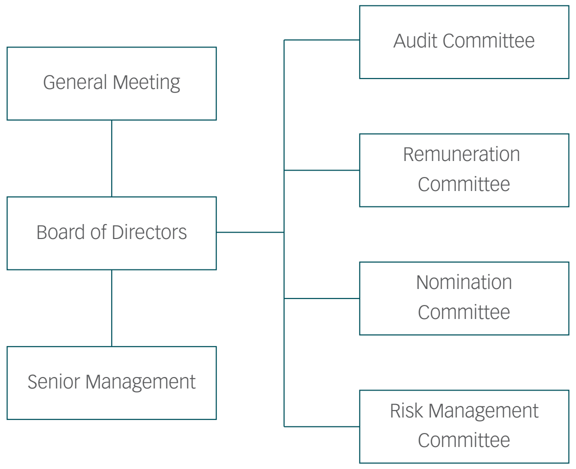
CORPORATE GOVERNANCE PRACTICES

The Corporate Governance Code (the "CG Code") as published by the Stock Exchange sets out the principles of good corporate governance.

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

The Company has complied with all applicable code provisions under the CG Code during the year ended 31 December 2021. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for the Shareholders.

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



MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry with all the Directors, each of the Directors confirmed that he has complied with the required standards as set out in the Model Code throughout the year ended 31 December 2021.

BOARD OF DIRECTORS

Overall Accountability

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

Board Responsibilities

The Board has authorised the management or senior management who are responsible for various business functions to handle the daily operation and day-to-day management affairs of the Group and report to the Board from time to time.

The key responsibilities of the Board include, among other things:

- maintaining and promoting the culture of the Company
- formulation of long-term strategy and setting the general strategy of the Group
- supervising the performance of the Group
- approving operating plans and investment proposals
- approving public announcements, including financial statements
- approving annual budgets and forecasts

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

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

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

The Board monitors senior management's performance against the achievement of financial and non-financial measures, the principal items monitored being:

— monthly management summary

— internal and external audit reports

— feedback from external stakeholders

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

Corporate Governance

The Board is responsible for performing its corporate governance duties as set out below. The Board discharges the following responsibilities either by itself of through delegation to the Board Committees:

— appoint any other committees that the Board decides are needed and delegate to those committees any appropriate powers of the Board.

— provide independent, effective leadership to supervise the management of the Company's business and affairs to grow value responsibly, in a profitable and sustainable manner, and in the best interests of its shareholders

— review the Company's policies and practices on corporate governance

— review and monitor the training and continuous professional development of Directors and senior management

— review and monitor the Company's key policies and practices on compliance with legal and regulatory requirements

— develop, review and monitor the code of conduct and applicable to employees and Directors

— review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report

During the year ended 31 December 2021, the Board has (i) reviewed and monitored the training and continuous professional development of Directors and senior management; (ii) reviewed the Company's key policies and practices on corporate governance and compliance and ensured compliance of the relevant legal and regulatory requirements; and (iii) reviewed the code of conduct, the CG Code and the disclosure in the Corporate Governance Report.

Financial Reporting

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

Board Composition

The Board is structured with a view to ensuring it is of a high calibre and has a balance of skills, knowledge and experience so that it works effectively as a team and individuals or groups do not dominate decision-making.

As at 31 December 2021, the Board comprises eight Directors, five of whom are executive Directors (namely, Mr. Lo Ken Bon (Deputy Chairman), Mr. Madden Hugh Douglas (Chief Executive Officer)), Mr. Ko Chun Shun, Johnson, Mr. Chapman David James and Mr. Tiu Ka Chun, Gary, three of whom are independent non-executive Directors (namely, Mr. Chau Shing Yim, David, Mr. Chia Kee Loong, Lawrence and Mr. Tai Benedict). They bring to the Board a wide range of professional experience in the business, financial, legal, technical and industrial fields, which contribute to the effective direction of the Group.

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

Chairman and Chief Executive

The CG Code requires that Chairman and Chief Executive be separate and not performed by the same individual to ensure there is a clear division of responsibilities between running of the Board and the executives who run the business. Mr. Lo Ken Bon was appointed as Deputy Chairman of the Board and Mr. Madden Hugh Douglas was appointed as the Chief Executive Officer of the Company. Their respective responsibilities are clearly defined and set out in writing.

The Deputy Chairman of the Board provides leadership and is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures. With the support of the senior management, he is also responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The Chief Executive Officer is responsible to the Board for the overall management and profit performance of the Group, including all implementation of objectives, policies and major strategies and initiatives adopted by the Board, day-to-day operations and administration, within the framework of Company policies, reserved powers and routine reporting requirements.

The Board will also continue to endeavour to determine and appoint a suitable candidate to assume as the post of Chairman as soon as possible.

Appointment and Re-election of Directors

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

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

Accordingly, Mr. Ko Chun Shun, Johnson, Mr. Tiu Ka Chun, Gary and Mr. Tai Benedict shall retire at the annual general meeting and being eligible, offer themselves for re-election.

The Company has been complying with Listing Rule 3.10(1) and (2), and 3.10A in which maintaining the number of independent non-executive Directors at not less than one-third of the number of the Board members and has ensured that at least one of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise as required by the Listing Rules. We have three independent non-executive Directors, two of which have appropriate professional qualifications and financial expertise. The participation of independent non-executive Directors in the Board brings independent judgement to ensure the interests of all Shareholders have been duly considered.

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

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

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

Pursuant to code provision C1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 December 2021, all current Directors have participated in continuous professional development as shown below:

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

DIRECTORS' LIABILITY INSURANCE

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

BOARD COMMITTEES

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

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

Audit Committee

The Audit Committee currently comprises three independent non-executive Directors (including two independent non-executive Directors who possess the appropriate professional qualifications or accounting or related financial management expertise), namely, Mr. Chau Shing Yim, David (Chairman), Mr. Chia Kee Loong, Lawrence and Mr. Tai Benedict.

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

During the year ended 31 December 2021, the Audit Committee, among other matters, reviewed the report from the external auditor regarding the audit on annual consolidated financial statements, reviewed the interim results with senior management team and met with the external auditor and reviewed the accounting principles and practices adopted by the Group. The Audit Committee also made recommendations on the reappointment of the external auditor, reviewed the report from the independent internal control consultant on the internal control of the Company and assessed the effectiveness of the Group's internal control system.

There is no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditor.

Risk Management Committee

The Risk Management Committee currently comprises two independent non-executive Directors, Mr. Chau Shing Yim, David and Mr. Tai Benedict, an executive Director, Mr. Lo Ken Bon, and the Chief Risk Officer of the Company. Mr. Lo Ken Bon is the Chairman of the Risk Management Committee.

Under its terms of reference, the responsibilities of the Risk Management Committee are, among others, (i) to review on the overall risk management strategies and risk appetite/tolerance statement(s) of the Group which should be commensurate with its operations and strategic goals, taking into account all relevant risk-related matters encountered by the Group; (ii) to review and assess regularly the adequacy and effectiveness of the Group's risk management framework, internal control systems and risk management policies and procedures in identifying, measuring, monitoring and controlling risk, and oversee their effective operation, implementation and maintenance; (iii) to regularly communicate with the risk management function to ensure that there are no unresolved issues or concerns; and (iv) to report significant risk management issues to the Board as set out in these terms of reference.

During the year ended 31 December 2021, the Risk Management Committee (i) reviewed the potential risks in overall business, risk management strategies of the Group; (ii) reviewed risk management system; (iii) reviewed the implementation of business continuity arrangement in response to COVID-19 pandemic; and (iv) reviewed risk reports and any breaches of risk tolerances and policies.

Discussion of risks during the year are further described in the Management Discussions and Analysis under section headed "Risk Disclosures".

Remuneration Committee

The Remuneration Committee currently comprises two independent non-executive Directors, Mr. Chau Shing Yim, David and Mr. Chia Kee Loong, Lawrence, and an executive Director, Mr. Lo Ken Bon. Mr. Chau Shing Yim, David is the Chairman of the Remuneration Committee.

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

The Remuneration Committee has adopted a model wherein it determines, with delegated responsibility, the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

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

During the year ended 31 December 2021, the Remuneration Committee (i) reviewed the overall remuneration structure relating to the Directors and senior management of the Company; and (ii) assess performance of executive Directors and senior management and determine, with delegated responsibility the remuneration packages of individual executive Directors and the senior management.

Nomination Committee

The Nomination Committee currently comprises two independent non-executive Directors, Mr. Chau Shing Yim, David and Mr. Chia Kee Loong, Lawrence, and an executive Director, Mr. Lo Ken Bon. Mr. Lo Ken Bon is the Chairman of the Nomination Committee.

The terms of reference of the Nomination Committee have been determined with reference to the CG Code. Under the terms of reference, the responsibilities of the Nomination Committee is to (i) review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) make recommendations to the Board regarding the appointment or reappointment of Directors of the Company; (iii) assess the independence of independent non-executive Directors; and (iv) recommend Directors who are retiring to be put forward for re-election.

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

NOMINATION POLICY

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

Nomination Procedures and Process

The factors listed below will be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate.

— The secretary of the Nomination Committee shall call a meeting, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee. The Nomination Committee may also nominate candidates for its consideration.

— For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval.

— For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

— In the context of re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting.

— The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

Criteria adopted by the Nomination Committee

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:

- **Reputation for integrity**: The candidate should be of the highest ethical character and have a strong reputation and standing, both personally and professionally, in his or her fields.

- **Business Experience**: The candidate should have significant experience from a senior role in an area of business, public affairs or academia, relevant to the Company. Awareness of the Group's focusing industry would be an advantage but not a requirement in all cases.

- **Time commitment**: Each Board member must have sufficient time available for the proper performance of his or her duties. Directors should be sufficiently free of other commitments to be able to devote the time needed to prepare for meetings and participate in induction, training, appraisal and other Board associated activities.

- **Diversity**: The candidate should contribute to the Board being a diverse body, with diversity reflecting gender, age, cultural and educational background, ethnicity, professional experience, qualifications, skills and length of service. Given the current composition of the Board, a female candidate would be an advantage but not a requirement.

- **Independence**: For the candidate who is proposed as an independent non-executive Director, he or she must satisfy all the independence requirements as set out in Rule 3.13 of the Listing Rules. He or she must always be aware of threats to his or her independence and avoid any conflict of interest with the Company. He or she must be able to represent and act in the best interest of the Company and its shareholders as a whole.

These factors are for reference only, and not meant to be exhaustive and decisive. To ensure that the existing policy continues to be implemented smoothly in practice, the Company shall undertake regular reviews and reassess this policy having regard to the regulatory requirements, good corporate governance practice and the expectations of the Shareholders and other stakeholders of the Company. The Company will propose amendments to the Board for approval.

BOARD DIVERSITY POLICY

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

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

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

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

The Board will review the Board Diversity Policy on an annual basis to ensure its continued effectiveness.

BOARD MEETINGS, COMMITTEE MEETINGS AND GENERAL MEETINGS

The Company convenes meetings for the Board and board committees in accordance with the requirements of the Listing Rules and the Articles of the Company. The Deputy Chairman also held meetings with the independent non-executive Directors, in the absence of other Directors, to consider issues in an informal setting.

During the year ended 31 December 2021, a total of 12 Board meetings and one general meeting ("2021 AGM") were held and the attendance records of each Director at the various meetings of the Company are set out as below:

	Attended/Eligible to Attend					
	The Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Risk Management Committee Meeting	General Meeting
Number of meetings	12	5	5	1	1	1
Executive Directors						
Lo Ken Bon	12/12	–	5/5	1/1	1/1	1/1
Ko Chun Shun, Johnson	12/12	–	–	–	–	1/1
Madden Hugh Douglas	12/12	–	–	–	–	1/1
Chapman David James	12/12	–	–	–	–	1/1
Tiu Ka Chun, Gary	12/12	–	–	–	–	1/1
Independent non-executive Directors						
Chau Shing Yim, David	12/12	5/5	5/5	1/1	1/1	1/1
Chia Kee Loong, Lawrence	12/12	5/5	5/5	1/1	–	1/1
Tai Benedict	12/12	5/5	–	–	1/1	1/1

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

The remuneration in respect of services provided by the external auditor to the Group in 2021 is summarised as follows:

Services rendered	Fees paid/ payable HK$
PricewaterhouseCoopers	
Audit service	11,894,526
Non-audit service	
Fee for tax compliance and other advisory services	3,902,648

COMPANY SECRETARY

The Company Secretary supports the Board and the Board Committees by ensuring good information flow and that Board policy and procedures are followed. She advises the Board on governance matters and facilitates the induction and professional development of Directors. The Company Secretary is an employee of the Company and has day-to-day knowledge of the Group's affairs.

Ms. Chau Wing Kei, the Company Secretary of the Company was appointed by the Board in February 2019. During the year, Ms. Chau has complied with Rule 3.29 of the Listing Rules and has taken no less than 15 hours of relevant professional training to update her skills and knowledge.

SENIOR MANAGEMENT REMUNERATION BY BAND

The emoluments fell within the following bands:

Emoluments	Number of individuals
HK$3,500,001 to HK$4,000,000	1
HK$4,500,001 to HK$5,000,000	1
HK$6,500,001 to HK$7,000,000	1
HK$10,000,001 to HK$10,500,000	1

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board and the Directors

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

Auditor's Statement

The statement of the external auditor of the Company about its reporting responsibilities on the audit of the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 78 to 85 of this annual report.

Senior Management

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

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board endeavours to develop and maintain continuing relationships and effective communications with the shareholders and investors of the Company. The Group also recognises the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decisions.

Investor Relations

The Company communicates with the shareholders and investors through various channels including press releases and publication of interim and annual reports, announcements, circulars and other corporate communications and publications available on the websites of the Stock Exchange and the Company.

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

The Board always ensures that shareholders' and investors' views are heard and understood, and welcomes their questions and concerns relating to the Group's management and governance. The Company's website provides an email address and telephone number to enable the shareholders to make any enquiries and concerns to the Board. Shareholders may also at any time send their enquiries and concerns to the Board by post at the Company's office address.

DIVIDEND POLICY

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

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

Company's constitutional documents

There were no changes in the Company's constitutional documents during the year ended 31 December 2021.

Shareholders' Meeting

The general meetings of the Company provide the best opportunity for communication between the Board and the shareholders. The Board of Directors are available to answer questions at the shareholders' meetings. The Company's external auditor attends the annual general meeting and is available to answer questions relating to the conduct of its audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

Shareholder Rights

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the re-election of the retiring Directors. All votes of the shareholders at shareholders' meetings are taken by poll. Poll results are posted on the websites of the Company and the Stock Exchange following the shareholders' meetings.

Procedures for shareholders to convene an extraordinary general meeting

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

Procedures for putting forward proposals at general meetings by shareholders

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

Enquiries to the Board

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

Shareholders and potential investors are welcome to communicate with the Investor Relations Department by email to ir@bc.group or telephone at +852 3504 3200. Shareholders may also put forward their written enquiries at 39/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board Committees of the Company, where appropriate, to answer the shareholders' questions.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Company has established a robust risk management framework to ensure significant risks are identified, evaluated, managed and controlled.

The Board has an overall responsibility for setting forth proper risk culture and risk appetite for the Group. The Board, through the Risk Management Committee and the Audit Committee, is also devoted to maintaining sound and effective internal controls and risk management of the Group on an ongoing basis so as to safeguard the assets of the Group against unauthorised use or disposal, keep appropriate accounting records for the provision of reliable financial information to be used or published within the scope of business, and ensure compliance with applicable laws and requirements. The Risk Management Committee and the Audit Committee are supported by the OSL Risk Committee and various sub-committees comprises various senior executives and operational department heads to provide oversight of the risk management initiatives.

The Group's risk management and internal control systems comprise, among others, the relevant financial, operational and compliance controls and risk management procedures, a well established organisational structure with clearly defined lines of responsibility and authority. Each individual business unit is accountable for its daily operations and is required to implement the business strategies and policies adopted by the Board from time to time. Risk, Compliance and Finance departments as oversight functions bring expertise, process excellence and controls and help ensure that the risk and control procedures are operating as intended.

During the Year, the Group has engaged an external independent professional (the "internal auditor") to carry out the Group's internal control review with a view to assisting the Group to implement its risk assessment and reviewing its internal control systems.

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

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

The Board has reviewed the risk management and internal control systems for the year ended 31 December 2021 through the Audit Committee, the Risk Management Committee, senior management of the Company and the internal auditor, and considers the systems are effective and adequate. Such review covers (i) all material controls, including but not limited to financial, operational and compliance controls; (ii) risk management functions; and (iii) the adequacy of resources, qualifications and experience of staff in connection with the accounting and financial reporting function of the Group and their training programmes and relevant budget.

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

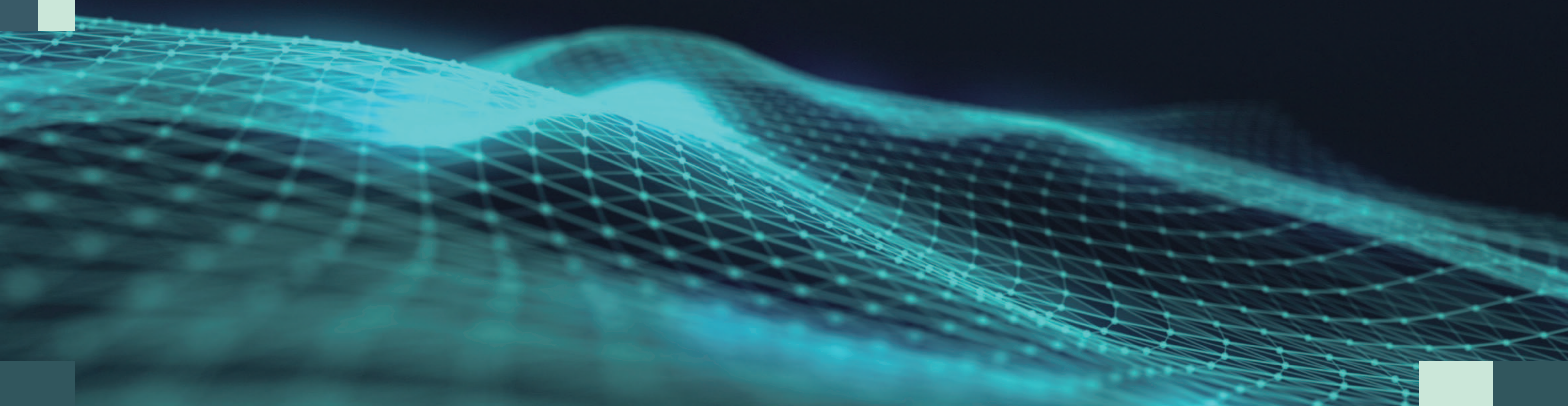
PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with applicable requirements of Securities & Futures Ordinance ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public.

The Company makes reference to the "Guidelines on Disclosure of Inside Information" issued by the SFC in June 2012 in handling and dissemination of inside information.

The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

Report of the Directors



The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in Note 19 to the consolidated financial statements on pages 162 to 164 of this annual report. During the Year, the Group were principally engaged in the digital assets and blockchain platform business in Hong Kong and Singapore. The Company also has an advertising business and a business park area management services business in Mainland China. An analysis of the performance of the Group for the Year by operating segments is set out in Note 5 to the consolidated financial statements.

RESULTS AND DIVIDEND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 86 to 87.

The Board does not recommend payment of any dividend for the year ended 31 December 2021 (2020: Nil).

BUSINESS REVIEW

A review of the business of the Group as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group and an indication of likely future development in the Group's business are set out in the Chief Executive Officer's Statement and the Management Discussion and Analysis of this annual report. The review forms part of the Report of the Directors.

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL, SHARE OPTION AND SHARE AWARD

Details of movements in the Company's share capital, share award and share options during the Year are set out in Notes 36, 42 and 43, respectively to the consolidated financial statements on pages 187 to 188, pages 199 to 200 and pages 200 to 203, respectively in this annual report.

RESERVES

Details of the movements in the reserves of the Company and the Group during the Year are set out in Note 37 to the consolidated financial statements and the consolidated statement of changes in equity on pages 189 to 190 of this annual report, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2021, distributable reserves of the Company amounted to approximately HK$1,600.0 million (2020: approximately HK$401.0 million).

FIVE YEAR FINANCIAL SUMMARY

The summary of the results, assets and liabilities of the Group for the last five financial years is set out on pages 207 to 208 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS

The Directors of the Company during the year ended 31 December 2021 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

In accordance with article 108 of the Articles, Mr. Ko Chun Shun, Johnson, Mr. Tiu Ka Chun, Gary and Mr. Tai Benedict will retire from office as Directors and being eligible, have offered themselves for re-election as Directors at the annual general meeting.

INDEPENDENT NON-EXECUTIVE DIRECTORS CONFIRMATIONS OF INDEPENDENCE

The Company has received annual confirmations of independence from all independent non-executive Directors and considers them to be independent pursuant to Rule 3.13 of the Listing Rules. Under the terms of their appointment, the independent non-executive Directors are appointed for a specific term and are subject to retirement by rotation in accordance with the Articles.

PERMITTED INDEMNITY

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

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in Note 39 to the consolidated financial statements, there were no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2021.

MANAGEMENT CONTRACTS

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 34 to 37 of this annual report.

EMOLUMENT POLICY

The emoluments of the Directors and Senior Management are decided by the Remuneration Committee and the Board, as authorised by the shareholders at the annual general meeting, and are related to the Group's operating results, individual performance and comparable market statistics. The emolument policy of the Group is on the basis of the qualifications and contributions of individuals to the Group.

The Company has adopted a share option scheme and a share award scheme as an incentive to Directors and eligible employees and consultants providing similar services, details of the share option scheme and share award scheme are set out in the Report of the Directors on pages 61 to 70 of the annual report.

EQUITY-LINKED AGREEMENTS

Other than the warrant agreement with J Digital 5 LLC, and the share option scheme and the share award scheme of the Company as set out in Notes 10(a), 42 and 43 to the consolidated financial statements respectively, there were no other equity-linked agreements entered into by the Company during the year ended 31 December 2021 or subsisted as at 31 December 2021 that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares.

SHARE OPTION SCHEME OF THE COMPANY

2012 Share Option Scheme

The Company adopted the 2012 Share Option Scheme on 10 April 2012. The terms of the 2012 Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and the major terms were summarised as follows:

(a) Purpose of the 2012 Share Option Scheme

The purpose of the 2012 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.

(b) Participants of the 2012 Share Option Scheme

The Board is authorised, at its absolute discretion and subject to the terms of the 2012 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.

(c) Total number of shares available for issue under the 2012 Share Option Scheme

The total number of shares available for issue under the 2012 Share Option Scheme is 37,257,001, which represented approximately 8.80% of the issued shares of the Company as at the date of this annual report.

(d) Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the 2012 Share Option Scheme, in any 12-month period 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 2012 Share Option Scheme and any other share option schemes of our Company (including options exercised, canceled 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.

(e) Time of exercise of options

An option may be exercised by the grantee in accordance with the terms of the 2012 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.

The 2012 Share Option Scheme does not specify a minimum period but 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.

(f) Payment on acceptance of option

An offer for the grant of options must be accepted within seven days after the date of offer and 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.

(g) The subscription price per Share

The subscription price of a share in respect of any particular option granted under the 2012 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.

(h) Termination of the 2012 Share Option Scheme

The Company terminated the 2012 Share Option Scheme on 28 May 2021. Upon termination of the 2012 Share Option Scheme, no further share options may be granted thereunder. In respect of all share options which remained exercisable on such date, the provisions of the 2012 Share Option Scheme remained in full force and effect.

During the year ended 31 December 2021, the Company granted 3,500,000 share options under the 2012 Share Option Scheme, while 376,853 share options lapsed and 6,953,091 share options had been exercised, hence 37,488,112 share options remained outstanding. The summary below sets out the details of options granted as at 31 December 2021 pursuant to the 2012 Share Option Scheme:

					Number of share options						
	Name or category of grantees	Date of grant of share options	Exercise Price (HK$)	Validity Period	Balance as at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	Canceled during the year	Balance as at 31 December 2021	Closing price of shares before the date of grant HK$	Weighted average closing price of shares immediately before the date on which the share options were exercised HK$
(i)	**Executive Directors**											
	Mr. Ko Chun Shun, Johnson	22 August 2018	8.88	22 August 2018–21 August 2023 *(Note 1)*	1,000,000	–	–	–	–	1,000,000	8.75	–
		12 June 2020	7.99	12 June 2020–22 August 2025 *(Note 2)*	3,200,000	–	–	–	–	3,200,000	7.99	–
	Mr. Lo Ken Bon	22 August 2018	8.88	22 August 2018–21 August 2023 *(Note 1)*	2,000,000	–	–	–	–	2,000,000	8.75	–
		12 June 2020	7.99	12 June 2020–22 August 2025 *(Note 2)*	3,200,000	–	–	–	–	3,200,000	7.99	–
	Mr. Madden Hugh Douglas	22 August 2018	8.88	22 August 2018–21 August 2023 *(Note 1)*	2,000,000	–	–	–	–	2,000,000	8.75	–
		12 June 2020	7.99	12 June 2020–22 August 2025 *(Note 2)*	3,200,000	–	–	–	–	3,200,000	7.99	–
	Mr. Chapman David James	22 August 2018	8.88	22 August 2018–21 August 2023 *(Note 1)*	2,000,000	–	–	–	–	2,000,000	8.75	–
		12 June 2020	7.99	12 June 2020–22 August 2025 *(Note 2)*	3,200,000	–	–	–	–	3,200,000	7.99	–
	Mr. Tiu Ka Chun, Gary	15 January 2020	7.45	22 August 2018 - 21 August 2023 *(Note 1)*	300,000	–	(100,000)	–	–	200,000	7.45	14.74
		27 January 2021	14.39	27 January 2021 - 22 August 2026 *(Note 7)*	–	600,000	–	–	–	600,000	13.80	–
(ii)	**Independent Non-Executive Directors**											
	Mr. Chau Shing Yim, David	22 August 2018	8.88	22 August 2018–21 August 2023 *(Note 1)*	200,000	–	(20,000)	–	–	180,000	8.75	16.50
		12 June 2020	7.99	12 June 2020–22 August 2025 *(Note 2)*	300,000	–	–	–	–	300,000	7.99	–
	Mr. Chia Kee Loong, Lawrence	22 August 2018	8.88	22 August 2018–21 August 2023 *(Note 1)*	66,667	–	(66,667)	–	–	–	8.75	15.28
		12 June 2020	7.99	12 June 2020–22 August 2025 *(Note 2)*	300,000	–	(100,000)	–	–	200,000	7.99	15.28
	Mr. Tai Benedict	22 August 2018	8.88	22 August 2018–21 August 2023 *(Note 1)*	190,000	–	(40,000)	–	–	150,000	8.75	17.15
		12 June 2020	7.99	12 June 2020–22 August 2025 *(Note 2)*	300,000	–	–	–	–	300,000	7.99	–
	Directors in aggregate				21,456,667	600,000	(326,667)	–	–	21,730,000		
(iii)	**Associates of Directors**											
	Ms. Lau Ka Wing, Claudia *(Note 5)*	22 August 2018	8.88	22 August 2018–21 August 2023 *(Note 1)*	1,051,111	–	(563,000)	–	–	488,111	8.75	12.70
		27 January 2021	14.39	27 January 2021–22 August 2026 *(Note 7)*	–	80,000	–	–	–	80,000	13.80	–
	Ms. Ko Wing Yan, Samantha *(Note 6)*	12 June 2020	7.99	12 June 2020–22 August 2025 *(Note 2)*	300,000	–	–	–	–	300,000	7.99	–
	Associates of Directors in aggregate				1,351,111	80,000	(563,000)	–	–	868,111		
(iv)	**Other employees**	22 August 2018	8.88	22 August 2018–21 August 2023 *(Note 1)*	5,809,446	–	(2,812,555)	–	–	2,996,891	8.75	16.93
		10 December 2018	7.84	10 December 2018–21 August 2023 *(Note 1)*	166,666	–	(166,666)	–	–	–	7.80	14.79
		18 January 2019	7.53	18 January 2019–21 August 2023 *(Note 1)*	1,908,444	–	(1,157,259)	(36,853)	–	714,332	7.50	15.47
		15 January 2020	7.45	15 January 2020–21 August 2023 *(Note 1)*	1,245,000	–	(1,145,000)	–	–	100,000	7.45	15.86
		12 June 2020	7.99	12 June 2020–22 August 2026 *(Note 3)*	7,000,000	–	(383,333)	(200,000)	–	6,416,667	7.99	14.66
		13 August 2020	10.99	13 August 2020–22 August 2025 *(Note 4)*	1,838,500	–	(287,500)	–	–	1,551,000	10.56	18.74
		27 January 2021	14.39	27 January 2021–22 August 2026 *(Note 7)*	–	2,715,000	–	(140,000)	–	2,575,000	13.80	–
	Other employees in aggregate				17,968,056	2,715,000	(5,952,313)	(376,853)	–	14,353,890		

	Name or category of grantees	Date of grant of share options	Exercise Price (HK$)	Validity Period	Number of share options: Balance as at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	Canceled during the year	Balance as at 31 December 2021	Closing price of shares before the date of grant HK$	Weighted average closing price of shares immediately before the date on which the share options were exercised HK$
(v)	**Other consultants**	22 August 2018	8.88	22 August 2018–21 August 2023 *(Note 1)*	242,222	–	(111,111)	–	–	131,111	8.75	19.70
		12 June 2020	7.99	12 June 2020–22 August 2025 *(Note 2)*	300,000	–	–	–	–	300,000	7.99	–
		27 January 2021	14.39	27 January 2021 - 22 August 2026 *(Note 7)*	–	105,000	–	–	–	105,000	13.80	–
	Others consultants in aggregate				542,222	105,000	(111,111)	–	–	536,111		
	Total				**41,318,056**	**3,500,000**	**(6,953,091)**	**(376,853)**	**–**	**37,488,112**		

Notes:

1. The vesting 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.

2. The vesting period is one-third of the options granted shall vest on each of 22 August 2021,22 August 2022 and 22 August 2023.

3. The vesting period for 6,800,000 options is 29.26% of the options shall vest on 22 August 2021, 28.95% of the options shall vest on 22 August 2022, 38.50% of the options shall vest on 22 August 2023 and 3.29% of the options shall vest on 22 August 2025. While the vesting period for 200,000 options is (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.

4. The vesting period is one-fifth of the options granted shall vest on each of 22 August 2020, 22 August 2021, 22 August 2022, 22 August 2023 and 22 August 2024.

5. Ms. Lau Ka Wing, Claudia is an employee of the Group and she is an associate of Mr. Lo Ken Bon, executive Director of the Group.

6. Ms. Ko Wing Yan, Samantha is a consultant of the Group and she is an associate of Mr. Ko Chun Shun, Johnson, executive Director of the Group.

7. The vesting period is one-fourth of the options granted shall vest on each of 22 August 2021, 22 August 2022, 22 August 2023 and 22 August 2024.

2021 Share Option Scheme

On 28 May 2021, the Company adopted the 2021 Share Option Scheme and the major terms of the 2021 Share Option Scheme were summarised as follows:

(a) Purpose of the 2021 Share Option Scheme

The purpose of the 2021 Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers of the Group and to promote the success of the business of the Group.

(b) Participants of the 2021 Share Option Scheme

Pursuant to the 2021 Share Option Scheme, The Board is authorised, at its absolute discretion and subject to the terms of the 2021 Share Option Scheme, to grant options to subscribe the shares to, inter alia, any employee (full-time or part-time), director, consultant or adviser of any member of the Group, or any substantial shareholder of any member of the Group.

(c) Total number of shares available for issue under the 2021 Share Option Scheme

The maximum number of shares in respect of which options may be granted under the 2021 Share Option Scheme shall not in aggregate exceed 10% of the issued share capital of the Company as at the date of the adoption of the 2021 Share Option Scheme at the annual general meeting on 28 May 2021 (i.e. a total of 38,655,065 Shares). 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 2021 Share Option Scheme and any other schemes of the Company shall not exceed 30% of the then Shares of the Company in issue from time to time.

The total number of shares available for issue under the 2021 Share Option Scheme is 38,655,065, which represented approximately 9.13% of the issued shares of the Company as at the date of this annual report.

(d) Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the 2021 Share Option Scheme, in any 12-month period 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 2021 Share Option Scheme and any other share option schemes of our Company (including options exercised, canceled 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.

(e) Time of exercise of options

An option may be exercised by the grantee in accordance with the terms of the 2021 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.

The 2021 Share Option Scheme does not specify a minimum period but 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.

(f) Payment on acceptance of option

An offer for the grant of options must be accepted within fourteen days after the date of offer and a nominal consideration of HK$1.00 was payable by the grantee upon acceptance of an option. Options are lapsed in one month if the employee leaves the Group.

(g) The subscription price per share

The subscription price of a share in respect of any particular option granted under the 2021 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 five 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.

(h) Duration of the 2021 Share Option Scheme

The 2021 Share Option Scheme will remain in force for a period of ten years commencing from the date on which the 2021 Share Option Scheme becomes unconditional (i.e. 28 May 2021) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

During the year ended 31 December 2021, the Company granted 1,500,000 share options under the 2021 Share Option Scheme, while no share options were exercised, canceled or lapsed, hence 1,500,000 share options remained outstanding. The summary below sets out the details of options granted as at 31 December 2021 pursuant to the 2021 Share Option Scheme:

				Number of share options							
Name or category of grantees	Date of grant of share options	Exercise Price (HK$)	Validity Period	Balance as at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	Canceled during the year	Balance as at 31 December 2021	Closing price of shares before the date of grant HK$	Weighted average closing price of shares immediately before the date on which the share options were exercised HK$
Other employees	8 October 2021	12.70	8 October 2021–22 August 2027 *(Note 1)*	–	1,500,000	–	–	–	1,500,000	12.70	–
Total				**–**	**1,500,000**	**–**	**–**	**–**	**1,500,000**		

Note:

The exercise period is one-fourth of the options granted shall vest on each of 22 August 2022, 22 August 2023, 22 August 2024 and 22 August 2025.

The Company has used Black-Scholes model for assessing the fair value of the share options granted for both 2012 Share Option Scheme and 2021 Share Option Scheme. It should be noted that the value of options varies with different variables of certain subjective assumptions, any change in variables or valuation model so adopted may materially affect the fair value estimate.

The risk free rates have made reference to the yield of Hong Kong Exchange Fund Notes as at the valuation dates. Expected volatility was determined by calculating the historical volatility of the share price of the Company with the period not less than 2 years. There is no expected dividend yield for all share options granted. All the options forfeited before expiry of the options will be treated as lapsed options under both 2012 Share Option Scheme and 2021 Share Option Scheme.

Please refer to Note 43 to the consolidated financial statements for the value of the options granted and the assumptions adopted in the calculation of the fair value at the grant date.

Details of the movements in the share options of the Company during the Period are set out in Note 43 to the consolidated financial statements.

SHARE AWARD SCHEME OF THE COMPANY

The Company adopted the 2018 Share Award Plan on 21 August 2018. The 2018 Share Award Plan (the "Plan") does not constitute a share option scheme for the purpose of Chapter 17 of the Listing Rules. The principal terms of the plan were summarised as follows:

(a) Purpose

The purpose of the Plan is to recognise and reward the contribution of 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.

(b) Eligible Participants

The eligible participants under the 2018 Share Award Plan shall include (a) any employee; (b) any director or officer of any member of the Group; or (c) any consultant or advisor of any member of the Group, who the Board considers, at its sole discretion, to have contributed or will contribute to the Group.

(c) Duration

Subject to any early termination as may be determined by the Board, the 2018 Share Award Plan shall be valid and effective for a term of ten years commencing on its adoption date

(d) Trustee

Tricor Trust (HK) 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 Plan. The Trustee will hold the shares ("Awarded Shares") on trust for the selected participants ("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.

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.

(e) Administration

The Plan shall be subject to the administration of the Board (or a committee from time to time authorised by the Board to manage the plan) and the Trustee in accordance with the rules of the plan and the Trust Deed.

The Board may, from time to time, at its sole discretion determine the number of Awarded Shares to be awarded to the selected participants. Any grant of the Awarded Shares to the connected persons (as defined in the Listing Rules) of the Company must be approved by a majority of the independent non-executive Directors (other than the independent non-executive Director who is the selected participants) and shall be subject to compliance with the applicable Listing Rules. No award may be made and no instruction may be given by the Board to the Trustee to subscribe unissued shares or acquire issued shares during the period preceding the publication of financial results in which the Directors are prohibited from dealing in Shares as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company and up to the date of publication of the relevant financial results.

(f) Plan Limit

The total number of Awarded Shares which may be granted under the 2018 Share Award Plan (the "Plan Limit") will be refreshed automatically on each anniversary date of the amendment of the Plan, i.e. 29 October. The total number of Awarded Shares which may be granted under the Plan Limit as refreshed shall not exceed 5% of the total number of shares in issue as at that date. The Plan Limit was refreshed on 29 October 2021. The maximum number of shares which can be granted shall be 21,122,974 shares, representing 4.99% of the shares in issue.

The aggregate of the maximum number of Awarded Shares underlying all Awards (whether the Awards are vested or not) in any 12-month period awarded to a Selected Participant shall not exceed one per cent of the total number of shares from time to time.

At the date of this annual report, the total number of Awarded Shares which can be granted under the Plan Limit was 20,773,544, representing 4.91% of the share in issue.

(g) Vesting & Lapse

Subject to the terms of the Plan and the fulfilment of all vesting conditions determined by the Board, the Trustee shall transfer to and vest in any Selected Participant the legal and beneficial ownership of the Awarded Shares and all the other distributions attributable to such Award to which such Selected Participant.

In the event that prior to the vesting date the Selected Participant who is an eligible employee ceases to be an employee, the award shall automatically lapse be cancelled forthwith and all the Awarded Shares and other distributions attributable thereto shall not vest on the relevant vesting date but shall become returned shares for the purposes of the plan.

In the event of a general or partial offer, whether by way of takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner is made to all the shareholders, and such offer becomes or is declared unconditional prior to the vesting of the Awarded Shares in the relevant Selected Participants, all unvested Awarded Shares shall immediately become vested on the date on which such offer becomes or is declared unconditional, and the Trustee shall as soon as practicable after its receipt of the Board's notice thereof, effect the transfer of the Awarded Shares and other distributions to the relevant Selected Participants.

(h) Termination

The Plan shall terminate on the earlier of the tenth anniversary date of the adoption date, and such date of early termination as determined by the Board, provided that such termination shall not affect any subsisting rights of any Selected Participant hereunder.

During the year ended 31 December 2021, the Company granted 2,720,860 Awarded Shares under its 2018 Share Award Plan, in which 2,160,860 Awarded Shares were granted on 27 January 2021 and 560,000 were granted on 8 October 2021 (FY2020: 5,013,474).

The Group recognised an expense of approximately HK$39,219,000 (31 December 2020: HK$53,554,000) for the year ended 31 December 2021 in relation to share award granted by the Company.

Details of the movements in the share award of the Company are as follows:

Name or category of participants	Date of grant of Awarded Shares	Vesting Period	Number of Awarded Shares: Unvested as at 1 January 2021	Granted during the year	Vested during the year	Cancelled during the year	Lapsed during the year	Unvested as at 31 December 2021	Closing price of Awarded Shares immediately before the date of grant HK$	Weighted average closing price of shares immediately before the date of which the awards were vested HK$	Fair Value of Awarded Shares immediately at the date of grant during the year HK$
		(Note 1)									*(Note 9)*
(i) Other employees	7 September 2018	*(Note 2)*	2,310,101	–	(2,218,286)	–	(91,815)	–	8.70	14.8	–
	24 April 2019	*(Note 2)*	232,942	–	(217,942)	–	(15,000)	–	5.59	14.8	–
	3 December 2019	*(Note 2)*	378,333	–	(378,333)	–	–	–	8.05	14.8	–
	15 January 2020	*(Note 3)*	1,096,325	–	(1,085,492)	–	(10,833)	–	7.66	14.8	–
	20 February 2020	*(Note 3)*	100,000	–	(66,667)	–	–	33,333	7.40	14.8	–
	6 April 2020	*(Note 3)*	30,000	–	(20,000)	–	–	10,000	6.19	14.8	–
	24 July 2020	*(Note 4)*	90,000	–	–	–	(90,000)	–	9.11	–	–
	13 August 2020	*(Note 3)*	1,724,500	–	(431,125)	–	–	1,293,375	10.82	14.8	–
	9 September 2020	*(Note 5)*	110,000	–	(6,500)	–	(100,000)	3,500	11.02	14.8	–
	1 December 2020	*(Note 6)*	33,245	–	–	–	–	33,245	14.60	–	–
	27 January 2021	*(Note 5)*	–	2,237,000	(747,416)	–	(285,334)	1,204,250	13.90	15.14	13.8
	7 April 2021	*(Note 5)*	–	15,000	–	–	–	15,000	15.50	–	15.62
	29 June 2021	*(Note 5)*	–	125,000	–	–	–	125,000	18.02	–	17.76
	7 July 2021	*(Note 5)*	–	30,000	–	–	–	30,000	18.68	–	18.4
	7 October 2021	*(Note 7)*	–	180,000	–	–	–	180,000	12.00	–	12.9
	8 October 2021	*(Note 8)*	–	560,000	–	–	–	560,000	12.90	–	12.7
Other employees in aggregate			6,105,446	3,147,000	(5,171,761)	–	(592,982)	3,487,703			
(ii) Other consultants	7 September 2018	*(Note 2)*	50,000	–	(50,000)	–	–	–	–	14.8	
Other consultants in aggregate			50,000	–	(50,000)	–	–	–			
Total			**6,155,446**	**3,147,000**	**(5,221,761)**	**–**	**(592,982)**	**3,487,703**			

Notes:

1. The grant price is nil for all Awarded Shares.
2. Two-thirds of the Awarded Shares will be vested on 4 September 2020 and one-third of the Awarded Shares will be vested on 4 September 2021.
3. Two-thirds of the Awarded Shares will be vested on 4 September 2021 and one-third of the Awarded Shares will be vested on 4 September 2022.
4. One-fourth of the Awarded Shares will be vested on each of 4 September 2021, 4 September 2022, 4 September 2023 and 4 September 2024.
5. Two-thirds of the Awarded Shares will be vested on 4 September 2022 and one-third of the Awarded Shares will be vested on 4 September 2023.
6. In respect of 1,611,000 Awarded Shares, One-fourth of the Awarded Shares will be vested on each of 4 September 2021, 4 September 2022, 4 September 2023 and 4 September 2024; In respect of 549,860 Awarded Shares, two-thirds of the Awarded Shares will be vested on 7 April 2021 and one-third of the Awarded Shares will be vested on 7 January 2022; In respect of 70,000 Awarded Shares, two-thirds of the Awarded Shares will be vested on 4 September 2022 and one-third of the Awarded Shares will be vested on 4 September 2023 and the remaining 6,140 Awarded Shares will be vested on 7 April 2021.
7. Among the 180,000 Awarded Shares, 123,500 Awarded Shares will be vested on 4 September 2022 and 56,500 Award Shares will be vested on 4 September 2023.
8. In respect of 180,000 Awarded Shares, two-thirds of the Awarded Shares will be vested on 4 September 2023 and one-third of the Awarded Shares will be vested on 4 September 2024; and in respect of 380,000 Awarded Shares, one-fourth of the Awarded Shares will be vested on each of 4 September 2022, 4 September 2023, 4 September 2024 and 4 September 2025.
9. Please refer to Note 2.22 for the accounting policy adopted for Awarded Shares.

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

As at 31 December 2021, 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: Personal Interest	Family Interest	Corporate Interests	Total	Number of underlying shares held: Personal Interests	Family Interests	Total	Grand Total	% of the issued share capital of the Company*
Mr. Ko Chun Shun, Johnson	–	–	187,536,194 *(Note (i))*	187,536,194	4,200,000 *(Note (iii))*	–	4,200,000	191,736,194	45.30%
Mr. Lo Ken Bon	–	623,000 *(Note (ii))*	–	623,000	5,200,000 *(Note (iii))*	568,111 *(Note (iv))*	5,768,111	6,391,111	1.51%
Mr. Madden Hugh Douglas	–	–	–	–	5,200,000 *(Note (iii))*	–	5,200,000	5,200,000	1.23%
Mr. Chapman David James	60,000	–	–	60,000	5,200,000 *(Note (iii))*	–	5,200,000	5,260,000	1.24%
Mr. Tiu Ka Chun, Gary	100,000	–	–	100,000	800,000 *(Note (iii))*	–	800,000	900,000	0.21%
Mr. Chau Shing Yim, David	20,000	–	–	20,000	480,000 *(Note (iii))*	–	480,000	500,000	0.12%
Mr. Chia Kee Loong, Lawrence	300,000	–	–	300,000	200,000 *(Note (iii))*	–	200,000	500,000	0.12%
Mr. Tai Benedict	50,000	–	–	50,000	450,000 *(Note (iii))*	–	450,000	500,000	0.12%

* The percentages were calculated based on 423,247,484 Shares in issue as at 31 December 2021.

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 shares were held by the spouse of Mr. Lo.

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

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

Save as disclosed above, on 31 December 2021, none of the Directors had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations which had been recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the section titled "THE INTERESTS AND SHORT POSITION OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS" above and in the share option disclosed in Note 43 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

On 31 December 2021, 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 of shareholders	Capacity/Nature of Interest	Number of shares interested (Note i)	% of the issued share capital of the Company*
East Harvest Global Limited	Beneficial Owner	187,536,194 (L)	44.31%
Wise Aloe Limited	Interest of controlled corporation *(Note ii)*	187,536,194 (L)	44.31%
Bell Haven Limited	Interest of controlled corporation *(Note iii)*	187,536,194 (L)	44.31%
Colour Day Limited	Interest of controlled corporation *(Note iv)*	187,536,194 (L)	44.31%
Mr. Ko Chun Shun, Johnson	Beneficial Owner *(Note v)* & Interest of controlled corporation *(Note vi)*	191,736,194 (L)	45.30%
Citigroup Inc.	Interest of controlled corporation	41,659,179 (L)	9.84%
	Approved Lending Agent *(Note x)*	1,295,500 (S)	0.31%
		40,326,660 (LP)	9.53%
GIC Private Limited	Investment Manager	37,762,500 (L)	8.92%
FIL Limited	Interest of controlled corporation	25,234,027 (L)	5.96%
Pandanus Partner L.P.	Interest of controlled corporation *(Note vii)*	25,234,027 (L)	5.96%
Pandanus Associates Inc.	Interest of controlled corporation *(Note viii)*	25,234,027 (L)	5.96%
Zhang Chong	Beneficial Owner, Interest of your spouse & Interest of controlled corporation *(Note ix)*	23,221,000 (L)	5.49%

* The percentages were calculated based on 423,247,484 Shares in issue as at 31 December 2021.

Notes:

(i) The letter "L" denotes the person's long position in the Shares, the letter "S" denotes the person's short position in the Shares and the letter "LP" denotes the person's lending pool position in the Shares.

(ii) 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.

(iii) 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.

(iv) 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.

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

(vi) 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.

(vii) Pandanus Partner L.P. is deemed to be interested in the 25,234,027 ordinary shares of the Company in which FIL Limited has an interest under the SFO by virtue of its interests in FIL Limited.

(viii) Pandanus Associates Inc. is deemed to be interested in the 25,234,027 ordinary shares of the Company in which Pandanus Partner L.P. has an interest under the SFO by virtue of its interests in Pandanus Partner L.P.

(ix) Among the 23,221,000 shares, Mr. Chong as a beneficial owner is interested in 10,818,000 ordinary shares of the Company. Mr. Chong's spouse has interested in 403,000 ordinary shares of the Company and Mr. Chong is deemed to be interested in the 12,000,000 ordinary shares of the Company held by Ever Sure International Limited under the SFO by virtue of its interests in Ever Sure International Limited.

(x) Among 41,659,179 long position in the shares, 40,326,660 is in the lending pool while 1,332,519 are under interest of controlled corporation. Among 1,295,500 short position in the shares are all under interest of controlled corporation.

Save as disclosed above, at 31 December 2021, no other person (other than the Directors or chief executive of the Company whose interests are set out in the section titled "THE INTERESTS AND SHORT POSITION OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS" above) had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

MAJOR CLIENTS AND SUPPLIERS

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

1. The aggregate amount of revenue and income attributable to the Group's five largest clients represented approximately 32.3% of the Group's total revenue and income. The amount of revenue and income from the Group's largest client represented approximately 13.3% of the Group's total revenue and income.

2. The aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 91.2% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented approximately 46.5% of the Group's total purchases.

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

RELATED PARTY TRANSACTIONS

The related party transactions of the Group during the year ended 31 December 2021 are set out in Note 39 to the consolidated financial statements on pages 191 to 193 of this annual report.

Provision of Digital Asset Trading Services

The Group has balances due to the related parties totaling approximately HK$729.9 million (the "Balances") as at 31 December 2021 in respect of the provision of digital asset trading services by the Group.

The Balances represent fiat currencies and digital assets placed by the related parties with the Group as at 31 December 2021.

The provision of digital asset trading services with the related parties during the year ended 31 December 2021 are fully exempt from the connected transaction requirements under Rule 14A.97 and 14A.76 of the Listing Rules.

Borrowing and interest payable to the Related Parties

The Group entered into loan agreements with the related parties during the year ended 31 December 2021. The interest expenses incurred, borrowing and interest payable to the related parties are fully exempt from the connected transaction requirements under Rule 14A.90 of the Listing Rules.

Key management Compensation

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

Save as the aforesaid, the Directors consider that all other related party transactions disclosed in Note 39 to the consolidated financial statements did not fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) under Chapter 14A of the Listing Rules. The Company is therefore not required to comply with the disclosure requirements under Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with relevant requirements could lead to adverse impact on business operation and financial position of the Group. The Board as a whole is responsible to ensure the Group is in compliance with relevant laws and regulations that have a significant impact on the Company. To the best knowledge of the Board, the Group was unaware of any non-compliance with relevant laws and regulations during the year ended 31 December 2021.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

The Group fully understands that employees, customers and suppliers are the key to our sustainable and stable development. We are committed to establishing a close relationship with our employees, enhancing cooperation with our suppliers and providing high-quality services to our customers so as to ensure the Group's sustainable development.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

The events after the reporting period date are disclosed in the section headed "Management Discussion & Analysis" on page 22 of this annual report.

AUDIT COMMITTEE

The Audit Committee together with the management have reviewed the accounting standards and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters in connection with the preparation of the audited consolidated financial statements of the Group for the year ended 31 December 2021.

AUDITOR

PricewaterhouseCoopers ("PwC") was appointed as the auditor of the Company in place of BDO Limited on 28 December 2018 and to hold office until the conclusion of the next annual general meeting.

The consolidated financial statements of the Company for the year ended 31 December 2021 have been audited by PwC who will retire at the forthcoming annual general meeting of the Company. A resolution for reappointment of PwC will be proposed for Shareholders' approval at the forthcoming annual general meeting.

On Behalf of the Board
BC Technology Group Limited
Lo Ken Bon
Deputy Chairman

Hong Kong, 29 March 2022

Financial Statements

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

OPINION

What we have audited

The consolidated financial statements of BC Technology Group Limited (the "Company") and its subsidiaries (collectively the "Group"), which are set out on pages 86 to 206, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

EMPHASIS OF MATTER

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

KEY AUDIT MATTERS

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

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

- Accounting of digital asset transactions and balances with respect to the trading of digital assets and provision of technology solutions
- Impairment assessment of trade receivables and contract assets

Key Audit Matter	How our audit addressed the Key Audit Matter
Accounting of digital asset transactions and balances with respect to the trading of digital assets and provision of technology solutions	
Refer to Notes 2.13, 2.24, 2.25, 3.5, 4(a), 7, 20 and 31 to the consolidated financial statements.	
The Group's digital assets and blockchain platform business includes primarily over-the-counter ("OTC") trading business to trade digital assets with corporate and individual customers and the provision of automated digital assets trading services through its proprietary platforms ("BC Platforms"). In addition, it also includes licensing of its proprietary platforms and technology solutions as a "Software as a Service" to certain third parties ("White label customers"). Digital assets that the Group deals with are cryptographically secured assets for which encryption techniques are used to regulate the generation of units of currency. Supply and demand determine the value of digital assets which can be extremely volatile in this emerging industry.	Our procedures on the Group's digital asset transactions and balances mainly included: • Understood, evaluated and tested the key controls, including automated and manual controls, and segregation of duties in the execution of these controls, in the following areas: – information technology general controls, over the accounting system and key operating systems and applications that are considered relevant to the financial statement reporting process; – onboarding of counterparties, liquidity providers and White label customers; – wallet generation, management and security (including private keys and recovery seeds), including physical and logical access controls testing; – recording of prefunding, withdrawal, trading and settlement transactions with counterparties and liquidity providers, and for White label customers in the relevant platforms;

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Technical complexity Digital assets are exchangeable directly between two parties, anywhere in the world, through decentralised networks that carry anonymous transactions. The anonymity of transactions creates complex technical challenges. For example, identifying parties involved in a digital asset transaction and determining whether access to a private key demonstrates ownership to the digital assets held in the associated public address on a blockchain. To address the challenges, the Group implemented internal controls over different business processes including, but not limited to, controls over the onboarding of customers (such as know-your-client and anti-money laundering checks) and wallet generation, management and security (including all its public addresses and private keys). The Group's digital assets trading and blockchain platform business involves large volumes of daily transactions mainly to exploit natural arbitrage opportunities from its trading on OTC and BC Platforms and to earn service fees from Software as a Service arrangements. The Group develops and maintains its own proprietary information systems and implements different processes and internal controls to record transactions of the Group with its customers (or "counterparties") and liquidity providers (i.e. other OTC operators and exchanges), as well as transactions of the White label customers, and to reconcile the relevant transactions with external data such as bank statements, blockchain data and third party exchange account statements.	– reconciliations of digital asset transactions and balances between trade records on internal operating and accounting systems with other external sources of data. • Understood and evaluated the accounting policies adopted by management for its digital assets and blockchain platform business based on the contractual and business arrangements with respective counterparties, liquidity providers and White label customers. • Performed substantive tests of details, on a sample basis, including the following: – checked digital asset trade transactions to the underlying trade orders and confirmations sent to the counterparties and liquidity providers and the relevant settlement evidence; – circularised independent audit confirmations to counterparties, liquidity providers and White label customers to confirm transactions for the year and account balances at the year end; – substantively tested the Group's access to the digital assets held in their wallets by verifying that the Group was able to cryptographically sign randomly generated messages using the private keys of their wallets on the year end date, supplemented by post year end testing as necessary;

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Accounting complexity IFRSs do not specifically address accounting for digital assets. Accordingly, for the preparation of the Group's consolidated financial statements, management needs to apply judgements in determining appropriate accounting policies based on the existing accounting framework and the facts and circumstances of the Group's digital assets and blockchain platform business. The Group's digital assets portfolio mainly comprises cryptocurrencies and stablecoins. According to the business model of the Group's activities and the characteristics of each of the relevant digital assets, the Group's digital assets are accounted for either as inventories measured at fair value less costs to sell or financial instruments measured at fair value on the consolidated statement of financial position. There are also digital assets held by the Group solely for the benefits and on behalf of its clients in segregated wallets where such holding is not recognised by the Group as its own assets. Contracts for trading of digital assets with the Group's counterparties and liquidity providers through its OTC and BC Platforms are accounted for as financial instruments and measured at fair value through profit or loss as these contracts can, in practice, be settled net in cash; whereas service fees from Software as a Service arrangements which are determined based on the transaction volume of the platforms licensed to the White label customers are recognised over time when the platform technology and related services are provided. Furthermore, in determining fair values, management needs to apply judgement to identify the relevant available markets, and to consider accessibility to and activity within those markets in order to identify the principal digital asset markets dealt with by the Group. During the year ended 31 December 2021, the Group recognised income from trading of digital assets (net of fair value loss on digital assets) of HK$252,250,000 and income from licensing of trading platform and technology solutions of HK$10,114,000 respectively. The digital assets balance recognised by the Group under its current assets amounted to HK$3,519,909,000 as at the year end date. Due to the complexity and evolving nature of blockchains and technology associated with digital assets, the high reliance of the Group's business thereon, and the management judgements applied in accounting for the digital asset transactions and balances described above (which are material to the Group's consolidated financial statements), we considered the risk of material misstatement relating to these transactions and balances as significant and hence a key focus of our audit.	– tested management's reconciliations of wallet balances as at year end between the operating system, accounting system, and publicly sourced data on the blockchains. This included reconciling the wallet balances and transactions from the Group's books and records to data independently acquired by us; and – reviewed the appropriateness of management's assessment and determination of principal market for each of the relevant digital assets. Tested the fair value of digital asset balance, including those held on customer accounts, adopted by management to external data quoted in the principal exchange market. Based on the procedures performed, we found the digital asset transactions and balances related to the trading of digital assets and provision of technology solutions recorded by management are supportable by available evidence.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables and contract assets	
Refer to Notes 3.3(b), 4(b), 21 and 35 to the consolidated financial statements.	
As at 31 December 2021, the Group had net trade receivables and contract assets of HK$121,755,000 and HK$13,168,000, after allowance for impairment of HK$14,887,000 and HK$337,000 respectively. For digital assets and blockchain platform business, the Group may grant credit term (ranged from 1 to 3 days after invoice date) to liquidity providers and certain counterparties that are considered creditworthy for their trades of digital assets, despite majority of the counterparties have to prefund for the trades. For White label customers, credit term of 30 days after invoice date is granted in general. For advertising services, the Group may take up to 360 days to issue billing to the customers after service delivery and further grants a credit term of 30 to 60 days after the invoice date. On the other hand, prepayment from customers from provision of business park area management services are generally required. For the customers who can transact on credit with the Group as described above, management applied judgement and estimates to measure the expected credit losses allowance. The trade receivables and contract assets were either individually assessed or grouped based on similar credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the credit profile of different customers, ageing of the trade receivables, historical settlement records and expected timing and amount of realization of outstanding balance. Management also considered forward-looking information in the macroeconomic environment that may affect the ability of the customers to repay. We focused on this area in view of the magnitude of the trade receivables and contract assets and the determination of the related expected credit losses allowance involved the use of judgement and estimation as described above.	Our procedures in relation to management's assessment on the allowance for impairment of trade receivables and contract assets included: • Understood, evaluated and validated the internal control over the Group's process in estimating the expected credit loss to determine the loss allowance for trade receivables and contract assets and evaluated the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • Evaluated the outcome of prior period impairment assessment of trade receivables and contract assets to assess the effectiveness of management's estimation process; • Assessed the appropriateness of the expected credit loss methodology and assumption adopted by management with reference to the customers' credit profile, historical settlement records, ageing analysis and default rates; • Tested the accuracy of key historical data inputs, on a sample basis; and • Evaluated reasonableness of the forward-looking information including relevant macroeconomic variables to external market data and assessed the sensitivity. Based on the results of the procedures performed, we found management's judgement and estimation applied in respect of the impairment of trade receivables and contract assets were supportable by the available evidence.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the BC Technology Group Limited Annual Report 2021 (the "annual report") other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including Corporate Information, Management Discussion and Analysis, Biographical Details of Directors and Senior Management, Corporate Governance Report, Environmental, Social and Governance Report and Report of the Directors prior to the date of this auditor's report. The remaining other information, including 2021 Financial Highlights, 2021 Business Milestones, Chief Executive Officer's Statement, and Five Year Financial Summary and the other sections (if any) to be included in the annual report, is expected to be made available to us after that date.

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

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

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

When we read the remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and take appropriate action considering our legal rights and obligations.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Continuing operations			
Income from principal activities:			
— Income from digital assets and blockchain platform business	7	**277,675**	170,157
— Revenue from advertising business	6	**27,681**	30,061
— Rental income from business park area management services		**46,663**	43,519
		352,019	243,737
Cost of revenue	10	**(49,390)**	(47,259)
Other income	8	**703**	6,458
Other losses, net	8	**(5,245)**	(6,354)
Selling and distribution expenses	10	**(88,180)**	(119,831)
Administrative and other operating expenses	10	**(536,495)**	(331,823)
(Provision)/reversal of provision for impairment losses on financial assets and contract assets, net	10	**(8,233)**	2,439
Operating loss		**(334,821)**	(252,633)
Finance income	9	**6,856**	10,352
Finance costs	9	**(34,409)**	(49,277)
Finance costs, net	9	**(27,553)**	(38,925)
Share of net post-tax loss of an associate accounted for using the equity method	26	**(5,434)**	–
Loss before income tax		**(367,808)**	(291,558)
Income tax expense	13	**(1,435)**	(2,036)
Loss from continuing operations		**(369,243)**	(293,594)
Profit from discontinued operations (attributable to the owners of the Company)	14	**–**	2,389
Loss for the year		**(369,243)**	(291,205)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Currency translation differences on translation of foreign operations with a functional currency different from the Company's presentation currency		**10,387**	13,745
Release of exchange reserve upon disposal of subsidiaries	14	**–**	(315)
Other comprehensive income for the year		**10,387**	13,430
Total comprehensive loss for the year		**(358,856)**	(277,775)

	Notes	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Loss for the year attributable to:			
Owners of the Company			
— Loss from continuing operations		**(375,675)**	(281,134)
— Profit from discontinued operations	14	**–**	2,389
		(375,675)	(278,745)
Non-controlling interests			
— Profit/(loss) from continuing operations		**6,432**	(12,460)
		(369,243)	(291,205)
Loss per share for loss from continuing operations attributable to the owners of the Company			
Basic (HK$ per share)	16	**(0.95)**	(0.90)
Diluted (HK$ per share)	16	**(0.95)**	(0.90)
Loss per share for loss from continuing and discontinued operations attributable to the owners of the Company			
Basic (HK$ per share)	16	**(0.95)**	(0.89)
Diluted (HK$ per share)	16	**(0.95)**	(0.89)
Total comprehensive loss for the year attributable to:			
Owners of the Company			
— Loss from continuing operations		**(365,514)**	(267,949)
— Profit from discontinued operations		**–**	2,074
		(365,514)	(265,875)
Non-controlling interests			
— Profit/(loss) from continuing operations		**6,658**	(11,900)
		(358,856)	(277,775)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000 (Restated) (Note 1.1)	As at 1 January 2020 HK$'000 (Restated) (Note 1.1)
Assets				
Non-current assets				
Property, plant and equipment	*17*	**154,574**	186,736	229,738
Intangible assets	*18*	**90,021**	52,548	56,917
Prepayments, deposits and other receivables	*22*	**19,577**	20,601	136,832
Digital assets due from counterparties	*23*	**–**	–	19,467
Investment accounted for using equity method	*26*	**19,017**	–	–
Financial assets at fair value through profit or loss	*27*	**25,013**	–	–
Deferred income tax assets	*34*	**5,402**	4,406	3,679
Total non-current assets		**313,604**	264,291	446,633
Current assets				
Digital assets	*20*	**3,519,909**	3,106,885	499,569
Contract assets	*35*	**13,168**	6,528	31,739
Trade receivables	*21*	**121,755**	20,654	38,157
Prepayments, deposits and other receivables	*22*	**73,244**	189,872	39,093
Digital assets due from counterparties	*23*	**–**	38,061	7,787
Cash held on behalf of licensed entity customers	*25*	**282,560**	–	–
Cash and cash equivalents	*24*	**954,519**	413,487	214,625
		4,965,155	3,775,487	830,970
Assets directly associated with assets classified as held for sale	*14*	**–**	–	2,939
Total current assets		**4,965,155**	3,775,487	833,909
Total assets		**5,278,759**	4,039,778	1,280,542
Liabilities				
Non-current liabilities				
Deposits received and other payables	*29(a)*	**17,258**	16,571	15,046
Collateral payables	*29(b)*	**–**	–	25,392
Lease liabilities	*30*	**112,587**	151,803	186,528
Borrowings	*32*	**–**	79,451	294,104
Financial liability at fair value through profit or loss	*33*	**–**	–	6,773
Deferred income tax liabilities	*34*	**7,858**	8,983	10,632
Total non-current liabilities		**137,703**	256,808	538,475

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000 (Restated) (Note 1.1)	As at 1 January 2020 HK$'000 (Restated) (Note 1.1)
LIABILITIES				
Current liabilities				
Trade payables	*28*	**49,809**	51,477	46,139
Contract liabilities	*35*	**20,185**	7,391	2,860
Accruals and other payables	*29(a)*	**116,809**	50,198	57,375
Collateral payables	*29(b)*	**77,727**	179,559	10,301
Liabilities due to customers	*31*	**3,516,123**	2,801,429	555,087
Lease liabilities	*30*	**43,493**	38,112	33,347
Financial liability at fair value through profit or loss	*33*	**–**	–	15,130
Borrowings	*32*	**119,100**	486,866	84,267
Current income tax liabilities		**6,667**	7,551	3,987
		3,949,913	3,622,583	808,493
Liabilities directly associated with assets classified as held for sale	*14*	**–**	–	7,726
Total current liabilities		**3,949,913**	3,622,583	816,219
Total liabilities		**4,087,616**	3,879,391	1,354,694
Equity				
Equity attributable to the owners of the Company				
Share capital	*36*	**4,233**	3,366	2,845
Other reserves	*37*	**2,371,575**	971,759	446,285
Accumulated losses		**(1,181,291)**	(806,066)	(526,510)
		1,194,517	169,059	(77,380)
Non-controlling interests	*19*	**(3,374)**	(8,672)	3,228
Total equity/(deficit)		**1,191,143**	160,387	(74,152)

The consolidated financial statements on pages 86 to 206 were approved by the Board of Directors on 29 March 2022 and were signed on its behalf.

Chapman David James
Director

Lo Ken Bon
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Notes	Attributable to the owners of the Company					
		Share capital HK$'000 (Restated) (Note 1.1)	Other reserves HK$'000 (Restated) (Note 1.1) (Note 37)	Accumulated losses HK$'000 (Restated) (Note 1.1)	Sub-total HK$'000 (Restated) (Note 1.1)	Non-controlling interests HK$'000 (Restated) (Note 1.1) (Note 19)	Total (deficit)/ equity HK$'000 (Restated) (Note 1.1)
At 1 January 2020		2,845	446,285	(526,510)	(77,380)	3,228	(74,152)
Loss for the year		–	–	(278,745)	(278,745)	(12,460)	(291,205)
Other comprehensive income:							
Currency translation differences		–	13,185	–	13,185	560	13,745
Release of exchange reserve upon disposal of subsidiaries		–	(315)	–	(315)	–	(315)
Total comprehensive income/(loss)		–	12,870	(278,745)	(265,875)	(11,900)	(277,775)
Issuance of new shares	*36*	492	287,458	–	287,950	–	287,950
Issuance of a convertible note	*33(a)*	–	546	–	546	–	546
Issuance of new shares upon conversion of a convertible note	*36*	16	15,735	–	15,751	–	15,751
Equity-settled share-based payments under share option scheme	*43*	–	40,297	–	40,297	–	40,297
Equity-settled share-based payments under share award scheme	*42*	–	53,554	–	53,554	–	53,554
Exercise of share options	*36*	13	10,730	–	10,743	–	10,743
Equity-settled share-based payments for a warrant	*10(a)*	–	103,473	–	103,473	–	103,473
Transfer from retained earnings to statutory reserve		–	811	(811)	–	–	–
At 31 December 2020		3,366	971,759	(806,066)	169,059	(8,672)	160,387

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Notes	Attributable to the owners of the Company					
		Share capital HK$'000	**Other reserves HK$'000 (Note 37)**	**Accumulated losses HK$'000**	**Sub-total HK$'000**	**Non-controlling interests HK$'000 (Note 19)**	**Total equity HK$'000**
At 1 January 2021		**3,366**	**971,759**	**(806,066)**	**169,059**	**(8,672)**	**160,387**
Loss for the year		**–**	**–**	**(375,675)**	**(375,675)**	**6,432**	**(369,243)**
Other comprehensive income:							
Currency translation differences		**–**	**10,161**	**–**	**10,161**	**226**	**10,387**
Total comprehensive income/(loss)		**–**	**10,161**	**(375,675)**	**(365,514)**	**6,658**	**(358,856)**
Issuance of new shares	*36*	**797**	**1,191,932**	**–**	**1,192,729**	**–**	**1,192,729**
Equity-settled share-based payments under share option scheme	*43*	**–**	**50,793**	**–**	**50,793**	**–**	**50,793**
Equity-settled share-based payments under share award scheme	*42*	**–**	**39,219**	**–**	**39,219**	**–**	**39,219**
Exercise of share options	*36*	**70**	**58,335**	**–**	**58,405**	**–**	**58,405**
Equity-settled share-based payments for a warrant	*10(a)*	**–**	**49,826**	**–**	**49,826**	**–**	**49,826**
Dividend paid to a non-controlling interest	*19*	**–**	**–**	**–**	**–**	**(1,360)**	**(1,360)**
Transfer of statutory reserve upon deregistration of a subsidiary		**–**	**(450)**	**450**	**–**	**–**	**–**
At 31 December 2021		**4,233**	**2,371,575**	**(1,181,291)**	**1,194,517**	**(3,374)**	**1,191,143**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Cash flows from operating activities			
Cash used in operations	*40(a)*	**(410,574)**	(29,734)
Income tax paid		**(4,763)**	(1,385)
Net cash used in operating activities		**(415,337)**	(31,119)
Cash flows from investing activities			
Interest received		**565**	671
Proceeds from disposal of property, plant and equipment	*40(c)*	**474**	161
Disposal of subsidiaries, net of cash disposed	*14*	**–**	(135)
Addition of property, plant and equipment		**(12,565)**	(3,222)
Addition of intangible assets		**(34,080)**	(5,626)
Addition of investment in an associate	*26*	**(13,609)**	–
Addition of financial assets at fair value through profit or loss	*27*	**(24,895)**	–
Fiat lending to counterparties		**(41,203)**	–
Repayment of fiat lending from counterparties		**20,990**	–
Net cash used in investing activities		**(104,323)**	(8,151)
Cash flows from financing activities			
Interest paid		**(23,425)**	(36,827)
Proceeds from borrowings	*40(b)*	**–**	210,011
Repayment of borrowings	*40(b)*	**(132,378)**	(196,615)
Principal element of lease liabilities	*40(b)*	**(37,189)**	(32,478)
Proceeds from issuance of new shares		**1,192,729**	280,150
Proceeds from exercise of share options		**58,405**	10,743
Dividend paid to a non-controlling interest	*19*	**(1,360)**	–
Net cash generated from financing activities		**1,056,782**	234,984
Net increase in cash and cash equivalents		**537,122**	195,714
Cash and cash equivalents at the beginning of the year		**413,487**	214,625
Effects of exchange rate changes on cash and cash equivalents		**3,910**	3,148
Cash and cash equivalents at the end of the year		**954,519**	413,487

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

The consolidated financial statements are presented in thousands of Hong Kong Dollars (HK$'000), unless otherwise stated. The consolidated financial statements were approved and authorised for issue by the Board of Directors (the "Board") on 29 March 2022.

1.1 Change of presentation currency

The consolidated financial statements were presented in Renminbi ("RMB") in prior years. Starting from 1 January 2021, the directors consider that as a result of the Group's future internationalisation strategy and the source of funding, the Group has changed its presentation currency for the preparation of its consolidated financial statements from RMB to Hong Kong Dollars ("HK$"). The directors considered that the change of presentation currency to HK$ enables the shareholders and potential investors of the Company to have a more accurate picture of the Group by aligning the Group's financial performance with its share price.

The effects of the change in the presentation currency have been accounted for retrospectively with comparative figures restated. The comparative figures have been restated to reflect the change in presentation currency to HK$ accordingly. The Group has also presented the consolidated statement of financial position as at 1 January 2020 without related notes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. Those policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) Historical cost convention

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

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

The Group has applied the following amendments to standards for the first time for their annual reporting period commencing on 1 January 2021:

Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest rate benchmark reform — phase 2
Amendments to IFRS 16	COVID-19-related rental concession

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

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

Certain new amendments to standards and accounting guideline have been published that are not mandatory for financial year beginning on 1 January 2021 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Annual improvements	Annual improvements to IFRSs 2018–2020	1 January 2022
Amendments to IFRS 3, IAS 16, and IAS 37	Narrow-scope amendments	1 January 2022
Accounting guide 5	Revised accounting guide 5 Merger accounting for common control combination	1 January 2022
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
IFRS 17	Insurance contracts and the related amendments	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of consolidation

(a) Subsidiaries

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

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

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

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

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (c) below), after initially being recognised at cost including cash consideration and other non-monetary item measured at the fair value on initial recognition date.

(c) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of consolidation *(Continued)*

(d) Changes in ownership interests

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

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

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

2.3 Business combinations

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

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

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

Acquisition related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Business combinations *(Continued)*

The excess of the

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

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

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

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

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

2.4 Separate financial statements

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

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

2.5 Segment reporting

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

The chief operating decision maker of the Group has been identified as the executive directors of the Company who assess the financial performance and position of the Group and make strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

(c) Group companies

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

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of statement of financial position;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Foreign currency translation *(Continued)*

(c) Group companies *(Continued)*

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

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

(d) Disposal of foreign operation and partial disposal

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

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

2.7 Property, plant and equipment

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Property, plant and equipment *(Continued)*

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

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

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

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

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

2.8 Intangible assets

(a) Goodwill

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

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

(b) Acquired intangible assets

Separately acquired intangible assets are initially recognised at cost. Intangible assets acquired in a business combination is recognised at fair value at the acquisition date. Subsequently, intangible assets with finite useful life are carried at cost less accumulated amortisation and accumulated impairment losses. The amortisation expense charged to profit or loss and included in cost of revenue in relation to advertising and business park area management service.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Intangible assets *(Continued)*

(c) Internally developed software

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

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

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

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

(d) Research and development

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

(e) Amortisation methods and periods

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

Computer software and domain	3–8 years
Acquired leases with favourable terms	over the lease term

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of non-financial assets

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

2.10 Non-current assets held for sale and discontinued operations

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Investments and other financial assets and liabilities

Financial assets

(a) Classification

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

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

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

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

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

(b) Recognition and derecognition

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

(c) Measurement

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Financial assets *(Continued)*

(c) Measurement *(Continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into amortised cost and fair value through profit or loss categories.

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

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented in other losses, net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Changes in the fair value of financial assets at fair value through profit or loss are recognised in "other losses, net" in the consolidated statement of profit or loss and other comprehensive income as applicable.

(d) Impairment

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

For trade receivables arising from trading of digital assets in the OTC market and other receivables, general approach is applied. For trade receivables and contract assets other than those mentioned above, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See Note 3.3(b), Note 21, Note 22 and Note 35 for further details.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Financial liabilities

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

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

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

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

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

In addition, the Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss. As at 31 December 2019 (i.e. 1 January 2020), the convertible note held by the Group was designated as the financial liability at fair value through profit or loss.

2.12 Offsetting financial instruments

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

2.13 Digital assets

(a) Digital assets presented on the consolidated statement of financial position

Digital assets are held mainly for the purposes of trading in the ordinary course of the Group's digital assets and blockchain platform business in the OTC market, the provision of automated digital asset trading services through its proprietary platforms and the provision of technology solutions to others.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Digital assets *(Continued)*

(a) Digital assets presented on the consolidated statement of financial position *(Continued)*

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

Furthermore, the Group received digital asset collateral under its digital asset lending arrangements with counterparties. Since the Group is able to utilise such collateral for its own economic benefits, it is recorded as digital assets of the Group (see below for the measurement) with a corresponding liability due to the counterparties recorded (under "collateral payable" measured at fair value through profit or loss in non-current or current liabilities). The collateral will be returned to the counterparties upon their settlement of the loans at respective maturity dates. It is classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Digital assets borrowed from counterparties are recorded as digital assets of the Group (see below for the measurement) which can be used in the Group's ordinary business, with a corresponding liability recorded due to the counterparties (under "borrowings" measured at fair value through profit or loss in non-current or current liabilities). Upon maturity of the financing arrangements, the Group transfers the digital assets from its own wallets to the counterparty's wallet and the related digital assets and liability due to the counterparty is derecognised. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

The Group's digital asset portfolio mainly comprises cryptocurrencies and stablecoins whose measurement are as follows:

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

- The Group has assessed the terms and conditions attached to stablecoins to determine whether they meet the definition of financial instruments. Certain stablecoins that are classified as financial instruments are measured at fair values with changes in fair value recognised in profit or loss in the period of the changes.

See Note 3.5 for estimation of fair value in respect of the digital assets and digital asset liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Digital assets *(Continued)*

(b) Digital assets not presented on the consolidated statement of financial position

Digital assets received from and held on behalf of clients by OSL Digital Securities Limited ("OSL DS"), a wholly-owned subsidiary of the Company and a Hong Kong Securities and Futures Commission ("SFC") licensed corporation, are safekeeping in segregated client wallets. Based on the respective rights and obligations of OSL DS and its clients under the client terms and conditions ("OSL DS Client T&C"), digital assets held by OSL DS are recognised off the consolidated statement of financial position on the basis that (1) OSL DS does not entitle to any benefit of income from the holding of the digital assets on the client's behalf; (2) the digital assets are held in segregated wallets separate from OSL DS or the Group's own wallets; and (3) OSL DS is legally restrained from transferring or transacting with the client's digital assets other than as instructed by the clients.

2.14 Derivatives

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

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

2.15 Trade receivables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Cash and cash balances

(a) Cash and cash equivalents

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

(b) Cash held on behalf of licensed entity customers

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

2.17 Share capital

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

2.18 Trade and other payables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Borrowings

Borrowings

Borrowings comprise financing arrangements denominated in fiat currency and digital assets.

Fiat currency loans are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the fiat currency loans using the effective interest method.

Digital assets borrowed from counterparties are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at fair value, which align with the fact that digital asset inventories are non-financial assets measured at fair value less costs to sell.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non- convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

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

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

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

Borrowing costs

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Current and deferred income tax

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

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Employee benefits

(a) Short-term obligations

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

(b) Post-employment obligations

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

(c) Other benefits

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

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are recognised upon the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Share-based payments

The Company operates a number of share-based payment schemes (in the form of share awards, share options and warrant shares) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Under such schemes, employees (including directors), consultants providing similar services with employee and services providers of the Group may receive equity instruments as remuneration for their services rendered ("equity-settled transactions").

Share options

The fair value of the share options granted to employees and consultants providing similar services in exchange for the grant of the options is recognised as an expense with a corresponding increase in share-based payment reserve. The total amount to be expensed is determined by reference to the fair value of the share options granted:

— including any market performance conditions (e.g. the Company's share price),

— excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and

— including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specified period of time).

The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Share awards

Under the share award scheme, shares issued by the trustee (see Note 42 for more details) to employees and consultants providing similar services for no cash consideration either vest immediately on grant date or over a vesting period depending on the conditions of each of the relevant grant.

When share awards are vested immediately, on that date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity in the share-based payment reserve.

The fair value of deferred shares granted to employees and consultants providing similar services for nil consideration is recognised as an expense over the relevant service period, being the year to which the award relates and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share- based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payment reserve.

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective the date of the forfeiture.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Share-based payments *(Continued)*

Share-based payments to non-employees

Equity-settled share-based payments to parties other than employees and consultants providing similar services is recognised as an expense with a corresponding increase in share-based payment reserve when the Group obtains the goods or as the services are received.

For equity-settled share-based payments to parties other than employees and consultants providing similar services to the Group, there shall be a rebuttable presumption that the fair value of the goods or services received can be estimated reliably. That fair value shall be measured at the date the Group obtains the goods or the counterparty renders service. If the Group rebuts this presumption because it cannot estimate reliably the fair value of the goods or services received, the Group shall measure the goods or services received, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders the services.

When transactions measured by reference to the fair value of the equity instruments granted, the Group shall measure the fair value of equity instruments granted at the measurement date, based on market prices if available, taking into account the terms and conditions upon which those equity instruments were granted.

For non-market vesting conditions, the Group shall recognise amounts for the goods or services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and shall revise that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. On vesting date, the Group shall revise the estimate to equal the number of equity instruments that ultimately vested.

Separate financial statements

The grant by the Company of its equity instruments to the employee, consultants providing similar services and other non-employee services of subsidiary undertakings in the Group is treated as an amount due from the subsidiary undertakings, with a corresponding credit to equity in the Company's separate financial statements, measured with reference to the recognition of respective share-based payment expenses as described above.

2.23 Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Contracts for trading of digital assets

In the ordinary course of the Group's digital asset trading business which includes primarily OTC trading business to trade digital assets with corporate and individual customers, and the provision of automated digital asset trading services through its proprietary platforms, the Group enters into a DATA with each of the customers for buying and selling of digital assets. As the DATA can, in practice, be settled net in cash, the Group accounts for the contracts (including the trade confirmations for respective trades) as financial instruments and designates them as measured at fair value through profit or loss.

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

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

The Group is exposed to net trading gains or losses from holding digital assets for trading up to the point when a trade (to buy or sell digital assets) with customer is concluded with fixed terms of trade with respect to the type, unit and price of digital assets.

2.25 Revenue recognition

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Revenue recognition *(Continued)*

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

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

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

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

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

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

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

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

Revenue from advertising business

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

Service fee from SaaS

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Revenue recognition *(Continued)*

Income from digital asset lending

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

Income from custodian services

The Group provides secured storage of digital asset service to certain third parties. Under this type of arrangement, the Group holds digital assets deposited by the third parties in the Group's own wallets. Custodian fees are calculated and accrued on a monthly basis and are recognised over time as services are rendered.

Trading fee from automated trading service

The Group provides automated digital asset trading services through its proprietary platforms to its customers under the arrangements of DATA or OSL DS Client T&C. Under the arrangements, customers trade among themselves on the platforms where the Group merely provides facilitation services to match their trades. Trading fee is derived by calculating a fixed mark-up percentage on each trade transaction amount and are recognised at the time when each trade transaction is completed.

2.26 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 9 below.

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

2.27 Leases

The Group as lessee

(a) Lease assets

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Leases *(Continued)*

The Group as lessee *(Continued)*

(a) Lease assets *(Continued)*

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

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

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

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

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

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

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

— the amount of the initial measurement of lease liability;

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

— any initial direct costs; and

— restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Leases *(Continued)*

The Group as lessee *(Continued)*

(b) Extension and termination options

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

(c) Residual value guarantees

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

The Group as lessor

Rental income from business park area management service

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

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

2.28 Government grants

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

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

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

3 RISK DISCLOSURES

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

3.1 Business development and the associated risks in 2021

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

3 RISK DISCLOSURES *(Continued)*

3.1 Business development and the associated risks in 2021 *(Continued)*

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

3.2 Risk management of the digital assets and blockchain platform business

(i) Regulatory risk in relevant jurisdictions

The Group's digital asset trading businesses currently operate in Hong Kong, Singapore and the Americas.

In Hong Kong, the SFC has implemented a licensing regime for the regulation and licensing of digital asset trading platforms. On 15 December 2020, OSL DS, a wholly owned subsidiary of the Group, was granted a licence (for Types 1 and 7 Regulated Activities) by the SFC to operate a regulated brokerage and automated trading service for digital assets in Hong Kong, and began to provide its trading and related services to professional investors in Hong Kong in March 2021.

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

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

In light of the licence in Hong Kong, the pending licence application in Singapore, the "Money Services Business registration" in the United States of America and ongoing regulatory developments across the globe , the digital asset trading businesses of the Group are and will continue to be, subjected to the stringent regulatory compliance requirements in each relevant jurisdiction in which the Group may operate. This includes, for example, Anti-Money Laundering ("AML") systems and controls, and in the case of Hong Kong and Singapore, requirements for minimum capital and liquid assets, business continuity, client asset protection, periodic reporting and financial and compliance audits.

3 RISK DISCLOSURES *(Continued)*

3.2 Risk management of the digital assets and blockchain platform business *(Continued)*

(i) Regulatory risk in relevant jurisdictions *(Continued)*

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

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

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

(ii) Price risk of digital assets

The Group holds digital assets in order to facilitate and support the settlement process of the digital asset trading business. Price volatility of digital assets may cause significant impact to the Group's performance. To manage these risks, the level of digital asset holdings is controlled by limits based on volatility, position size and liquidity, as approved by the Risk Committee and as overseen by the Group's Risk Department. During times of heightened price volatility, the Group may choose to reduce its digital asset inventory exposure either by selling down or entering into hedge transactions such as futures contracts. Additionally, the Group has implemented policies for the review and assessment of each type of digital assets that may be admitted for trading via its trading services, and such reviews and assessments take into account various characteristics, such as the assets underlying technology infrastructure, transparency of provenance, ability to monitor for AML and Counter-Financing of Terrorism risks, liquidity and price volatility.

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

3 RISK DISCLOSURES *(Continued)*

3.2 Risk management of the digital assets and blockchain platform business *(Continued)*

(iii) Risks related to safekeeping of assets

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

To mitigate such risks, the Group has implemented guidelines and risk control protocols to adjust the level of digital assets maintained in "hot" wallets required to facilitate settlement. The Group has developed a proprietary digital asset wallet solution with comprehensive security controls and risk mitigation processes in place. Control procedures cover wallet generation, day-to-day wallet management and security, as well as monitoring and safeguarding of the Group's "hot" and "cold" wallets and public and private keys. In 2021, the Group continued to maintain insurance cover from third-party insurance providers covering both its "hot" and "cold" wallets.

(iv) Risks related to source of funds and anti-money laundering

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

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

(v) Technology leakage risk

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

Technology leakage risks are mitigated by controls of information, ability to defend against intrusion into the Group's technology infrastructure, IP protection and prevention of leakage of sensitive data.

(vi) Information security risks

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

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

3 RISK DISCLOSURES *(Continued)*

3.2 Risk management of the digital assets and blockchain platform business *(Continued)*

(vii) New product risk

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

(viii) Credit risk

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

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

(ix) Business continuity

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

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

(x) Operational risk

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

3 RISK DISCLOSURES *(Continued)*

3.2 Risk management of the digital assets and blockchain platform business *(Continued)*

(x) Operational risk *(Continued)*

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

(xi) Performance risk

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

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

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

(xii) Investment risk

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

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management

Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

As at 31 December 2021 and 2020, most of the financial assets and liabilities of the Group's subsidiaries are denominated in their respective functional currencies.

There are certain United States dollar ("USD") and HK$ financial assets and liabilities held by the Group with HK$ and USD functional currency respectively. Since HK$ are pegged to the USD, management considers the foreign exchange risk arising from such financial assets and liabilities to the Group is not significant. Hence, the directors consider the Group does not have any material foreign exchange risk exposure. No sensitivity analysis is presented.

(ii) Cash flow and fair value interest rate risk

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

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

At 31 December 2021, if interest rates had been 100 (2020: 100) basis points higher/lower with all other variables held constant, the loss before income tax would have been HK$1,704,000 lower/higher (2020: HK$116,000 lower/higher), mainly as a result of higher/lower interest income on floating rate short term bank deposits.

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

Financial risk factors *(Continued)*

(b) Credit risk

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

For trade receivables and contract assets, the Group has credit policy to monitor the level of credit risk. In general, the credit record and credit period for each customer or debtor are regularly assessed, based on the customer's financial condition, their capacity to obtain guarantee from third parties, their credit records and other factors such as current market condition. The Group applies the simplified approach, which permits the use of the lifetime expected loss provision, to provide for expected credit losses provision for trade receivables and contract assets arising from revenue accounted under IFRS 15, which are related to traditional advertising services and business park management services, as well as certain digital assets and blockchain platform business activities. For trade receivables arising from trading of digital assets in the OTC market and other receivables, general approach is applied.

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables and contract assets

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

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

On that basis, the loss allowance as at 31 December 2021 and 2020 were determined as follows for trade receivables and contract assets related to traditional advertising services.

	Current– 30 days past due	31–60 days past due	61–90 days past due	91–365 days past due	More than 365 days past due	Total
At 31 December 2021						
Gross carrying amount (HK$'000)	4,835	–	–	–	7,374	12,209
Loss allowance (HK$'000)	(346)	–	–	–	(7,374)	(7,720)
Expected loss rate	7.15%	–	–	–	100%	63.23%

	Current– 30 days past due (Restated) (Note 1.1)	31–60 days past due (Restated) (Note 1.1)	61–90 days past due (Restated) (Note 1.1)	91–365 days past due (Restated) (Note 1.1)	More than 365 days past due (Restated) (Note 1.1)	Total (Restated) (Note 1.1)
At 31 December 2020						
Gross carrying amount (HK$'000)	8,190	7,111	–	–	469	15,770
Loss allowance (HK$'000)	(576)	(675)	–	–	(249)	(1,500)
Expected loss rate	5.14%–9.50%	9.50%	–	–	52.85%	9.51%

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables and contract assets (Continued)

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

For business park area management services, the Group generally requires customers to prepay for the services. For any outstanding amounts due from these customers, management makes individual assessment on recoverability of the receivables from tenants based on historical settlement records, and expected timing and amount of realisation of outstanding balance. As at 31 December 2020, the receivables of RMB4,944,000 (equivalent to approximately HK$5,859,000) from certain tenants were no longer considered collectible and the Group ceased business relationship with them. Therefore, the receivables from those tenants were fully impaired in prior years, and there was no remaining receivable balance as at 31 December 2021 (2020: same).

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

Trade receivables (trading of digital assets in the OTC market)

For the trading of digital assets in the OTC market, majority of the counterparties are required to prefund their accounts prior to the trades. Trades with liquidity providers and certain counterparties that are considered creditworthy can be on credit with a credit period of 1–3 days after invoice date.

Management makes individual assessment on expected credit losses of the trade receivables from these liquidity providers and counterparties based on their credit profile, historical settlement records, past experience as well as forward looking factors. These trade receivables balances as at 31 December 2021 were fully settled subsequently (31 December 2020: same). Management considers the expected credit loss is close to zero (2020: same).

Trade receivables and contract assets (SaaS arrangement and other services)

During the year ended 31 December 2021, the trade receivables related to certain White label customers had been provided, amounted to approximately HK$2,176,000 (2020: HK$1,458,000). There was no provision made to related contract assets during the year ended 31 December 2021 (2020: HK$2,177,000).

The directors believe that there was no material credit risk in the remaining trade receivables and contract assets balances as at 31 December 2021 and the expected credit loss is close to zero (2020: same).

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

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

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Deposits and other receivables

For deposits and other receivables, management makes individual impairment assessments of deposits and other receivables periodically based on historical settlement records, past experience as well as forward looking factors. As at 31 December 2020, the recoverability of an amount due from an independent third party, amounted to JPY89,500,000 (equivalent to approximately HK$6,441,000), was uncertain and full impairment provision was made. During the year ended 31 December 2021, such amount due is written off since there is no reasonable expectation of recovery. The directors believed that there was no material credit risk in the remaining balances of deposits and other receivables and the expected credit loss is close to zero (2020: same).

Cash and cash balances (including cash held on behalf of licensed entity customers)

To manage the risk arising from cash and cash balances, the Group transacts with reputable financial institutions, which are high credit-quality banks or other financial institutions where certain level of deposits are insured by the relevant regulators. There is no recent history of default in relation to these financial institutions. The expected credit loss is close to zero (2020: same).

(c) Price risk

Exposure

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

The Group's exposure to price risk arises from digital assets and digital asset liabilities which are both measured on fair value basis (Note 20, Note 22(b), Note 22(d), Note 29(a)(ii), Note 29(b), Note 31 and Note 32(c)). In particular, the Group's operating result may depend upon the market price of BTC and ETH, as well as other digital assets. Digital asset prices have fluctuated significantly from time to time. There is no assurance that digital asset prices will reflect historical trends.

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

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

As disclosed in Note 20, the Group has proprietary digital assets of HK$721,035,000 (2020: HK$582,376,000) and 69% (2020: 23%) of the balances are stablecoins, which are asset-backed with fair values approximate USD1 per unit with limited price risk.

(c) Price risk *(Continued)*

Sensitivity

At 31 December 2021, if the prices of digital assets held by the Group had increased/decreased by 9% (2020: 14%) (being a reasonably expected change determined based on average monthly price movements and the Group's balances in different types of digital assets) in the principal markets with other variables held constant, the loss before income tax arising from changes in fair values of the assets and liabilities (excluding stablecoins) listed in the table below would have been higher or lower as follow:

Fair value changed by 9% (2021 average price movement):

	Loss before income tax 2021 HK$'000	Loss before income tax 2020 HK$'000
Increase in fair value:		
Digital assets	**245,746 lower**	255,738 lower
Digital asset liabilities due to customers	**220,601 higher**	212,389 higher
Digital asset receivable	**166 lower**	–
Digital assets borrowed from counterparties	**–**	16,180 higher
Interest payable arising from digital assets borrowed from counterparties	**–**	137 higher
Collateral payables	**6,995 higher**	16,160 higher

	Loss before income tax 2021 HK$'000	Loss before income tax 2020 HK$'000
Decrease in fair value:		
Digital assets	**245,746 higher**	255,738 higher
Digital asset liabilities due to customers	**220,601 lower**	212,389 lower
Digital asset receivable	**166 higher**	–
Digital assets borrowed from counterparties	**–**	16,180 lower
Interest payable arising from digital assets borrowed from counterparties	**–**	137 lower
Collateral payables	**6,995 lower**	16,160 lower

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

Financial risk factors *(Continued)*

(c) Price risk *(Continued)*

Sensitivity *(Continued)*

Fair value changed by 14% (2020 average price movement):

	Loss before income tax 2020 HK$'000 (Restated) (Note 1.1)
Increase in fair value:	
Digital assets	397,814 lower
Digital asset liabilities due to customers	330,383 higher
Digital assets borrowed from counterparties	25,170 higher
Interest payable arising from digital assets borrowed from counterparties	213 higher
Collateral payables	25,138 higher

	Loss before income tax 2020 HK$'000 (Restated) (Note 1.1)
Decrease in fair value:	
Digital assets	397,814 higher
Digital asset liabilities due to customers	330,383 lower
Digital assets borrowed from counterparties	25,170 lower
Interest payable arising from digital assets borrowed from counterparties	213 lower
Collateral payables	25,138 lower

Among the balances, 22% of digital assets (2020: 9%) and 12% of digital asset liabilities due to customers (2020: 7%) are stablecoins, which are asset-backed with fair values approximate USD1 per unit with limited price risk.

As at 31 December 2021, digital assets borrowed from counterparties of HK$33,838,000 (2020: HK$23,279,000) and related interest payables of HK$611,000 (2020: HK$545,000) were related to stablecoins. As at 31 December 2020, the Group also had digital assets due from counterparties of HK$38,061,000 and related interest receivable of HK$107,000. As the relevant stablecoins are asset-backed and has a market value of approximately USD1 per unit with minimal fluctuation, the price risk is insignificant and no sensitivity analysis is presented.

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

Financial risk factors *(Continued)*

(d) Liquidity risk

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

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

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

	On demand HK$'000	Within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
At 31 December 2021					
Borrowings (excluding non-financial borrowings of digital assets)	21,196	65,169	–	–	86,365
Lease liabilities	–	59,485	60,186	75,362	195,033
Liabilities due to customers	3,516,123	–	–	–	3,516,123
Trade payables	–	49,809	–	–	49,809
Accruals, other payables and deposits received (excluding employee benefits, other tax payables and non-financial interest payable) *(Note 29)*	–	64,110	–	17,258	81,368
	3,537,319	238,573	60,186	92,620	3,928,698

3 RISK DISCLOSURES *(Continued)*

3.3 Financial risk management *(Continued)*

Financial risk factors *(Continued)*

(d) Liquidity risk *(Continued)*

	On demand HK$'000 (Restated) (Note 1.1)	Within 1 year HK$'000 (Restated) (Note 1.1)	Between 1 and 2 years HK$'000 (Restated) (Note 1.1)	Between 2 and 5 years HK$'000 (Restated) (Note 1.1)	Total HK$'000 (Restated) (Note 1.1)
At 31 December 2020					
Borrowings (excluding non-financial borrowings of digital assets)	–	296,965	73,003	–	369,968
Lease liabilities	–	58,486	58,486	132,514	249,486
Liabilities due to customers	2,801,429	–	–	–	2,801,429
Trade payables	–	51,477	–	–	51,477
Accruals, other payables and deposits received (excluding employee benefits, other tax payables and non-financial interest payable) *(Note 29)*	–	32,493	–	16,124	48,617
	2,801,429	439,421	131,489	148,638	3,520,977

3.4 Capital management

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total assets. The gearing ratio as at 31 December 2021 was 77% (2020: 96%).

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

Furthermore, OSL DS, a licensed corporation (as referred to in Note 3.2(i)) and its associated entity, BC Business Management Services (HK) Limited are subject to minimum paid-up capital and liquid capital requirements under the Securities and Futures Ordinance.

In response to the above, the Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations and relevant regulatory requirements of the group entities and seek to diversify its funding sources as appropriate.

3 RISK DISCLOSURES *(Continued)*

3.5 Fair value estimation

(a) Financial assets and liabilities

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

(i) Fair value hierarchy

Recurring fair value measurements

At 31 December 2021
Financial assets

	Note	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Unlisted convertible preference shares	*27*	**–**	**–**	**23,392**	**23,392**
Unlisted convertible note	*27*	**–**	**–**	**1,621**	**1,621**
		–	**–**	**25,013**	**25,013**

Financial liabilities

	Note	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Liabilities due to customers — Fiat currency liabilities	*31*	**717,249**	**–**	**–**	**717,249**

3 RISK DISCLOSURES *(Continued)*

3.5 Fair value estimation *(Continued)*

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

(i) Fair value hierarchy *(Continued)*

Recurring fair value measurements (Continued)

At 31 December 2020
Financial liabilities

	Note	Level 1 HK$'000 (Restated) (Note 1.1)	Level 2 HK$'000 (Restated) (Note 1.1)	Level 3 HK$'000 (Restated) (Note 1.1)	Total HK$'000 (Restated) (Note 1.1)
Liabilities due to customers — Fiat currency liabilities	31	276,920	–	–	276,920

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

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

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

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

3 RISK DISCLOSURES *(Continued)*

3.5 Fair value estimation *(Continued)*

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

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

The following table presents the changes in level 3 items for years ended 31 December 2021 and 31 December 2020:

Financial assets

	Unlisted convertible preference shares		**Unlisted convertible note**		**Total**	
	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)	**2021 HK$'000**	2020 HK$'000 (Restated) (Note 1.1)	**2021 HK$'000**	2020 HK$'000 (Restated) (Note 1.1)
Opening balance at 1 January	**–**	–	**–**	–	**–**	–
Addition	**23,339**	–	**1,556**	–	**24,895**	–
Change in fair value	**53**	–	**65**	–	**118**	–
Closing balance at 31 December	**23,392**	–	**1,621**	–	**25,013**	–

Financial liabilities

	Convertible note		**Warrant**		**Total**	
	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)	**2021 HK$'000**	2020 HK$'000 (Restated) (Note 1.1)	**2021 HK$'000**	2020 HK$'000 (Restated) (Note 1.1)
Opening balance at 1 January	**–**	15,130	**–**	6,773	**–**	21,903
Change in fair value	**–**	1,038	**–**	962	**–**	2,000
Derecognition	**–**	(16,168)	**–**	(7,735)	**–**	(23,903)
Closing balance at 31 December	**–**	–	**–**	–	**–**	–

3 RISK DISCLOSURES *(Continued)*

3.5 Fair value estimation *(Continued)*

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

(iii) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Financial instruments	Fair value as at 31 December 2021 HK$'000	Fair value as at 31 December 2020 HK$'000 (Restated) (Note 1.1)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs 31 December 2021	Significant unobservable inputs 31 December 2020	Relationship of unobservable inputs to fair value
(1) Unlisted convertible preference shares	**23,392**	–	Level 3	Market approach is adopted and the key input is adjusted price-to-book ratio	**Adjusted price-to-book ratio: 4.31**	N/A	2021: Increased price-to-book ratio by 100 basis points would increase fair value by HK$234,000; decreased price-to-book ratio by 100 basis points would decrease fair value by HK$234,000. 2020: N/A
(2) Unlisted convertible note with a conversion right to convert the note into preference shares of an unlisted company	**1,621**	–	Level 3	Discounted cash flow model of the coupon interest and principal is adopted and the key input is discount rate	**Discount rate: 4.98%**	N/A	2021: Increased discount rate by 100 basis points would decrease fair value by HK$4,000; decreased discount rate by 100 basis points would increase fair value by HK$4,000. 2020: N/A

(iv) Sensitivity analysis

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

(v) Valuation processes

For the unlisted convertible preference shares, the Group used market approach to determine the fair value upon the initial recognition as well as at the end of the reporting period. During the year ended 31 December 2021, the fair value of the unlisted convertible preference shares was determined with reference to a recent transaction (Note 27(a)).

For the unlisted convertible note, the Group engaged an external, independent and qualified valuer to determine the fair value upon the initial recognition as well as at the end of the reporting period. During the year ended 31 December 2021, the fair value of this debt investment was determined by ValQuest Advisory (Hong Kong) Limited (Note 27(b)).

3 RISK DISCLOSURES *(Continued)*

3.5 Fair value estimation *(Continued)*

(b) Digital assets and digital asset liabilities

(i) Fair value hierarchy

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

Recurring fair value measurements

	Note	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2021					
Digital assets					
Digital assets	*20*	**3,519,909**	–	–	**3,519,909**
Digital asset receivable	*22(d)*	**1,844**	–	–	**1,844**
		3,521,753	–	–	**3,521,753**
Digital asset liabilities					
Collateral payables	*29(b)*	**77,727**	–	–	**77,727**
Interest payables arising from digital assets borrowed from counterparties	*29(a)*	**611**	–	–	**611**
Liabilities due to customers — Digital asset liabilities	*31*	**2,798,874**	–	–	**2,798,874**
Digital assets borrowed from counterparties	*32(c)*	**33,838**	–	–	**33,838**
		2,911,050	–	–	**2,911,050**

3 RISK DISCLOSURES *(Continued)*

3.5 Fair value estimation *(Continued)*

(b) Digital assets and digital asset liabilities *(Continued)*

(i) Fair value hierarchy *(Continued)*

Recurring fair value measurements (Continued)

	Note	Level 1 HK$'000 (Restated) (Note 1.1)	Level 2 HK$'000 (Restated) (Note 1.1)	Level 3 HK$'000 (Restated) (Note 1.1)	Total HK$'000 (Restated) (Note 1.1)
At 31 December 2020					
Digital assets					
Digital assets	*20*	3,036,648	70,237	–	3,106,885
Interest receivables arising from digital assets due from counterparties	*22(b)*	15	92	–	107
Digital assets due from counterparties	*23*	1,707	36,354	–	38,061
		3,038,370	106,683	–	3,145,053
Digital asset liabilities					
Collateral payables	*29(b)*	179,559	–	–	179,559
Interest payables arising from digital assets borrowed from counterparties	*29(a)*	2,069	–	–	2,069
Liabilities due to customers — Digital asset liabilities	*31*	2,518,343	6,166	–	2,524,509
Digital assets borrowed from counterparties	*32(c)*	203,062	–	–	203,062
		2,903,033	6,166	–	2,909,199

Except for USD Coins which changed from level 2 to level 1, there were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

3 RISK DISCLOSURES *(Continued)*

3.5 Fair value estimation *(Continued)*

(b) Digital assets and digital asset liabilities *(Continued)*

(ii) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 2 fair value measurements:

Digital assets/liabilities	Fair value as at 31 December 2021 HK$'000	Fair value as at 31 December 2020 HK$'000 (Restated) (Note 1.1)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input 31 December 2021	Significant unobservable input 31 December 2020	Relationship of unobservable inputs to fair value
Digital assets	–*	70,237	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	2020 and 2021: Changes in price of BTC would change the price of these digital assets measured at level 2 fair value proportionately.
Interest receivables arising from digital assets due from counterparties	–	92	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	2021: N/A 2020: Changes in price of BTC would change the price of these digital assets measured at level 2 fair value proportionately
Digital assets due from counterparties	–	36,354	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	2021: N/A 2020: Changes in price of BTC would change the price of these digital assets measured at level 2 fair value proportionately
Liabilities due to customers – digital asset liabilities *(Note)*	–	6,166	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	2021: N/A 2020: Changes in price of BTC would change the price of these digital assets measured at level 2 fair value proportionately

* Less than HK$1,000

Note:

Digital assets are held mainly for the purposes of trading in the ordinary course of the Group's digital assets and blockchain platform business in the OTC market, the provision of automated digital asset trading services through its proprietary platforms and the provision of technology solutions to others. There are also digital assets received or receivable by the Group under digital asset lending arrangements. Based on respective rights and obligations between the Group and its counterparties under various agreements, digital assets held in the Group's wallets are recognised as the Group's assets and the obligations to settle or deliver such digital assets held by the Group in designated customer accounts are recognised as digital asset liabilities due to customers.

As at 31 December 2021, the digital assets and digital asset 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 digital assets and the liabilities due to customers would depend on whether the underlying digital assets is traded in an active market.

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

Certain type of digital assets is not traded in an active market for fiat currency, instead, it is only traded for another type of digital assets. In such case, the digital assets and the corresponding liabilities due to customers 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Accounting of digital assets transactions and balances

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

The Group's digital assets portfolio mainly comprises cryptocurrencies and stablecoins. According to the business model of the Group's activities and the characteristics of each of the relevant digital assets, the Group's digital assets are accounted for either as inventories measured at fair value less costs to sell or financial instruments measured at fair value on the consolidated statement of financial position. There are also digital assets held by the Group solely for the benefits on behalf of its clients in segregated wallets where such holding is not recognised by the Group as its own assets. On the other hand, contracts for trading of digital assets with the Group's counterparties and liquidity providers through its OTC and proprietary platforms are accounted for as financial instruments and measured at fair value through profit or loss as these contracts can, in practice, be settled net in cash whereas service fees from Software as a Service arrangements which are determined based on the transaction volume of the platforms licensed by the White label customers are recognised over time when the platform technology and related services are provided.

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

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

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

(c) Share-based payments

Judgement is exercised in the assessment of the fair value of the share-based payments to employees and non- employees. In making its judgement, management considers the nature of services received and a wide range of factors such as the share price of the Company and other market performance conditions and non-vesting conditions.

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

5 SEGMENT REPORTING

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

The Group has three reportable segments in 2021 (2020: 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:

- Digital assets and blockchain platform business — trading of digital assets in the OTC market and provision of automated digital asset trading services through its proprietary platforms, licensing of its proprietary platforms and technology solutions as a SaaS and other related businesses.
- Business park area management — providing operation and management services in business park area in Mainland China.
- Traditional advertising — provision of traditional advertising services, public relation services and event marketing services in Mainland China.
- Wireless advertising — provision of wireless advertising services in Mainland China *(Note)*.

Note: The Board has decided to discontinue the operation of wireless advertising business on 29 December 2016. In accordance with IFRS 5, the segment of wireless advertising service for the year ended 31 December 2020 was classified as discontinued operations in the Group's consolidated financial statements. The disposal of the segment of wireless advertising was completed during the year ended 31 December 2020 (see Note 14 for more details).

5 SEGMENT REPORTING *(Continued)*

Segment results

	Digital assets and blockchain platform business HK$'000	Business park area management HK$'000	Traditional advertising HK$'000	Unallocated HK$'000	Total HK$'000
For the year ended 31 December 2021					
Results					
Income from other sources:					
Trading of digital assets and net fair value loss on digital assets *(Note 7)*	252,250	–	–	–	252,250
Rental income from business park area management services	–	46,663	–	–	46,663
Revenue from contracts with customers:					
Revenue from advertising	–	–	27,681	–	27,681
Service fee from SaaS *(Note 7)*	10,114	–	–	–	10,114
Trading fee from automated trading service *(Note 7)*	6,778	–	–	–	6,778
Interest income from digital asset lending and other revenues *(Note 7)*	8,533	–	–	–	8,533
Segment results	276,079	23,692	2,858	–	302,629
Finance income	43	227	288	6,298	6,856
Finance costs	(5,186)	(11,978)	–	(17,245)	(34,409)
Provision for impairment losses on financial assets and contract assets, net	(2,176)	–	(6,057)	–	(8,233)
Share of net post-tax loss of an associate accounted for using the equity method	(5,434)	–	–	–	(5,434)
Other expenses *(Note (ii))*	(438,738)	(4,894)	(6,228)	(179,357)	(629,217)
(Loss)/profit before income tax expense	(175,412)	7,047	(9,139)	(190,304)	(367,808)
Income tax (expense)/credit	–	(1,455)	20	–	(1,435)
(Loss)/profit for the year	(175,412)	5,592	(9,119)	(190,304)	(369,243)
As at 31 December 2021					
Assets and liabilities					
Reportable segment assets *(Note (iii))*	4,881,203	153,646	51,309	192,601	5,278,759
Reportable segment liabilities *(Note (iii))*	3,763,793	115,392	19,612	188,819	4,087,616
Other segment information					
Depreciation and amortisation	9,783	21,735	726	30,005	62,249

5 SEGMENT REPORTING *(Continued)*

Segment results *(Continued)*

	Continuing operations					Discontinued operations	
	Digital assets and blockchain platform business HK$'000 (Restated) (Note 1.1)	Business park area management HK$'000 (Restated) (Note 1.1)	Traditional advertising HK$'000 (Restated) (Note 1.1)	Unallocated HK$'000 (Restated) (Note 1.1)	Sub-total HK$'000 (Restated) (Note 1.1)	Wireless advertising HK$'000 (Restated) (Note 1.1)	Total HK$'000 (Restated) (Note 1.1)
For the year ended 31 December 2020							
Results							
Income from other sources:							
Trading of digital assets and net fair value gain on digital assets *(Note 7)*	157,512	–	–	–	157,512	–	157,512
Rental income from business park area management services	–	43,519	–	–	43,519	–	43,519
Revenue from contracts with customers:							
Revenue from advertising	–	–	30,061	–	30,061	–	30,061
Service fee from SaaS *(Note 7)*	4,952	–	–	–	4,952	–	4,952
Interest income from digital asset lending and other revenues *(Note 7)*	7,693	–	–	–	7,693	–	7,693
Segment results	169,008	23,588	3,882	–	196,478	–	196,478
Finance income	–	315	354	9,683	10,352	–	10,352
Finance costs	(5,800)	(12,639)	(53)	(30,785)	(49,277)	–	(49,277)
(Provision)/reversal of provision for impairment losses on financial assets and contract assets, net	(3,635)	–	6,074	–	2,439	–	2,439
Other (expenses)/income *(Note (ii))*	(314,063)	(3,451)	(6,954)	(127,082)	(451,550)	2,389	(449,161)
(Loss)/profit before income tax expense	(154,490)	7,813	3,303	(148,184)	(291,558)	2,389	(289,169)
Income tax (expense)/credit	–	(2,568)	(235)	767	(2,036)	–	(2,036)
(Loss)/profit for the year	(154,490)	5,245	3,068	(147,417)	(293,594)	2,389	(291,205)
For the year ended 31 December 2020							
(Loss)/profit for the year from continuing operations	(154,490)	5,245	3,068	(147,417)	(293,594)	–	(293,594)
Profit for the year from discontinued operations	–	–	–	–	–	2,389	2,389
	(154,490)	5,245	3,068	(147,417)	(293,594)	2,389	(291,205)
As at 31 December 2020							
Assets and liabilities							
Reportable segment assets *(Note (iii))*	3,522,724	147,473	75,281	294,300	4,039,778	–	4,039,778
Reportable segment liabilities *(Note (iii))*	3,333,607	125,876	25,017	394,891	3,879,391	–	3,879,391
Other segment information							
Depreciation and amortisation	678	20,271	975	37,683	59,607	–	59,607

5 SEGMENT REPORTING *(Continued)*

Segment results *(Continued)*

Notes:

(i) All revenue and income were generated from external customers. There were no sales or other transactions between the business segments for the years ended 31 December 2021 and 2020.

(ii) Unallocated expenses and income mainly include salaries, rental expenses, consultancy and professional fees for head offices and net of gain on disposal of discontinued operations.

(iii) Unallocated assets are mainly financial assets at fair value through profit or loss and cash and cash equivalents held by head office. Unallocated liabilities are mainly lease liabilities, borrowings and deferred income tax liabilities.

6 REVENUE FROM CONTRACTS WITH CUSTOMERS UNDER IFRS 15

Disaggregation of revenue from contracts with customers

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Recognised over time:		
Revenue from advertising business	**27,681**	30,061
Service fee from SaaS *(Note 7)*	**10,114**	4,952
Interest income from digital asset lending *(Note 7)*	**2,237**	3,212
Others *(Note 7)*	**5,691**	4,481
Recognised at a point of time:		
Trading fee from automated trading service *(Note 7)*	**6,778**	–
Others *(Note 7)*	**605**	–

7 INCOME FROM DIGITAL ASSETS AND BLOCKCHAIN PLATFORM BUSINESS

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Income from digital assets and blockchain platform business:		
Trading of digital assets *(Note (a))*	**263,721**	149,133
Net fair value (loss)/gain on digital assets *(Note (a))*	**(11,471)**	8,379
Service fee from SaaS *(Note 6)*	**10,114**	4,952
Interest income from digital asset lending *(Note 6)*	**2,237**	3,212
Trading fee from automated trading service *(Note 6)*	**6,778**	–
Others *(Note 6)*	**6,296**	4,481
	277,675	170,157

7 INCOME FROM DIGITAL ASSETS AND BLOCKCHAIN PLATFORM BUSINESS *(Continued)*

Note:

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

8 OTHER INCOME AND OTHER LOSSES, NET

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Other income		
Government grants *(Note)*	**703**	6,458

Note: The amount mainly represented cash subsidies in respect of the Financial Sector Development Fund granted by the Monetary Authority of Singapore (2020: one-off cash subsidies in respect of the anti-epidemic fund granted by the Government of the Hong Kong Special Administrative Region) for which the conditions of the grants have been fully satisfied as at the end of the year (2020: same).

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Other losses, net		
Exchange losses, net	**(6,462)**	(4,362)
Fair value changes of financial liabilities through profit or loss *(Note 3.5(a)(ii))*	**–**	(2,000)
Fair value changes of financial assets through profit or loss *(Note 3.5(a)(ii))*	**118**	–
Gain/(loss) on disposal of property, plant and equipment *(Note 40(c))*	**337**	(185)
Loss on dissolution of subsidiaries	**–**	(25)
Others	**762**	218
Total	**(5,245)**	(6,354)

9 FINANCE COSTS, NET

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Finance income		
Interest income from bank deposits	**565**	671
Interest income from a convertible note	**60**	–
Imputed interest income from rental deposits	**856**	778
Imputed interest income from borrowings	**–**	1,044
Imputed interest income from pledged deposits	**5,375**	7,859
	6,856	10,352
Finance costs		
Interest expense on borrowings	**(4,357)**	(11,106)
Interest expense on lease liabilities *(Note 30(b))*	**(21,625)**	(24,364)
Interest expense on digital assets borrowed from counterparties	**(3,240)**	(2,355)
Imputed interest expense on pledged deposits paid	**–**	(1,091)
Imputed interest expense on borrowings	**(5,187)**	(9,292)
Interest expense on convertible notes	**–**	(1,069)
	(34,409)	(49,277)
Finance costs, net	**(27,553)**	(38,925)

10 EXPENSES BY NATURE

Cost of revenue, selling and distribution expenses, administrative and other operating expenses, and provision/(reversal of provision) for impairment losses on financial assets and contract assets, net included the following:

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Continuing operations		
Auditor's remuneration		
— Audit services	**11,895**	10,471
— Non-audit services	**3,903**	1,952
Legal and professional fees	**10,960**	5,127
Consultancy fee (including share-based payments)	**33,774**	8,437
Travelling expenses	**855**	1,487
Cost of revenue relating to advertising services (excluding employee benefits)	**24,685**	26,093
Cost of revenue relating to provision of SaaS *(Note 35(c))*	**1,596**	1,148
Amortisation of intangible assets *(Note 18)*	**14,749**	12,123
Depreciation of property, plant and equipment (excluding right-of-use assets) *(Note 17)*	**11,207**	11,481
Depreciation of right-of-use assets *(Note 17)*	**36,293**	36,003
Employee benefit expenses (including directors' emoluments) *(Note 11)*	**350,755**	211,454
Expense relating to short-term leases (included in administrative and other operating expenses) *(Note 30(b))*	**4,623**	3,572
Provision/(reversal of provision) for impairment of trade receivables *(Note 21)*	**8,018**	(2,576)
Provision for impairment of contract assets *(Note 35)*	**215**	137
Share-based payment to warrant holder *(Note (a))*	**49,826**	103,473
IT costs	**44,353**	18,002
Others	**74,591**	48,090
Total	**682,298**	496,474
Represented by:		
Cost of revenue	**49,390**	47,259
Selling and distribution expenses *(Note (a))*	**88,180**	119,831
Administrative and other operating expenses	**536,495**	331,823
Provision/(reversal of provision) for impairment losses on financial assets and contract assets, net	**8,233**	(2,439)
	682,298	496,474

10 EXPENSES BY NATURE *(Continued)*

Note (a):

The share-based payment expenses were related to a warrant issued to J Digital 5 LLC ("Warrant Holder"), a liquidity provider for the provision of liquidity to the Group's online digital asset trading platforms during the years ended 31 December 2021 and 2020.

On 10 November 2019, the Company entered into a warrant subscription agreement with the Warrant Holder whereby the Warrant Holder may subscribe for and the Company may allot and issue a maximum number of 11,526,270 warrant shares (i.e. ordinary shares of the Company). The warrant issue price is HK$78,000. The number of warrant shares issuable at zero exercise price is set out in a sliding schedule in the warrant subscription agreement and is determined based on the average daily value threshold of transactions attributable to the liquidity provided by the Warrant Holder to the Group's online digital asset trading platforms during the relevant measurement periods within two years since the issuance of the warrants. The conditions precedent to the warrant subscription agreement were completed on 6 July 2020 and the agreement is effective for a period of two years and five business days. Up to an aggregate of 508,707 warrant shares can be exercised by the Warrant Holder commencing on the issue date of the warrant and the remaining warrant shares can only be exercised by the Warrant Holder from the first day following the end of the relevant measurement periods to two years after the issuance of the warrant.

The warrant is an equity-settled share-based payment transaction for services received from the Warrant Holder under non-market performance vesting condition. The fair value of the services received from the Warrant Holder cannot be estimated reliably due to the scarcity of a separate immediate market for providing the liquidity services of digital assets with service fee and the inseparableness between the market factors and the benefits obtained by the Group from the liquidity provided by the Warrant Holder. Accordingly, the fair value is measured based on the warrant shares issuable according to the sliding schedule mentioned above and referenced to the share price of the Company during the relevant measurement periods.

During the year ended 31 December 2021, share-based payment expenses of approximately HK$49,826,000 measured using the basis described above was recognised under "selling and distribution expenses" (2020: approximately HK$103,473,000).

The key inputs for the share-based payment expenses related to warrants are (i) the weighted average share price of the Company as at the measurement date in 2021: HK$8.24 (2020: HK$12.73) and (ii) number of warrants vested up to 31 December 2021: 11,526,270 (2020: number of warrants expected to vest up to 31 December 2020: 9,629,710).

No warrant shares were exercised by the Warrant Holder during the year ended 31 December 2021 (2020: same).

11 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Salaries, bonuses, allowances and other benefits in kind	**264,450**	126,922
Pension costs — defined contribution plans	**3,947**	2,317
Share-based payments to employees	**87,789**	92,351
	356,186	221,590
Less: staff costs mainly capitalised as the following development costs		
— Cost to fulfil revenue contracts	**(5,431)**	(3,043)
— Intangible assets	**–**	(5,625)
— Construction in progress under property, plant and equipment	**–**	(1,468)
	350,755	211,454

During the year ended 31 December 2021, the Group did not operate defined benefit plan (2020: same).

(a) Pensions — defined contribution plans

As at 31 December 2021, there were no forfeited contributions available to offset future retirement benefit obligations of the Group (2020: same).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2020: two) directors whose emoluments are reflected in the analysis shown in Note 12. The emoluments payable to the remaining two (2020: three) individuals during the year are as follows:

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Salaries, allowances and other benefits in kind	**4,128**	5,550
Pension scheme contributions	**36**	44
Share-based payments to employees	**12,704**	31,138
Bonuses	**5,055**	–
	21,923	36,732

11 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

(b) Five highest paid individuals *(Continued)*

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
Emolument bands		
HK$10,000,001 to HK$10,500,000	**1**	–
HK$10,500,001 to HK$11,000,000	**–**	2
HK$11,000,001 to HK$11,500,000	**1**	–
HK$15,000,001 to HK$15,500,000	**–**	1
	2	3

12 BENEFITS AND INTERESTS OF DIRECTORS

(a) The remuneration of all directors for the years ended 31 December 2021 and 2020 is set out below:

	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonuses* HK$'000	Pension scheme contributions HK$'000	Share-based compensation HK$'000	Total HK$'000
Year ended 31 December 2021						
Executive directors:						
Mr. Lo Ken Bon	**–**	**3,600**	**5,400**	**18**	**4,694**	**13,712**
Mr. Ko Chun Shun, Johnson	**1,200**	**–**	**1,800**	**–**	**4,426**	**7,426**
Mr. Madden Hugh Douglas	**–**	**3,600**	**5,400**	**18**	**4,694**	**13,712**
Mr. Chapman David James	**484**	**2,149**	**4,670**	**18**	**4,694**	**12,015**
Mr. Tiu Ka Chun, Gary	**–**	**3,240**	**3,780**	**18**	**1,860**	**8,898**
Non-executive directors:						
Mr. Chia Kee Loong, Lawrence	**480**	**–**	**–**	**–**	**443**	**923**
Mr. Chau Shing Yim, David	**480**	**–**	**–**	**–**	**443**	**923**
Mr. Tai Benedict	**480**	**–**	**–**	**–**	**443**	**923**
	3,124	**12,589**	**21,050**	**72**	**21,697**	**58,532**

12 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) The remuneration of all directors for the years ended 31 December 2021 and 2020 is set out below: *(Continued)*

	Fee HK$'000 (Restated) (Note 1.1)	Salaries, allowances and benefits in kind HK$'000 (Restated) (Note 1.1)	Bonuses* HK$'000 (Restated) (Note 1.1)	Pension scheme contributions HK$'000 (Restated) (Note 1.1)	Share-based compensation HK$'000 (Restated) (Note 1.1)	Total HK$'000 (Restated) (Note 1.1)
Year ended 31 December 2020						
Executive directors:						
Mr. Lo Ken Bon	–	3,600	–	18	5,166	8,784
Mr. Ko Chun Shun, Johnson	1,200	–	–	–	3,991	5,191
Mr. Madden Hugh Douglas	–	3,600	–	18	5,166	8,784
Mr. Chapman David James	–	3,600	–	18	5,166	8,784
Mr. Tiu Ka Chun, Gary	–	1,800	–	18	622	2,440
Non-executive directors:						
Mr. Chia Kee Loong, Lawrence	480	–	–	–	499	979
Mr. Chau Shing Yim, David	480	–	–	–	499	979
Mr. Tai Benedict	480	–	–	–	499	979
	2,640	12,600	–	72	21,608	36,920

* The discretionary bonuses for the directors amounted to HK$10,350,000 and HK$10,700,000 for the years ended 31 December 2020 and 2021 were declared and approved by the Remuneration Committee in June 2021, October 2021 and February 2022.

(b) Directors' emoluments

None of the directors has waived any of their emoluments in respect of the years ended 31 December 2021 and 2020.

(c) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the years ended 31 December 2021 and 2020.

(d) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31 December 2021 and 2020.

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

During the years ended 31 December 2021 and 2020, no consideration was paid by the Company to third parties for making available directors' services.

12 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

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

During the year ended 31 December 2020, borrowings amounted to HK$132,000,000 which were provided by Mr. Ko Chun Shun, Johnson, an executive director of the Company, through his wholly owned companies, were partially repaid, and with unsettled borrowings amounted to HK$56,000,000. The unsettled borrowings were reassigned to Mr. Chapman David James, Mr. Madden Hugh Douglas and Mr. Lo Ken Bon who are the executive directors of the Company, and Ms. Cheng Wan Gi who is an executive director of the ultimate holding company of the Company, in an equal portion, during the year ended 31 December 2020. As at 31 December 2020, these borrowings amounted to HK$28,000,000 remained outstanding. They were fully settled during the year ended 31 December 2021. Refer to Note 32 for more details.

In addition, Mr. Ko Chun Shun, Johnson, through his wholly owned company, provided a loan facility up to HK$56,000,000 to the Group during the year ended 31 December 2020. Loan amounted to HK$56,000,000 was drawn down during the year ended 31 December 2020. During the year ended 31 December 2021, the principal of the borrowing was reassigned to Mr. Chapman David James, Mr. Madden Hugh Douglas and Mr. Lo Ken Bon who are the executive directors of the Company, and Ms. Cheng Wan Gi who is an executive director of the ultimate holding company of the Company, in an equal portion and were subsequently fully settled during the year. The corresponding interest payables due to the related parties remained outstanding as at year end date. Refer to Note 32 for more details.

During the year ended 31 December 2020, a related company which Mr. Chapman David James and Mr. Madden Hugh Douglas, the executive directors of the Company, are the directors, has provided a loan to the Group, with BTC being the loan principal amounted to approximately USD8,697,000 (equivalent to approximately HK$67,418,000), which remained outstanding as at 31 December 2020. During the year ended 31 December 2021, the amount was fully repaid. Refer to Note 32 for more details.

Except for the loans mentioned above, during the years ended 31 December 2021 and 2020, there were no other loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors.

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

Save as disclosed in Note 39, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of 31 December 2021 and 2020 or at any time during the years ended 31 December 2021 and 2020.

13 INCOME TAX EXPENSE

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

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Continuing operations		
Current tax:		
PRC corporate income tax	**3,619**	4,542
Over-provision in prior years:		
PRC corporate income tax	**(20)**	–
Deferred income tax *(Note 34)*	**(2,164)**	(2,506)
Income tax expense	**1,435**	2,036

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

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Continuing operations		
Loss before income tax	**(367,808)**	(291,558)
Share of net post-tax loss of an associate accounted for using the equity method	**5,434**	–
	(362,374)	(291,558)
Tax calculated at a rate of 25% (2020: 25%)	**(90,593)**	(72,890)
Tax effect of different tax rates of subsidiaries operated in other jurisdictions	**30,699**	25,573
Expenses not deductible for tax purposes	**27,682**	20,862
Income not subject to tax	**(20,391)**	(5,312)
Utilisation of previously unrecognised tax losses	**–**	(1)
Tax losses for which no deferred income tax assets were recognised	**54,058**	33,804
Over-provision in prior years	**(20)**	–
Income tax expense	**1,435**	2,036

The corporate income tax in Mainland China has been provided at the rate of 25% (2020: 25%) on the estimated assessable profits for the year. Income tax on profits assessable outside Mainland China has been provided at the rates prevailing in the respective jurisdictions.

No provision for Hong Kong profits tax and Singapore corporate income tax have been made as the Group did not generate any assessable profit arising in Hong Kong and Singapore during the year ended 31 December 2021 (2020: same).

14 DISCONTINUED OPERATIONS

On 29 December 2016, the Board decided to discontinue the operation of the wireless advertising business. An analysis of the results and cash flows of the discontinued operations for the year ended 31 December 2020 is as below:

	2020 HK$'000 (Restated) (Note 1.1)
Discontinued operations	
Statement of profit or loss of the discontinued operations:	
Other gains	–*
Administrative and other operating expenses	(4)
Gain on disposal of discontinued operations *(Note)*	2,393
Profit from discontinued operations (attributable to the owners of the Company)	2,389
Statement of cash flows of the discontinued operations:	
Net cash used in operating activities and net cash outflows	(1)

* Less than HK$1,000

Note: On 1 December 2019, the Group entered into the sales and purchase agreement with an independent third party in relation to 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 上海巨流軟件有限公司 ("巨流軟件"), which represented the entire discontinued operations of the Group. The disposal of both entities was completed during the year ended 31 December 2020.

14 DISCONTINUED OPERATIONS *(Continued)*

Details of assets and liabilities of 巨流信息 and 巨流軟件 at the disposal date are as follow:

	17 January 2020 巨流信息 HK$'000 (Restated) (Note 1.1)	15 June 2020 巨流軟件 HK$'000 (Restated) (Note 1.1)	Total HK$'000 (Restated) (Note 1.1)
Analysis of assets and liabilities over which control was lost:			
Property, plant and equipment	87	–	87
Other receivables	3,752	1,598	5,350
Cash and cash equivalents	135	–	135
Trade and other payables *(Note)*	(4,629)	(2,295)	(6,924)
Contract liabilities	(271)	–	(271)
Current income tax liabilities	(263)	(192)	(455)
Net liabilities disposed of	(1,189)	(889)	(2,078)
Gain on disposal of subsidiaries:			
Consideration received	–	–	–
Net liabilities disposed of	(1,189)	(889)	(2,078)
Cumulative exchange differences reclassified from equity to profit or loss on lost of control of the subsidiaries	(162)	(153)	(315)
Gain on disposal of subsidiaries	(1,351)	(1,042)	(2,393)
Net cash outflow on disposal of subsidiaries			
Cash consideration	–	–	–
Less: cash and cash equivalents disposed of	(135)	–*	(135)
	(135)	–*	(135)

* Less than HK$1,000

Note: Balance is net of available debt waiver.

15 DIVIDENDS

The directors did not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

16 LOSS PER SHARE

For continuing and discontinued operations

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

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Loss from continuing operations:		
Loss for the year attributable to owners of the Company	**375,675**	278,745
Add: Profit for the year from discontinued operations attributable to the owners of the Company	**–**	2,389
Loss for the year from continuing operations attributable to the owners of the Company for the purpose of basic and diluted loss per share	**375,675**	281,134

16 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 the owners of the Company is based on the following data: (Continued)

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Loss from continuing and discontinued operations:		
Loss for the year attributable to the owners of the Company for the purpose of basic and diluted loss per share	**375,675**	278,745

	2021	2020
Number of shares:		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**395,896,435**	314,026,487
Loss per share for loss from continuing operations attributable to the owners of the Company		(Restated) (Note 1.1)
Basic (HK$ per share)	**(0.95)**	(0.90)
Diluted (HK$ per share)	**(0.95)**	(0.90)
Loss per share for loss from continuing and discontinued operations attributable to the owners of the Company		
Basic (HK$ per share)	**(0.95)**	(0.89)
Diluted (HK$ per share)	**(0.95)**	(0.89)

Basic and diluted loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year (2020: same).

For the years ended 31 December 2021 and 2020, the Company had three categories of potential ordinary shares: share options, share awards and a warrant. Diluted loss per share presented is the basic loss per share as the inclusion of the potential ordinary shares in the calculation of dilutive loss per share would be anti-dilutive.

17 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000 (Restated) (Note 1.1)	Office furniture and equipment HK$'000 (Restated) (Note 1.1)	Motor vehicles HK$'000 (Restated) (Note 1.1)	Right-of-use assets HK$'000 (Restated) (Note 1.1)	Construction in progress HK$'000 (Restated) (Note 1.1)	Total HK$'000 (Restated) (Note 1.1)
At 1 January 2020						
Cost	39,156	14,633	4,260	256,977	1,165	316,191
Accumulated depreciation	(8,972)	(5,516)	(3,001)	(68,964)	–	(86,453)
Net book amount	30,184	9,117	1,259	188,013	1,165	229,738
Year ended 31 December 2020						
Opening net book amount	30,184	9,117	1,259	188,013	1,165	229,738
Additions	–	752	1,002	–	1,468	3,222
Lease modification *(Note 30 (b)(ii))*	–	–	–	(3,090)	–	(3,090)
Depreciation *(Note 10)*	(6,840)	(4,100)	(541)	(36,003)	–	(47,484)
Disposals	–	(24)	(322)	–	–	(346)
Transfer	–	2,633	–	–	(2,633)	–
Currency translation differences	316	3	81	4,296	–	4,696
Closing net book amount	23,660	8,381	1,479	153,216	–	186,736
At 31 December 2020						
Cost	39,729	17,941	2,994	264,521	–	325,185
Accumulated depreciation	(16,069)	(9,560)	(1,515)	(111,305)	–	(138,449)
Net book amount	23,660	8,381	1,479	153,216	–	186,736

17 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold improvement HK$'000	Office furniture and equipment HK$'000	Motor vehicles HK$'000	Right-of-use assets HK$'000	Total HK$'000
Year ended 31 December 2021					
Opening net book amount	**23,660**	**8,381**	**1,479**	**153,216**	**186,736**
Additions	**10,973**	**1,592**	**–**	**–**	**12,565**
Depreciation *(Note 10)*	**(7,145)**	**(3,577)**	**(485)**	**(36,293)**	**(47,500)**
Disposals	**–**	**(19)**	**(118)**	**–**	**(137)**
Currency translation differences	**377**	**(6)**	**44**	**2,495**	**2,910**
Closing net book amount	**27,865**	**6,371**	**920**	**119,418**	**154,574**
At 31 December 2021					
Cost	**51,278**	**19,489**	**1,872**	**269,538**	**342,177**
Accumulated depreciation	**(23,413)**	**(13,118)**	**(952)**	**(150,120)**	**(187,603)**
Net book amount	**27,865**	**6,371**	**920**	**119,418**	**154,574**

18 INTANGIBLE ASSETS

	Goodwill HK$'000 (Restated) (Note 1.1)	Computer software and domain HK$'000 (Restated) (Note 1.1)	Acquired lease with favorable terms HK$'000 (Restated) (Note 1.1)	Capitalised development costs HK$'000 (Restated) (Note 1.1)	Total HK$'000 (Restated) (Note 1.1)
At 1 January 2020					
Cost	10,377	21,250	46,118	–	77,745
Accumulated amortisation	–	(4,624)	(16,204)	–	(20,828)
Net book amount	10,377	16,626	29,914	–	56,917
Year ended 31 December 2020					
Opening net book amount	10,377	16,626	29,914	–	56,917
Additions	–	–	–	5,626	5,626
Transfer	–	5,626	–	(5,626)	–
Amortisation *(Note 10)*	–	(7,105)	(5,018)	–	(12,123)
Currency translation differences	616	–	1,512	–	2,128
Closing net book amount	10,993	15,147	26,408	–	52,548
At 31 December 2020					
Cost	10,993	26,883	48,857	–	86,733
Accumulated amortisation	–	(11,736)	(22,449)	–	(34,185)
Net book amount	10,993	15,147	26,408	–	52,548

18 INTANGIBLE ASSETS *(Continued)*

	Goodwill HK$'000	Computer software and domain HK$'000	Acquired lease with favorable terms HK$'000	Total HK$'000
Year ended 31 December 2021				
Opening net book amount	**10,993**	**15,147**	**26,408**	**52,548**
Additions	**–**	**50,933**	**–**	**50,933**
Amortisation *(Note 10)*	**–**	**(9,368)**	**(5,381)**	**(14,749)**
Currency translation differences	**407**	**–**	**882**	**1,289**
Closing net book amount	**11,400**	**56,712**	**21,909**	**90,021**
At 31 December 2021				
Cost	**11,400**	**77,822**	**50,667**	**139,889**
Accumulated amortisation	**–**	**(21,110)**	**(28,758)**	**(49,868)**
Net book amount	**11,400**	**56,712**	**21,909**	**90,021**

(a) Goodwill

Goodwill of RMB9,276,000 (equivalent to HK$11,400,000 as at 31 December 2021) arose from the acquisition of Shanghai Jingwei (Note 19), whose principal activity is the provision of operation and management services in the business park area. During the year ended 31 December 2016, the Group entered into a sale and purchase agreement with a vendor to acquire the 90% of the voting equity instruments of Shanghai Jingwei at a cash consideration of RMB40,500,000. The acquisition was completed on 1 October 2016.

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

For the year ended 31 December 2021, the recoverable amount of the CGU is determined based on a value-in-use calculation which uses cash flow projection based on the financial budget approved by the directors covering a nine-years (2020: ten-years) period, and a pre-tax discount rate of 22.2% per annum (2020: 18.8% per annum). The nine years (2020: ten years) financial budget is prepared by management based on a business plan after considering the lease period of the favourable lease terms available to the Group, the normal operation cycle, the sustainability of business growth, stability of core business developments and achievement of business targets.

The directors assessed the recoverable amount of the CGU and determined that no impairment loss was recognised for the years ended 31 December 2021 and 2020 as the recoverable amount exceeded the carrying amount.

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

18 INTANGIBLE ASSETS *(Continued)*

(b) Acquired lease with favorable terms

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

(c) Capitalised development costs

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

19 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2021 and 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly or indirectly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

Name	Place of incorporation/ establishment and principal place of operations	Issued/registered and paid-up share capital	Ownership interest held by the Group 2021	Ownership interest held by the Group 2020	Principal activities
Directly owned:					
BC Technology Holdings Limited	BVI	Ordinary share of 1, USD1	**100%**	100%	Investment holding
OS Holdings Limited ("OSHL")	BVI	Ordinary shares of 300,000, USD300,000	**91%**	91%	Investment holding
BC Business Management Services Limited	BVI	Ordinary shares of 1, USD1	**100%**	100%	Investment holding
Indirectly owned:					
BC Technology (Hong Kong) Limited	Hong Kong	Ordinary share of 1, HK$1	**100%**	100%	Provision of corporate treasury and technical services for the Group
OS Limited	Hong Kong	Ordinary share of 1, HK$1	**91%**	91%	Provision of digital assets and blockchain platform business
BC MarketPlace (HK) Limited	Hong Kong	Ordinary share of 1, HK$1	**100%**	100%	Provision of digital assets and blockchain platform business

19 SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment and principal place of operations	Issued/registered and paid-up share capital	Ownership interest held by the Group 2021	Ownership interest held by the Group 2020	Principal activities
OSLSG	Singapore	Ordinary share of 1, SGD1	**100%**	100%	Provision of digital assets and blockchain platform business
OSL DS	Hong Kong	Ordinary share of 140,940,000, HK$140,940,000 (2020: 37,200,000, HK$37,200,000)	**100%**	100%	Provision of regulated brokerage and automated trading service for digital assets under SFC's licensing regime
OSL Digital Limited	BVI/Latin America and North America	Ordinary share of 1, USD1	**100%**	100%	Provision of digital assets and blockchain platform business
BC Business Management Services (HK) Limited	Hong Kong	Ordinary share of 1, HK$1	**100%**	100%	Provision of safekeeping service for client assets for OSL DS
上海三眾廣告有限公司 ("SumZone Advertising")	Mainland China (limited liability company under the laws of the PRC)	Registered capital RMB5,000,000, fully paid	**100%**	100%	Provision of advertising services
上海三眾營銷策劃有限公司 ("SumZone Marketing")	Mainland China (limited liability company under the laws of the PRC)	Registered capital RMB5,000,000, fully paid	**100%**	100%	Provision of advertising services
上海憬威企業發展有限公司 ("Shanghai Jingwei")	Mainland China (limited liability company under the laws of the PRC)	Registered capital RMB10,000,000, fully paid	**90%**	90%	Provision of business park area operation and management services

19 SUBSIDIARIES *(Continued)*

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

	Shanghai Jingwei		OSHL		Total	
	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)	**2021 HK$'000**	2020 HK$'000 (Restated) (Note 1.1)	**2021 HK$'000**	2020 HK$'000 (Restated) (Note 1.1)
Revenue/trading income	**46,663**	43,519	**12,614**	147,913	**59,277**	191,432
Profit/(loss) for the year	**5,592**	5,245	**61,560**	(136,108)	**67,152**	(130,863)
Total comprehensive income/(loss)	**7,996**	5,245	**61,408**	(130,248)	**69,404**	(125,003)
Dividend paid to a non-controlling interest	**(1,360)**	–	**–**	–	**(1,360)**	–
Profit/(loss) allocated to non-controlling interests	**559**	525	**5,873**	(12,985)	**6,432**	(12,460)
Total comprehensive income/(loss) allocated to non-controlling interests	**800**	525	**5,858**	(12,425)	**6,658**	(11,900)
Cash inflows/(outflows) from operating activities	**22,970**	21,209	**(61,754)**	15,334	**(38,784)**	36,543
Cash outflows from investing activities	**–**	–	**–**	(73,106)	**–**	(73,106)
Cash (outflows)/inflows from financing activities	**(27,473)**	(25,365)	**(42,326)**	56,772	**(69,799)**	31,407
Net cash outflows	**(4,503)**	(4,156)	**(104,080)**	(1,000)	**(108,583)**	(5,156)
Current assets	**60,316**	60,094	**1,720,702**	1,480,758	**1,781,018**	1,540,852
Non-current assets	**112,713**	128,689	**240**	532	**112,953**	129,221
Current liabilities	**(30,057)**	(25,113)	**(1,815,647)**	(1,510,019)	**(1,845,704)**	(1,535,132)
Non-current liabilities	**(85,336)**	(100,433)	**–**	(127,383)	**(85,336)**	(227,816)
Net assets/(liabilities)	**57,636**	63,237	**(94,705)**	(156,112)	**(37,069)**	(92,875)
Accumulated non-controlling interests	**5,764**	6,324	**(9,035)**	(14,893)	**(3,271)**	(8,569)
Transfer to statutory reserve	**(103)**	(103)	**–**	–	**(103)**	(103)
	5,661	6,221	**(9,035)**	(14,893)	**(3,374)**	(8,672)

20 DIGITAL ASSETS

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Digital assets:		
Held in own wallets of the Group	**3,518,356**	3,088,329
Digital assets held on exchange institutions *(Note)*	**1,553**	18,556
	3,519,909	3,106,885

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

Among the digital asset balance, it included digital assets held by the Group in designated customer accounts under various contractual arrangements totaling approximately HK$2,798,874,000 (2020: HK$2,524,509,000) (Note 31). It also included the Group's proprietary digital assets of HK$721,035,000 (2020: HK$582,376,000). The balance is measured at fair value through profit or loss (Note 2.13).

Net fair value loss of approximately HK$11,471,000 (2020: net fair value gain of approximately HK$8,379,000) from remeasurement of digital assets at 31 December 2021, 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 consolidated statement of profit or loss (Note 7).

As at 31 December 2021, there were certain digital assets with fair value of approximately HK$523,699,000 (2020: Nil) received from and held on behalf of clients by OSL DS, a wholly owned subsidiary of the Company and a SFC licensed corporation, and were safekeeping in segregated client wallets through a trust arrangement with BC Business Management Services (HK) Limited which is the associated entity of OSL DS under the Securities and Futures Ordinance. Based on the OSL DS Client T&C, these digital assets held in segregated wallets are not recognised as the Group's digital assets and hence there are no corresponding digital asset liabilities under these arrangements. OSL DS also holds certain digital assets in its own wallets for facilitating the trading flow with its customers. The classification and measurement of such digital assets follow the group accounting policy as set out in Note 2.13.

As at 31 December 2020, digital asset balance of approximately USD2,300,000 (equivalent to approximately HK$17,829,000) represented digital assets held on a trading account with a third party digital asset exchange ("Third Party Trading Platform") for the purpose of hedging risks arising from the digital asset trading business of a subsidiary of the Group. Due to inquiries by a governmental agency having jurisdiction over the Third Party Trading Platform, the Group's access to the trading account with the Third Party Trading Platform had been put on hold. The underlying digital assets held on the trading account comprised mainly BTC and other stablecoins which continued to be measured at fair value at the year end. The corresponding digital assets have been retrieved from the Third Party Trading Platform during 2021 and nil balance was held at that platform at 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 TRADE RECEIVABLES

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Trade receivables from business park area management services	**6,076**	5,859
Less: loss allowance	**(6,076)**	(5,859)
Trade receivables from advertising business	**7,495**	13,540
Less: loss allowance	**(7,383)**	(1,385)
	112	12,155
Trade receivables from digital assets and blockchain platform business	**123,071**	14,869
Less: loss allowance	**(1,428)**	(6,370)
	121,643	8,499
Trade receivables	**121,755**	20,654

For the advertising services, the Group may take up to 360 days to issue billing to the customers after service delivery and further grants a credit term of generally 30 to 60 days (2020: 30 to 90 days) after the invoice date, while prepayment 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 trades. Trades with liquidity providers and certain counterparties that are considered creditworthy can be on credit with a credit period of 1–3 days after invoice date. For SaaS customers, credit term of 30 days after invoice date is granted in general.

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

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

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
0—30 days	**117,391**	13,998
31—90 days	**2,265**	6,435
91—180 days	**402**	–
181—365 days	**1,697**	–
Over 365 days	**–**	221
	121,755	20,654

21 TRADE RECEIVABLES *(Continued)*

The below table reconciled the impairment loss allowance which is related to trade receivables:

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
At the beginning of the year	**13,614**	16,292
Provision for impairment/(reversal of provision) of trade receivables in relation to advertising business *(Note 10)*	**5,842**	(4,034)
Provision for impairment of trade receivables in relation to digital assets and blockchain platform business *(Note 10)*	**2,176**	1,458
Write-off of provision for impairment	**(6,930)**	(509)
Currency translation differences	**185**	407
At the end of the year	**14,887**	13,614

Impairment and risk exposure

Information about the impairment of trade receivables and the Group's exposure to credit risk and foreign currency risk can be found in Note 3.3.

The carrying amounts of trade receivables approximate their fair values and are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
USD	**121,643**	8,499
RMB	**112**	12,155
	121,755	20,654

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Non-current		
Rental deposits	**19,577**	19,308
Prepayments	**–**	1,293
	19,577	20,601
Current		
Pledged deposits *(Note (a))*	**–**	149,407
Interest receivable *(Note (b))*	**851**	107
Prepayments	**12,895**	6,897
Other receivables *(Note (c))*	**14,445**	12,530
Deposits	**810**	6,935
Rent incentive	**25,333**	23,531
Digital asset receivable *(Note (d))*	**1,844**	–
Fiat lending to counterparties *(Note (e))*	**20,274**	–
	76,452	199,407
Less: Provision for impairment loss *(Note (f))*	**(3,208)**	(9,535)
Current, net	**73,244**	189,872
Total	**92,821**	210,473

Notes:

(a) As at 31 December 2020, the balance represented deposits paid to lenders as pledge for non-interest bearing borrowings, amounted to approximately HK$149,407,000 (Note 32(a)(i)). During the year ended 31 December 2021, the Group has entered into arrangements with their related entities holding the deposits to set-off the borrowings with these deposits and consequently there was no outstanding balance as at year end date. Please refer to Note 32(a)(i) for details.

(b) As at 31 December 2021, the balance represented interest receivables arising from fiat lending to counterparties (Note (e)). The interest is based on the fiat lending to counterparties (Note (e)) and is receivable on the maturity date of the loans.

As at 31 December 2020, the balance represented interest receivables arising from digital asset lending to counterparties (Note 23). The interest is calculated in terms of unit of stablecoins on loans to counterparties and is receivable on the maturity date of the loans. The relevant stablecoin is asset-backed and has a market value of approximately USD1 per unit with minimal fluctuation. As such, fair value risk in relation to these loan principal and interest receivables is considered to be insignificant.

(c) As at 31 December 2021, the balance mainly represented VAT receivables of HK$4,389,000 paid by Mainland China's subsidiaries to offset VAT payables in the future (2020: HK$3,400,000).

(d) The balance represented a digital asset receivable from a counterparty, which is to be settled in two equal instalments before the end of April 2022. For the sensitivity analysis of price risk, please refer to Note 3.3(c).

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(e) The balance represented the lending of the Group's fiat currency to counterparties in terms of USD being the loan principal. It includes a loan to an employee, amounted to USD350,000 (equivalent to approximately HK$2,729,000). The loans are secured by collateral (as explained below) and they bear a fixed interest rate ranging from 6.8% to 10% per annum. The loan principal and interest thereon are repayable by delivery of the outstanding USD upon maturity date of the arrangements which fall within 1 year from the end of the reporting period.

In relation to the above-mentioned loan arrangements, the Group requires the counterparties to deliver digital assets (BTC) to the Group as collateral at a level of 150% of loan principal in terms of fair value against the loan at inception. Additional collateral is required to be delivered to the Group at any time if the fair value of the digital asset collateral is less than or equal to a level ranging from 125% to 135% of loan principal such that collateral level will be maintained at individual initial required collateral level of the loan principal. Consequently, management believes credit risk associated with these loan receivables is low.

As at 31 December 2021, the Group received digital asset collateral with fair value of HK$77,727,000 from counterparties and an employee for the loans. The collateral was included in "Digital assets" (Note 20) as the Group is able to utilise the digital assets received for its own economic benefits, with a corresponding collateral payable due to the counterparties (Note 29(b)), both measured at fair value through profit or loss on the consolidated statement of financial position.

(f) The below table reconciled the provision for impairment loss on prepayments, deposits and other receivables:

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
At the beginning of the year	**9,535**	9,917
Written off during the year	**(6,441)**	–
Currency translation differences	**114**	(382)
At the end of the year	**3,208**	9,535

The Group recognised the provision for impairment loss based on the accounting policy stated in Note 2.11(d).

The carrying amounts of prepayments, deposits and other receivables approximate their fair values and are denominated in the following currencies.

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
HK$	**25,049**	21,744
USD	**25,252**	1,442
RMB	**40,816**	187,287
Others	**1,704**	–
	92,821	210,473

23 DIGITAL ASSETS DUE FROM COUNTERPARTIES

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Digital assets due from counterparties	–	38,061

The balance represented the lending of the Group's digital assets to counterparties in terms of stablecoins being the loan principal. The loans are secured by collateral (as explained below) and they bear a fixed interest rate ranging from 6.75% to 10.00% (2020: 6.50% to 9.50%) per annum. The loan principal and interest thereon are repayable by delivery of the outstanding units of the stablecoins upon maturity date of the arrangements which fall within 1 year (2020: 1 year) from the end of the reporting period. As at 31 December 2021, there were no outstanding digital assets due from counterparties.

The relevant stablecoin are asset-backed and has a market value of approximately USD1 per unit with minimal fluctuation. As such, fair value risk in relation to these loan principals and interest receivables (included in "other receivables") is considered to be insignificant.

In relation to the above-mentioned loan arrangements, the Group requires the counterparties to deliver another type of digital assets (BTC) to the Group as collateral at a level of ranging from 150% to 167% (2020: 125% to 200%) of loan principal in terms of fair value against the loan at inception. Additional collateral is required to be delivered to the Group at any time if the fair value of the digital asset collateral is less than or equal to a level ranging from 125% to 135% (2020: 112.5% to 185%) of loan principal such that collateral level will be maintained at individual initial required collateral level of the loan principal. Consequently, management believes credit risk associated with these loan receivables is low.

As at 31 December 2020, the Group received digital asset collateral with fair value of HK$179,559,000 from counterparties as collateral for the loans. The collateral was included in "Digital assets" (Note 20) as the Group is able to utilise the digital assets received for its own economic benefits, with a corresponding collateral payable due to the counterparties (Note 29(b)), both measured at fair value through profit or loss on the consolidated statement of financial position.

24 CASH AND CASH EQUIVALENTS

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Cash at bank	**954,286**	412,994
Cash in hand	**233**	493
Total	**954,519**	413,487
Maximum exposure to credit risk	**954,286**	412,994

The cash and cash equivalents of approximately HK$43,869,000 (2020: approximately HK$49,036,000) are located in Mainland China. RMB is not a freely convertible currency and the remittance of funds out of Mainland China is subject to exchange restrictions imposed by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks and other financial institutions with no recent history of default.

The carrying amounts of cash and cash equivalents approximate their fair values and are denominated in the following currencies.

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
HK$	**91,397**	33,384
USD	**810,140**	330,681
RMB	**44,047**	48,992
Others	**8,935**	430
	954,519	413,487

As at 31 December 2021, included in the cash and cash equivalents balance is a total of approximately HK$434,695,000 (2020: approximately HK$276,920,000) (see Note 31) related to fiat currency due to customers.

25 CASH HELD ON BEHALF OF LICENSED ENTITY CUSTOMERS

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

26 INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

	2021 HK$'000
Movements in the investment in an associate are as follows:	
At 1 January	–
Additions	**24,320**
Share of net post-tax loss of an associate accounted for using the equity method	**(5,434)**
Share of other comprehensive income of an associate	**131**
At 31 December	**19,017**

The associate as listed below has share capital consisting solely of ordinary shares, which are held directly by the Group. The country of establishment is also its principal place of business.

Name of entity	Place of business/ country of establishment	% of effective interest As at 31 December 2021	% of effective interest As at 31 December 2020	Nature of the relationship	Measurement method	Carrying amount As at 31 December 2021 HK$'000
Zodia Markets Holdings Limited	United Kingdom	**24.99%**	N/A	Associate	Equity method	**19,017**

On 2 June 2021, the Group entered into agreements with an independent third party to setting up a limited liability company incorporated in the United Kingdom, namely Zodia Markets Holdings Limited ("Zodia").

The Group is committed to subscribe for a total of 4,998 ordinary shares of Zodia, settled by way of (i) cash injection of USD3,500,000 (equivalent to approximately HK$27,300,000) in two instalments and (ii) assignment of an intellectual property to Zodia by the second subscription date as defined in the agreements. The costs for developing the intellectual property are recognised as contract liabilities.

26 INVESTMENT ACCOUNTED FOR USING EQUITY METHOD *(Continued)*

On the same date, the Group completed the first subscription by injecting USD1,750,000 in cash (equivalent to approximately HK$13,609,000) to Zodia to subscribe for 2,499 ordinary shares, which represents 24.99% equity interest in Zodia.

Investment in associate is initially recognised at cost including cash consideration and contract liabilities for the obligation to transfer the intellectual property to Zodia and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss. The contract liabilities will be derecognised and revenue will be recognised when the control of the intellectual property is transferred to Zodia in a future period.

Summarised consolidated financial information for associate

Set out below are the summarised financial information for the associate that is accounted for using the equity method.

	Zodia Markets Holdings Limited As at 31 December 2021 HK$'000
Current	
Total current assets	**87,231**
Total current liabilities	**(11,876)**
Non-current	
Total non-current assets	**756**
Total non-current liabilities	**–**
Net assets	**76,111**
Opening net assets	**–**
Share capital	**78**
Loss for the period	**(21,744)**
Other reserves	**97,777**
Closing net assets	**76,111**
Direct equity interest held	**24.99%**
Share of net asset value held by the Group	**19,020**
Currency translation difference	**(3)**
Carrying amount	**19,017**

27 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Unlisted convertible preference shares *(Note (a))*	23,392	–
Unlisted convertible note *(Note (b))*	1,621	–
	25,013	–

All financial assets measured at fair value through profit or loss are classified as non-current assets.

Notes:

(a) Unlisted convertible preference shares

On 17 May 2021, the Group entered into an agreement with an independent third party ("Issuer A"), in relation to a convertible note with interest rate of 2% per annum in an aggregate principal amount of USD3,000,000 (equivalent to approximately HK$23,339,000). Issuer A is an unlisted company and is principally engaged in the operation of an auction market or exchange market for digital assets, including cryptocurrencies, utility tokens, asset tokens, security tokens and similar digital instruments.

On 17 November 2021, the Group exercised the conversion right to fully convert the convertible note into 9,440 preference shares of Issuer A at the conversion price of US$317.79 per share, which represent 5.60% of shareholding in Issuer A.

The unlisted convertible preference shares was classified as a financial asset at fair value through profit or loss and was measured at fair value subsequently under IFRS 9 with fair value changes being charged or credited to the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2021, the fair value of the unlisted convertible preference shares is US$3,000,000 (equivalent to approximately HK$23,392,000) (2020: Nil).

(b) Unlisted convertible note

On 22 March 2021, the Group entered into an agreement with an independent third party ("Issuer B"), in relation to a convertible note with coupon rate of 5% per annum in an aggregate principal amount of USD200,000 (equivalent to approximately HK$1,556,000) with a due date on 22 March 2022. Issuer B is an unlisted company and is principally engaged in providing access to climate-related products and services using blockchain technology.

The convertible note was classified as a financial asset at fair value through profit or loss and was measured at fair value subsequently under IFRS 9 with fair value changes being charged or credited to the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2021, the fair value of the unlisted convertible note is US$208,000 (equivalent to approximately HK$1,621,000) (2020: Nil).

Subsequent to the year end, the Group exercised the conversion right to fully convert the convertible note into 2,697 preference shares of Issuer B at the conversion price of US$77.63 per share.

For the methods and assumptions used in determining the fair value of the above instruments, please refer to Note 3.5(a).

28 TRADE PAYABLES

Trade payables are unsecured and are normally with credit terms of 90–180 days (2020: same).

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

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
0—30 days	37,431	43,999
31—90 days	2,117	1,727
91—180 days	2,170	754
181—365 days	7,915	2,931
Over 365 days	176	2,066
	49,809	51,477

The carrying amounts of trade payables approximate their fair values and are denominated in the following currencies.

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
USD	34,426	34,265
RMB	15,383	17,212
	49,809	51,477

29 ACCRUALS AND OTHER PAYABLES AND COLLATERAL PAYABLES

(a) Accruals and other payables

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Non-current		
Deposits received related to business park area management services	**11,698**	11,070
Interest payables related to digital assets borrowed from counterparties *(Note (ii))*	**–**	447
Provision for reinstatement costs	**5,560**	5,054
	17,258	16,571
Current		
Other payables and accruals *(Note (i))*	**113,299**	46,582
Interest payables related to digital assets borrowed from counterparties *(Note (ii))*	**611**	1,622
Interest payables related to other borrowings	**2,899**	1,994
	116,809	50,198
	134,067	66,769

29 ACCRUALS AND OTHER PAYABLES AND COLLATERAL PAYABLES *(Continued)*

(a) Accruals and other payables *(Continued)*

The carrying amounts of accruals and other payables approximate their fair values and are denominated in the following currencies.

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
RMB	**24,406**	26,258
USD	**12,525**	4,802
HK$	**92,366**	35,709
Others	**4,770**	–
	134,067	66,769

Notes:

(i) As at 31 December 2021, the balance mainly included accrued directors' fee, salaries and bonuses of HK$50,759,000 (2020: HK$13,582,000), accrued professional fee of HK$12,739,000 (2020: HK$12,751,000), other tax payables of HK$1,329,000 (2020: HK$2,501,000), other payables of purchase of an intangible asset of HK$16,853,000 (2020: Nil), accrued software expenses of HK$6,907,000 (2020: HK$1,196,000) and accrued marketing expenses of HK$2,611,000 (2020: Nil).

(ii) As at 31 December 2020, the balance included interest payables of HK$2,069,000 in relation to the digital assets borrowed from counterparties, of which HK$1,524,000 referred to the interest payable with BTC-denominated principals.

As at 31 December 2021, the balance of interest payable amounted to HK$611,000 (2020: HK$545,000) is calculated in terms of unit of stablecoins on loans from counterparties. The relevant stablecoin is asset-backed and has a market value of approximately US$1 per unit with minimal fluctuation. As such, fair value risk in relation to these loan principal and interest payable is considered to be insignificant. The interest is repayable on the maturity date of the loans.

Information about the Group's exposure to price risk of these interest payables can be found in Note 3.3(c).

(b) Collateral payables

The balances represent the digital asset collateral received as a security for the fiat lending arrangements with the counterparties in Note 22 (2020: digital asset lending arrangements with the counterparties in Note 23). The collateral will be returned to the counterparties upon settlement of the loans at respective maturity dates:

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Current	**77,727**	179,559

30 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

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

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Right-of-use assets *(Note)*		
Properties	**119,418**	153,216
Lease liabilities *(Note)*		
Non-current	**112,587**	151,803
Current	**43,493**	38,112
	156,080	189,915

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

During the year ended 31 December 2021, there was no addition to the right-of-use assets (2020: Nil).

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

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

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

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Depreciation charge of right-of-use assets		
Properties *(Note 10)*	**36,293**	36,003

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Interest expense on lease liabilities *(Note 9)*	**21,625**	24,364
Expense relating to short-term leases (included in administrative and other operating expenses) *(Note 10)*	**4,623**	3,572
	26,248	27,936

Notes:

(i) The total cash outflows for leases during the year ended 31 December 2021 was HK$63,437,000 (2020: HK$60,414,000).

(ii) During the year ended 31 December 2020, right-of-use assets and lease liabilities decreased by HK$3,090,000 (Note 17) as a result of lease modification.

31 LIABILITIES DUE TO CUSTOMERS

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Liabilities due to customers		
— Fiat currency liabilities		
— Customers under licensed entity	**282,554**	–
— Others	**434,695**	276,920
— Digital asset liabilities	**2,798,874**	2,524,509
	3,516,123	2,801,429

Liabilities due to customers arise in the ordinary course of the Group's digital assets and blockchain platform business, where the Group's contractual relationship with its customers is primarily governed by the DATA, OSL DS Client T&C and other relevant agreements.

Based on the respective rights and obligations of the Group and its customers under various arrangements, fiat currency and digital assets held by the Group in the customers' accounts are recognised as the Group's assets with a corresponding liability due to the customers, except for the digital assets held on behalf of OSL DS's clients with a fair value of approximately HK$523,699,000 as at 31 December 2021 (2020: nil), they are kept in segregated wallets and are not recognised as the Group's assets and hence there are no corresponding digital asset liabilities under these arrangements. Please refer to Note 2.13 and Note 2.16(b) for details.

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

32 BORROWINGS

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Non-current		
Secured borrowings *(Note (a))*	**–**	63,691
Unsecured borrowings *(Note (b))*	**–**	8,000
Digital assets borrowed from counterparties *(Note (c))*	**–**	7,760
	–	79,451
Current		
Secured borrowings *(Note (a))*	**64,066**	186,368
Unsecured borrowings *(Note (b))*	**21,196**	105,196
Digital assets borrowed from counterparties *(Note (c))*	**33,838**	195,302
	119,100	486,866
Total other borrowings	**119,100**	566,317

32 BORROWINGS *(Continued)*

Notes:

(a) The balance of secured borrowings included:

(i) As at 31 December 2020, borrowings with carrying amount of approximately HK$146,106,000 are provided by third party individuals for a total principal amount of approximately HK$151,293,000, which are denominated in HK$, interest-free and repayable in July 2021 and secured by deposits denominated in RMB amounted to approximately HK$149,407,000 (Note 22(a)). During the year ended 31 December 2021, the Group has entered into arrangements with the lenders to set-off these borrowings with the deposits held by their related entities (see details in Note 22(a)) and consequently there was no outstanding balance as at year end date. During the year ended 31 December 2021, imputed interests amounted to approximately HK$5,187,000 (2020: approximately HK$9,292,000) were recognised in "Finance costs, net" in the consolidated statement of profit or loss and other comprehensive income.

(ii) As at 31 December 2021, borrowings was provided by a non-financial institution, with a principal of approximately USD8,216,000 (equivalent to approximately HK$64,066,000) (2020: approximately USD13,410,000 (equivalent to approximately HK$103,953,000)). These borrowings were denominated in USD, interest bearing at a fixed rate of 3% per annum (2020: 3% to 4% per annum), repayable in 9 months (2020: 12 months to 21 months) from the year end date and secured by 496 BTC (2020: 2,090 BTC) as collateral (the "Pledged Collateral"). Under the terms of the pledge agreement, the right, title, ownership and interest in the Pledged Collateral transfers to the lender for the duration of that loan. The pledge shall terminate and the right, title, ownership and the interest in the Pledged Collateral shall revert to the Group when the loan is repaid in full.

(b) The balance of unsecured borrowings included:

(i) As at 31 December 2020, the outstanding amounts of borrowings from Mr. Chapman David James, Mr. Madden Hugh Douglas and Mr. Lo Ken Bon, who are the executive directors of the Company, and Ms. Cheng Wan Gi, who is the executive director of the ultimate holding company of the Company (together "the Assignees"), amounted to HK$28,000,000, were denominated in HK$, unsecured, interest bearing at 6% per annum, and repayable within 12 months from 31 December 2020. They were fully settled during the year ended 31 December 2021.

(ii) As at 31 December 2020, a borrowing was provided by a related company which is wholly owned by Mr. Ko Chun Shun, Johnson, the executive director of the Company, with a principal of HK$56,000,000. The borrowing was denominated in HK$, unsecured, interest bearing at 6% per annum, and repayable in 12 months from 31 December 2020.

During the year ended 31 December 2021, the principal of the borrowing was reassigned to the Assignees in equal portions and were fully settled as at year end.

(iii) As at 31 December 2021, a borrowing was provided by a non-financial institution which is controlled by Mr. Fang Bin, a former executive director of the Company, with a principal of approximately HK$21,196,000 (2020: approximately HK$21,196,000). The borrowing was denominated in HK$, unsecured, interest bearing at 8% per annum (2020: same), and repayable on demand (2020: repayable in 6 months from the year end date).

(c) Digital assets borrowed from counterparties included:

(i) As at 31 December 2021, certain digital assets borrowed from counterparties were provided by non-financial institutions, with asset-backed stablecoins being the loan principal, amounted to approximately USD4,340,000 (equivalent to approximately HK$33,838,000) (2020: USD3,003,000 (equivalent to approximately HK$23,279,000) and approximately USD14,495,000 (equivalent to approximately HK$112,364,000). These borrowings were unsecured, interest bearing at a fixed rate ranging from 4.0% to 5.0% per annum (2020: 3.3% to 8.0% per annum) and repayable in 12 months (2020: 12 months and 16 months) from the year end date.

(ii) As at 31 December 2020, certain inventories borrowed from counterparties, with BTC being the loan principal, amounted to approximately USD8,697,000 (equivalent to approximately HK$67,419,000) were provided by a related company which the executive directors of the Company, Mr. Chapman David James and Mr. Madden Hugh Douglas, are also the directors of the lender. These borrowings were unsecured, interest bearing at a fixed rate ranging from 3.0%–3.25% per annum, and repayable in 12 months from the year end date.

32 BORROWINGS *(Continued)*

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

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
On demand	**21,196**	–
Within 1 year	**97,904**	486,866
Between 1 and 2 years	**–**	79,451
	119,100	566,317

33 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Convertible note

On 14 December 2018, OSHL, a non-wholly owned subsidiary of the Company, entered into a subscription agreement with an independent third party ("Note Holder") in relation to a convertible note ("2018 Convertible Note") with a coupon rate of 5% per annum in an aggregate principal amount of USD2,000,000.

Since the conversion feature of the 2018 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 2018 Convertible Note as a financial liability at fair value through profit or loss, since the 2018 Convertible Note of OSHL contain embedded derivatives that are not closely related to the host contract. The 2018 Convertible Note was measured at fair value subsequently under IFRS 9 with fair value changes being charged or credited to the consolidated statement of profit or loss and other comprehensive income.

On 6 July 2020, the Company, OSHL and the Note Holder entered into a subscription agreement whereby OSHL repurchased the 2018 Convertible Note from the Note Holder at a consideration of USD2,076,923 which was settled by way of issuance of a new convertible note ("2020 Convertible Note") by the Company. The 2020 Convertible Note is matured on 31 December 2021 with a coupon rate of 5% per annum in an aggregate principal amount of HK$15,600,000. Subject to the terms of the 2020 Convertible Note, the Note Holder may convert all or part of the principal amount outstanding under the 2020 Convertible Note into ordinary shares of the Company at a conversion price of HK$9.52 before the maturity date.

Since the conversion features of the 2020 Convertible Note fulfills the fixed to fixed requirement for equity classification and are not closely related to host contract, the Group decided to account for the debt host contract and conversion features separately. The debt host contract amounted to HK$15,497,000 was measured at amortised cost; whereas the conversion features amounted to HK$546,000 were initially measured at fair value and recognised in shareholders' equity.

On 23 December 2020, the Note Holder exercised the conversion right to fully convert the 2020 Convertible Note into 1,638,655 ordinary shares of the Company at the conversion price of HK$9.52 per share (see Note 36(c) for further details).

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

(b) Warrant

On 14 December 2018, BC MarketPlace Limited ("BCMP"), a wholly owned subsidiary of the Company, entered into a subscription agreement with an independent third party (the "Subscriber") in relation to the subscription of a warrant of BCMP ("2018 Warrant"). Under the agreement, BCMP issued the warrant to the Subscriber at a price of USD1,000,000.

Since the conversion feature of the 2018 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 2018 Warrant as a financial liability at fair value through profit or loss, since the 2018 Warrant of the BCMP contains embedded derivatives that are not closely related to the host contract. The 2018 Warrant was measured at fair value subsequently under IFRS 9 with fair value changes being charged or credited to the consolidated statement of profit or loss and other comprehensive income.

On 6 July 2020, the Company, BCMP and the Subscriber entered into a subscription agreement whereby BCMP repurchased the 2018 Warrant from the Subscriber at HK$7,800,000 which was settled by way of issuance of 1,051,213 ordinary shares of the Company at the subscription price of HK$7.42 per share to the Subscriber (see Note 36(b)(ii) for further details).

34 DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities is as follow:

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Deferred income tax assets	**5,402**	4,406
Deferred income tax liabilities	**(7,858)**	(8,983)

34 DEFERRED INCOME TAX *(Continued)*

The movement of deferred income tax assets during the year is as follows:

Deferred income tax assets

	Leases under IFRS 16 HK$'000	Provision of impairment for financial assets and contract assets HK$'000	Total HK$'000
At 1 January 2020 (restated *(Note 1.1)*)	2,290	1,389	3,679
Credited to profit or loss	485	–	485
Currency translation differences	161	81	242
At 31 December 2020 (restated *(Note 1.1)*) and 1 January 2021	**2,936**	**1,470**	**4,406**
Credited to profit or loss	**819**	**–**	**819**
Currency translation difference	**122**	**55**	**177**
At 31 December 2021	**3,877**	**1,525**	**5,402**

The movement of deferred income tax liabilities during the year is as follows:

Deferred income tax liabilities

	Accumulated depreciation of property, plant and equipment HK$'000	Fair value surplus in respect of business combination HK$'000	Total HK$'000
At 1 January 2020 (restated *(Note 1.1)*)	(3,153)	(7,479)	(10,632)
Credited to profit or loss	767	1,254	2,021
Currency translation differences	5	(377)	(372)
At 31 December 2020 (restated *(Note 1.1)*) and 1 January 2021	**(2,381)**	**(6,602)**	**(8,983)**
Credited to profit or loss	**–**	**1,345**	**1,345**
Currency translation differences	**–**	**(220)**	**(220)**
At 31 December 2021	**(2,381)**	**(5,477)**	**(7,858)**

34 DEFERRED INCOME TAX *(Continued)*

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has unrecognised tax losses of HK$963,747,000 (2020: HK$681,815,000) that can be carried forward against future taxable income. These tax losses have not been recognised due to uncertainty of future realisation. Such tax losses have no expiry date, except for the tax losses amounted to HK$61,646,000 (2020: HK$96,467,000) which will be expired within 5 years.

As at 31 December 2021 and 2020, no deferred income tax liabilities have been recognised for the withholding tax that would be payable on the unremitted earnings of subsidiaries in Mainland China. The unremitted earnings are to be used for reinvestment. The income tax liabilities are not recognised where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

35 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.

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

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Contract assets from advertising business	**4,714**	2,230
Contract assets from digital assets and blockchain platform business	**985**	442
Less: loss allowance in relation to advertising business	**(337)**	(115)
	5,362	2,557
Assets recognised from costs to fulfill revenue contracts	**2,375**	3,971
Assets recognised from costs to fulfil a share subscription agreement *(Note 35(d))*	**5,431**	–
Total contract assets	**13,168**	6,528
Contract liabilities	**20,185**	7,391

35 CONTRACT ASSETS AND LIABILITIES *(Continued)*

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

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
At the beginning of the year	**115**	2,136
Provision/(reversal of provision) for impairment of contract assets in relation to advertising business *(Note 10)*	**215**	(2,040)
Provision for impairment of contract assets in relation to digital assets and blockchain platform business *(Note 10)*	**–**	2,177
Write-off of provision for impairment of contract assets in relation to digital assets and blockchain platform business	**–**	(2,177)
Currency translation differences	**7**	19
At the end of the year	**337**	115

(a) Revenue recognised in relation to contract liabilities

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

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**1,408**	2,211

(b) Unsatisfied long-term SaaS contracts

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

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Aggregate amount of the transaction price allocated to SaaS contracts that are partially or fully unsatisfied as at 31 December	**11,950**	12,773

Management expects that the transaction price allocated to the unsatisfied performance obligations as at 31 December 2021 will be recognised as revenue when the related services are provided over the next 1 to 4 years (2020: 2 to 5 years).

35 CONTRACT ASSETS AND LIABILITIES *(Continued)*

(c) Assets recognised from costs to fulfil revenue contracts

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Amortisation recognised as cost of providing services during the year	**1,377**	514
Written-off during the year *(Note)*	**219**	634

Note:

Contract assets and costs to fulfil revenue contracts related to certain revenue contracts were considered irrecoverable, and these balances were fully impaired and written off during the years ended 31 December 2021 and 2020. Refer to Note 3.3(b)(iii) for more details.

(d) Assets recognised from costs to fulfil an investment subscription arrangement

The Group has also recognised an asset in relation to costs to fulfil an investment subscription arrangement with Zodia. This is presented within contract assets in the consolidated statement of financial position. Please refer to Note 26 for details.

During the year ended 31 December 2021, no amortisation is recognised on such contract assets (2020: same).

36 SHARE CAPITAL

	2021 Number of shares	2021 HK$'000	2020 Number of shares	2020 HK$'000 (Restated) (Note 1.1)
Authorised:				
Ordinary shares of HK$0.01 each at 1 January 2020 and 31 December 2020 and 2021	**2,000,000,000**	**20,000**	2,000,000,000	20,000
Issued and fully paid:				
At the beginning of the year	**336,621,033**	**3,366**	284,483,913	2,845
Issuance of new shares *(Notes a and b)*	**79,673,360**	**797**	49,164,687	492
Issuance of new shares upon conversion of a convertible note *(Note c)*	**–**	**–**	1,638,655	16
Exercise of share options *(Note d)*	**6,953,091**	**70**	1,333,778	13
At the end of the year	**423,247,484**	**4,233**	336,621,033	3,366

36 SHARE CAPITAL *(Continued)*

Notes:

(a) On 5 January 2021, the Company allotted and issued 45,000,000 ordinary shares at a subscription price of HK$15.5 per share to 49 subscribers. On 11 June 2021, the Company further allotted and issued 31,952,500 ordinary shares at a subscription price of HK$17 per share to a subscriber. Upon the issuance of the shares, approximately HK$770,000 and approximately HK$1,191,959,000 were credited to share capital and share premium respectively.

On 24 January 2020, the Company allotted and issued 43,100,000 ordinary shares at a subscription price of HK$6.5 per share to 7 subscribers. Upon the issuance of the shares, HK$431,000 was credited to share capital and HK$279,719,000 was credited to share premium.

(b)(i) During the year ended 31 December 2021, the Company issued 2,720,860 new shares at HK$0.01 for each share to the Trustee on 27 January 2021 and 8 October 2021, pursuant to the new share award plan adopted on 21 August 2018, to recognise and reward the contribution of directors, employees and consultants providing similar services for providing services to the Group. The Board applied approximately HK$27,000 in the share premium account of the Company to issue new shares credited as fully paid to the Trustee.

During the year ended 31 December 2020, the Company issued 5,013,474 new shares at HK$0.01 for each share to the Trustee on 15 January 2020 and 13 August 2020, pursuant to the new share award plan adopted on 21 August 2018, to recognise and reward the contribution of directors, employees and consultants providing similar services for providing services to the Group. The Board applied HK$50,000, in the share premium account of the Company to issue new shares credited as fully paid to the Trustee.

(b)(ii) On 6 July 2020, the Company allotted and issued 1,051,213 ordinary shares of the Company to J Digital 5 LLC at a consideration of HK$7,800,000 and the subscription consideration was used to set off against the repurchase costs of the warrant issued during the year ended 31 December 2018. Consequently, HK$11,000 was credited to share capital and HK$7,789,000 was credited to share premium.

(c) On 23 December 2020, J Digital 5 LLC exercised the conversion right to fully convert the 2020 Convertible Note into 1,638,655 ordinary shares of the Company at a conversion price of HK$9.52 per share. Consequently, HK$16,000 was credited to share capital and HK$16,281,000 was credited to share premium.

(d) During the year ended 31 December 2021, 6,953,091 share options were exercised by the employees and consultants providing similar services for providing services to the Company and its subsidiaries. Consequently, HK$70,000 was credited to share capital and HK$84,365,000 was credited to share premium.

During the year ended 31 December 2020, 1,333,778 share options were exercised by the employees and consultants providing similar services for providing services to the Company and its subsidiaries. Consequently, HK$13,000 was credited to share capital and HK$14,934,000 was credited to share premium.

37 OTHER RESERVES

The breakdown of other reserves and the movements during the year are shown as follows:

	Share premium HK$'000 (Restated) (Note 1.1)	Capital surplus HK$'000 (Restated) (Note 1.1)	Exchange reserve HK$'000 (Restated) (Note 1.1)	Statutory reserve HK$'000 (Restated) (Note 1.1)	Share-based payments reserve HK$'000 (Restated) (Note 1.1)	Convertible note reserve HK$'000 (Restated) (Note 1.1)	Total HK$'000 (Restated) (Note 1.1)
At 1 January 2020	376,205	3,724	(26,038)	18,039	74,355	–	446,285
Currency translation difference	–	–	13,185	–	–	–	13,185
Release of exchange reserve upon disposal of subsidiaries	–	–	(315)	–	–	–	(315)
Total comprehensive loss	–	–	12,870	–	–	–	12,870
Issuance of new shares *(Note 36)*	287,458	–	–	–	–	–	287,458
Issuance of a convertible note *(Note 33 (a))*	–	–	–	–	–	546	546
Issuance of new shares upon conversion of a convertible note *(Note 36)*	16,281	–	–	–	–	(546)	15,735
Equity-settled share-based payments under share option scheme *(Note 43)*	–	–	–	–	40,297	–	40,297
Equity-settled share-based payments under share award scheme *(Note 42)*	–	–	–	–	53,554	–	53,554
Exercise of share options *(Note 36)*	14,934	–	–	–	(4,204)	–	10,730
Share awards vested *(Note 42)*	65,723	–	–	–	(65,723)	–	–
Equity-settled share-based payments for a warrant *(Note 10(a))*	–	–	–	–	103,473	–	103,473
Transfer from retained earnings to statutory reserve	–	–	–	811	–	–	811
At 31 December 2020	760,601	3,724	(13,168)	18,850	201,752	–	971,759

37 OTHER RESERVES *(Continued)*

	Share premium HK$'000	Capital surplus HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000	Share-based payments reserve HK$'000	Total HK$'000
At 1 January 2021	760,601	3,724	(13,168)	18,850	201,752	971,759
Currency translation difference	–	–	10,161	–	–	10,161
Total comprehensive loss	–	–	10,161	–	–	10,161
Issuance of new shares *(Note 36)*	1,191,932	–	–	–	–	1,191,932
Equity-settled share-based payments under share option scheme *(Note 43)*	–	–	–	–	50,793	50,793
Equity-settled share-based payments under share award scheme *(Note 42)*	–	–	–	–	39,219	39,219
Exercise of share options *(Note 36)*	84,365	–	–	–	(26,030)	58,335
Share awards vested *(Note 42)*	47,004	–	–	–	(47,004)	–
Equity-settled share-based payments for a warrant *(Note 10(a))*	–	–	–	–	49,826	49,826
Transfer of statutory reserve upon deregistration of a subsidiary	–	–	–	(450)	–	(450)
At 31 December 2021	2,083,902	3,724	(3,007)	18,400	268,556	2,371,575

38 OPERATING LEASE ARRANGEMENTS — AS LESSOR

As at 31 December 2021 and 2020, some of the Group's properties are leased to tenants under long-term operating leases with rentals payable monthly. The future aggregate minimum lease receipts under non-cancellable operating leases receivables by the Group were as follows:

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Minimum lease payments under non-cancellable operating leases of properties not recognised in the consolidated financial statements are receivable as follows:		
Within one year	**44,286**	44,338
Later than one year but no later than five years	**162,812**	208,653
	207,098	252,991

39 RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

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

	Year ended 31 December **2021 HK$'000**	2020 HK$'000 (Restated) (Note 1.1)
Interest expenses accrued on borrowings from related companies of a director *(Note (ii))*	**74**	3,003
Interest expenses accrued on borrowings from directors and a related party *(Note (iii))*	**188**	529
Interest expenses accrued on digital assets borrowed from a related company of Mr. Chapman David James and Mr. Madden Hugh Douglas *(Note (iv))*	**445**	299
Income from digital asset trading with Mr. Chapman David James	**26**	252
Income from digital asset trading with Mr. Madden Hugh Douglas	**34**	284
Income from digital asset trading with Mr. Lo Ken Bon and his close family member	**393**	96
Income from digital asset trading with Mr. Ko Chun Shun, Johnson's close family members	**24**	–
Income from digital asset trading with a related company of Mr. Ko Chun Shun, Johnson *(Note (ii))*	**723**	–
Income from digital asset trading with a related company of Mr. Chapman David James and Mr. Madden Hugh Douglas *(Note (iv))*	**–**	9
	1,907	4,472

Notes:

(i) The above transactions were conducted in the normal course of business of the Group and charged at terms mutually agreed by the parties concerned, governed by the DATA, OSL DS Client T&C and other relevant agreements.

(ii) The executive director of the Company, Mr. Ko Chun Shun Johnson, is also the sole owner of the related companies.

(iii) The executive directors of the Company, Mr. Chapman David James, Mr. Madden Hugh Douglas and Mr. Lo Ken Bon and an executive director of the ultimate holding company of the Company, Ms. Cheng Wan Gi, are also the lenders.

(iv) The executive directors of the Company, Mr. Chapman David James and Mr. Madden Hugh Douglas, are also the directors of the related company.

39 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties

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

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Fiat currency and digital asset liabilities		
Amount due to Mr. Chapman David James and his close family member *(Note (i))*	**240,214**	139,371
Amount due to Mr. Madden Hugh Douglas *(Note (i))*	**4,158**	3,421
Amount due to Mr. Lo Ken Bon and his close family member *(Note (i))*	**43,452**	14,348
Amount due to close family members of Mr. Ko Chun Shun, Johnson *(Note (i))*	**14,166**	–
Amount due to a related company of Mr. Ko Chun Shun, Johnson *(Notes (i) and (ii))*	**8,556**	–
Amount due to a related company of Mr. Chapman David James and Mr. Madden Hugh Douglas *(Notes (i) and (iii))*	**301,091**	71,940
Amount due to a related company of Mr. Chapman David James *(Notes (i) and (iv))*	**293**	–
Amount due to a related company of Mr. Madden Hugh Douglas *(Notes (i) and (v))*	**117,997**	100,447
	729,927	329,527

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Borrowing and interest payable		
Amount due to Mr. Chapman David James *(Note (vi))*	**–**	7,132
Amount due to Mr. Madden Hugh Douglas *(Note (vi))*	**–**	7,132
Amount due to Mr. Lo Ken Bon *(Note (vi))*	**–**	7,132
Amount due to Ms. Cheng Wan Gi *(Note (vi))*	**–**	7,132
Digital assets borrowed from and its interest payable to a related company of Mr. Chapman David James and Mr. Madden Hugh Douglas *(Note (vii))*	**–**	68,121
Amount due to related companies of Mr. Ko Chun Shun, Johnson *(Note (viii))*	**147**	56,074
	147	152,723

39 RELATED PARTY TRANSACTIONS *(Continued)*

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

Notes:

(i) The above executive directors/close members of the executive directors/related companies are regarded as counterparties which the Group has a contractual relationship with them governed by the DATA and/or the OSL DS Client T&C in the ordinary course of the Group's digital asset trading business.

Based on the respective rights and obligations of the Group and its counterparties 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.

Further, based on the respective rights and obligations of the Group and its counterparties under the OSL DS Client T&C, fiat 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 31 to the consolidated financial statements for details.

(ii) The related company is a counterparty of the Group's digital asset trading business governed by the OSL DS Client T&C. The executive director of the Company, Mr. Ko Chun Shun Johnson, is also the sole owner of the related company.

(iii) The related company is a counterparty of the Group's digital asset trading business governed by the DATA. The executive directors of the Company, Mr. Chapman David James and Mr. Madden Hugh Douglas, are also the directors of the related company.

(iv) The related company is a counterparty of the Group's digital asset trading business governed by the DATA. The executive director of the Company, Mr. Chapman David James, is also the director of the related company.

(v) The related company is a counterparty of the Group's digital asset trading business governed by the DATA. The executive director of the Company, Mr. Madden Hugh Douglas, is also the director of the related company.

(vi) The borrowings, which are unsecured, 6% per annum interest bearing and repayable in 12 months from 31 December 2020, are being reassigned to the executive directors of the Company, Mr. Chapman David James, Mr. Madden Hugh Douglas and Mr. Lo Ken Bon, and an executive director of the ultimate holding company of the Company, Ms. Cheng Wan Gi.

(vii) The borrowing is unsecured, 3% per annum interest bearing and due in accordance with the terms of the underlying Digital Asset Loan Agreement. The executive directors of the Company, Mr. Chapman David James and Mr. Madden Hugh Douglas, are also the directors of the lender.

(viii) The borrowings are unsecured, 6% per annum interest bearing and due in accordance with the terms of the underlying agreements.

(c) Key management compensation

Remuneration for key management personnel of the Group, including amounts paid to the executive directors as disclosed in Note 12 to the consolidated financial statements, and other senior management is as follows:

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Salaries, bonuses, allowances and benefits in kinds	**47,410**	22,003
Pension scheme contributions	**299**	144
Share-based compensation	**32,081**	44,996
	79,790	67,143

40 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of loss before income tax to cash used in operations:

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Loss before income tax		
Continuing operations	**(367,808)**	(291,558)
Discontinued operations	**–**	2,389
Loss before income tax, from continuing and discontinued operations	**(367,808)**	(289,169)
Adjustments for:		
Amortisation of intangible assets *(Note 10)*	**14,749**	12,123
Depreciation of property, plant and equipment *(Note 10)*	**47,500**	47,484
Total finance income *(Note 9)*	**(6,856)**	(10,352)
Total finance costs *(Note 9)*	**34,409**	49,277
(Gain)/loss on disposals of property, plant and equipment *(Note 8)*	**(337)**	185
Loss on dissolution of subsidiaries *(Note 8)*	**–**	25
Fair value changes of financial liabilities through profit or loss *(Note 8)*	**–**	2,000
Fair value changes of financial assets through profit or loss *(Note 8)*	**(118)**	–
Net fair value loss/(gain) on digital assets *(Note 7)*	**11,471**	(8,379)
Provision for impairment of contract assets, net *(Note 35)*	**215**	137
Provision/(reversal of provision) for impairment of trade receivables, net *(Note 21)*	**8,018**	(2,576)
Share-based payment expenses	**139,838**	199,032
Share of net post-tax loss of an associate accounted for using the equity method *(Note 26)*	**5,434**	–
Operating losses before working capital changes	**(113,485)**	(213)
Change in trade receivables	**(105,928)**	21,903
Change in prepayments, deposits and other receivables	**(2,032)**	(2,126)
Change in digital assets	**4,487**	(133,951)
Change in contract assets	**(6,658)**	25,846
Change in contract liabilities	**2,061**	3,824
Change in trade payables	**(2,235)**	5,619
Change in accruals, other payables and deposits received	**46,512**	(14,284)
Changes in cash held on behalf of licensed entity customers	**(282,560)**	–
Change in liabilities due to customers	**49,264**	63,648
Cash used in operations	**(410,574)**	(29,734)

40 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities:

	Borrowings (Note 32) HK$'000 (Restated) (Note 1.1)	Financial liabilities at fair value through profit or loss (Note 33) HK$'000 (Restated) (Note 1.1)	Lease liabilities (Note 30) HK$'000 (Restated) (Note 1.1)	Total HK$'000 (Restated) (Note 1.1)
At 1 January 2020	378,371	21,903	219,875	620,149
Cash flows:				
— inflow from financing activities	210,011	–	–	210,011
— outflow from financing activities	(196,615)	–	(32,478)	(229,093)
Reassignment of loans *(Note 40(d)(iv))*	(28,000)	–	–	(28,000)
Imputed interest income	(1,044)	–	–	(1,044)
Modification of lease	–	–	(3,090)	(3,090)
Imputed interest expense	9,292	–	–	9,292
Addition of digital assets borrowed from counterparties	339,509	–	–	339,509
Repayment of digital assets borrowed from counterparties	(275,282)	–	–	(275,282)
Revaluation loss of digital assets borrowed from counterparties	130,413	–	–	130,413
Repurchase of the 2018 Convertible Note *(Note 40(d)(i))*	16,054	(16,611)	–	(557)
Issuance of new shares upon conversion of the 2020 Convertible Note *(Note 40(d)(iii))*	(15,482)	–	–	(15,482)
Repurchase of the 2018 Warrant *(Note 40(d)(ii))*	–	(7,998)	–	(7,998)
Fair value changes	–	2,000	–	2,000
Currency translation differences	(910)	706	5,608	5,404
At 31 December 2020	566,317	–	189,915	756,232

40 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities: *(Continued)*

	Borrowings (Note 32) HK$'000	Lease liabilities (Note 30) HK$'000	Total HK$'000
At 1 January 2021	**566,317**	**189,915**	**756,232**
Cash flows:			
— outflow from financing activities	**(132,378)**	**(37,189)**	**(169,567)**
Imputed interest expense	**5,187**	**–**	**5,187**
Addition of digital assets borrowed from counterparties	**64,448**	**–**	**64,448**
Repayment of digital assets borrowed from counterparties	**(392,342)**	**–**	**(392,342)**
Currency translation differences	**7,868**	**3,354**	**11,222**
At 31 December 2021	**119,100**	**156,080**	**275,180**

(c) In the consolidated statement of cash flows, proceeds from the disposal of property, plant and equipment comprise:

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Net book value *(Note 17)*	**137**	346
Gain/(loss) on disposal of property, plant and equipment *(Note 8)*	**337**	(185)
Proceeds from the disposal of property, plant and equipment	**474**	161

40 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(d) Non-cash transactions

The Group entered into the following major non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

(i) During the year ended 31 December 2020, the 2018 Convertible Note amounted to approximately HK$15,497,000 was repurchased by the Group through the issuance of the 2020 Convertible Note by the Company (Note 33(a)).

(ii) During the year ended 31 December 2020, the 2018 Warrant amounted to HK$7,800,000 was repurchased by the Group through the issuance of 1,051,213 new ordinary shares of the Company (Note 33(b)).

(iii) During the year ended 31 December 2020, the Company issued 1,638,655 new ordinary shares upon the Note Holder exercised the conversion right of the 2020 Convertible Note amounted to HK$15,600,000.

(iv) During the year ended 31 December 2020, borrowings of HK$28,000,000 due to Mr. Chapman David James, Mr. Madden Hugh Douglas and Mr. Lo Ken Bon, who are the executive directors of the Company, and Ms. Cheng Wan Gi, who is the executive director of the ultimate holding company of the Company was settled by way of topping up their corresponding trading accounts under OS Limited.

(v) As at 31 December 2020, digital asset interest income of HK$107,000 was outstanding as they were receivable upon maturity of the loan agreements and the balances were net off with the working capital changes of other receivables.

(vi) During the year, the non-cash working capital changes of digital assets and liabilities as follows:

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Digital assets held on customers' accounts	**(752,667)**	1,996,149
Digital assets due from counterparties	**(38,441)**	(8,730)
Collateral payable to counterparties	**101,832**	134,654
Digital assets borrowed from counterparties	**169,909**	184,281
	(519,367)	2,306,354

(vii) As at 31 December 2021, interest expense of HK$3,510,000 (2020: HK$2,069,000) was outstanding as they were due upon the maturity of the loan agreements and the balances were net off with the working capital changes of other payables.

41 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:

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1)
Financial assets at amortised cost		
Trade receivables *(Note 21)*	**121,755**	20,654
Prepayments, deposits and other receivables (excluding prepayments, other tax receivables, interest receivables arising from digital assets due from counterparties and digital asset receivables) *(Note 22)*	**73,693**	198,776
Cash held on behalf of licensed entity customers *(Note 25)*	**282,560**	–
Cash and cash equivalents *(Note 24)*	**954,519**	413,487
	1,432,527	632,917
Financial assets at fair value through profit or loss		
Financial assets at fair value through profit or loss *(Note 27)*	**25,013**	–
Digital assets (those met definition of financial instruments)	**619,850**	59,782
	644,863	59,782
Financial liabilities measured at amortised cost		
Trade payables *(Note 28)*	**49,809**	51,477
Accruals, other payables and deposits received (excluding employee benefits payables, other tax payables, and non-financial interest payable) *(Note 29)*	**81,368**	48,617
Lease liabilities *(Note 30)*	**156,080**	189,915
Borrowings (excluding digital assets borrowed from counterparties) *(Note 32)*	**85,262**	363,255
	372,519	653,264
Financial liabilities at fair value through profit or loss		
Liabilities due to customers *(Note 31)*	**3,516,123**	2,801,429

42 SHARE AWARD SCHEME

Tricor Trust (HK) Limited, a company incorporated in Hong Kong and authorised to undertake trust business in accordance with the laws of Hong Kong, was appointed as the trustee (the "Trustee") for the administration of the share award scheme. The Trustee will hold the shares on trust for the selected participants. 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 share award scheme is limited to 5% of the issued share capital of the Company to be refreshed automatically from time to time.

Under the share award scheme, the employees and consultants providing similar services of the Group ("Selected Participants") are entitled to receive shares in the Company. New shares have been allotted and issued by the Company to the 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 Selected Participant 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.

42 SHARE AWARD SCHEME *(Continued)*

During the year ended 31 December 2021, 2,720,860 (2020: 5,013,474) new Awarded shares were allotted and issued to the Trustee. Out of 2,720,860 Awarded shares, 364,666 and 382,750 Awarded shares were vested on 7 April 2021 and 4 September 2021 respectively (2020: Nil).

Award type	Outstanding at 1 January 2020	Issued during the year	Forfeited during the year	Regrant during the year	Vested during the year	Outstanding at 31 December 2020
Share award grant	9,736,474	5,013,474	(711,684)	383,245	(8,266,063)	6,155,446

Award type	**Outstanding at 1 January 2021**	**Issued during the year**	**Forfeited during the year**	**Regrant during the year**	**Vested during the year**	**Outstanding at 31 December 2021**
Share award grant	**6,155,446**	**2,720,860**	**(592,982)**	**426,140**	**(5,221,761)**	**3,487,703**

The Group recognised an expense of approximately HK$39,219,000 (2020: HK$53,554,000) for the year ended 31 December 2021 in relation to share awards granted by the Company.

During the year ended 31 December 2021, the vesting condition of 5,221,761 (2020: 8,266,063) Awarded shares was satisfied, and HK$47,004,000 (2020: HK$65,723,000) was transferred from share-based payments reserve to share premium in the consolidated statement of changes in equity.

43 SHARE OPTION SCHEME

On 10 April 2012, the Group has adopted the share option scheme (the "2012 Share Option Scheme"). The 2012 Share Option Scheme is for a period of ten years commencing from 10 April 2012 whereby the directors at its absolute discretion grant any employee and director of our Group, to take up options to subscribe for shares of the Company. The terms and conditions of the grant were determined by the directors at the time of grant. The exercisable period of an option shall not exceed a period of ten years from the offer date. The options gave the holder the rights to subscribe for ordinary shares in the Company. A nominal consideration of 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.

On 28 May 2021, the Company terminated the 2012 Share Option Scheme and adopted the new share option scheme ("2021 Share Option Scheme"). Upon termination of the 2012 Share Option Scheme, no further share options may be granted thereunder. In respect of all share options which remained exercisable on such date, the provisions of the 2012 Share Option Scheme remained in full force and effect.

43 SHARE OPTION SCHEME *(Continued)*

On 22 August 2018, 10 December 2018, 18 January 2019, 15 January 2020, 12 June 2020, 13 August 2020, 27 January 2021 and 8 October 2021, the Company offered to grant a total of 16,715,556 share options (the "2018 Share Option 1"), 433,333 share options (the "2018 Share Option 2"), 2,851,111 share options (the "2019 Share Option"), 1,700,000 share options (the "2020 Share Option 1"), 21,300,000 share options (the "2020 Share Option 2"), 1,838,500 share options (the "2020 Share Option 3") and 3,500,000 share options (the "2021 Share Option 1") respectively under the 2012 Share Option Scheme and 1,500,000 share options (the "2021 Share Option 2") under the 2021 Share Option Scheme, to certain directors and eligible employees of the Group pursuant to the Scheme. The details of these share options are summarised as follows:

	% of the total share options	2018 Share Option 1		2018 Share Option 2		2019 Share Option		2020 Share Option 1	
		Vesting period	Exercise period	Vesting period	Exercise period	Vesting period	Exercise period	Vesting period	Exercise period
Tranche 1	two-third	22 August 2018 to 22 August 2020	22 August 2020 to 21 August 2023	10 December 2018 to 22 August 2020	22 August 2020 to 21 August 2023	18 January 2019 to 22 August 2020	22 August 2020 to 21 August 2023	15 January 2020 to 22 August 2020	22 August 2020 to 21 August 2023
Tranche 2	one-third	22 August 2018 to 22 August 2021	22 August 2021 to 21 August 2023	10 December 2018 to 22 August 2021	22 August 2021 to 21 August 2023	18 January 2019 to 22 August 2021	22 August 2021 to 21 August 2023	15 January 2020 to 22 August 2021	22 August 2021 to 21 August 2023

	2020 Share Option 2		
	% of the total share options	**Vesting period** (Note)	**Exercise period**
Tranche 1	29.26%	12 June 2020 to 22 August 2021	22 August 2021 to 23 August 2025
Tranche 2	28.95%	12 June 2020 to 22 August 2022	22 August 2022 to 23 August 2025
Tranche 3	38.50%	12 June 2020 to 22 August 2023	22 August 2023 to 23 August 2025
Tranche 4	3.29%	12 June 2020 to 22 August 2025	22 August 2025 to 23 August 2026

Note: For 6,800,000 out of 21,300,000 share options under 2020 Share Option 2 were granted to four employees and are subject to certain accelerated vesting condition relating to the market price and the trading volume of the shares of the Company. During the year ended 31 December 2021, the Group modified the terms, conditions and revised the number of share options to be vested in respective vesting date.

	2020 Share Option 3		
	% of the total share options	**Vesting period**	**Exercise period**
Tranche 1	One-Fifth	13 August 2020 to 22 August 2020	22 August 2020 to 22 August 2025
Tranche 2	One-Fifth	13 August 2020 to 22 August 2021	22 August 2021 to 22 August 2025
Tranche 3	One-Fifth	13 August 2020 to 22 August 2022	22 August 2022 to 22 August 2025
Tranche 4	One-Fifth	13 August 2020 to 22 August 2023	22 August 2023 to 22 August 2025
Tranche 5	One-Fifth	13 August 2020 to 22 August 2024	22 August 2024 to 22 August 2025

43 SHARE OPTION SCHEME *(Continued)*

	% of the total share options	2021 Share Option 1 Vesting period	2021 Share Option 1 Exercise period	2021 Share Option 2 Vesting period	2021 Share Option 2 Exercise period
Tranche 1	One-fourth	27 January 2021 to 22 August 2021	22 August 2021 to 22 August 2026	8 October 2021 to 22 August 2022	22 August 2022 to 22 August 2027
Tranche 2	One-fourth	27 January 2021 to 22 August 2022	22 August 2022 to 22 August 2026	8 October 2021 to 22 August 2023	22 August 2023 to 22 August 2027
Tranche 3	One-fourth	27 January 2021 to 22 August 2023	22 August 2023 to 22 August 2026	8 October 2021 to 22 August 2024	22 August 2024 to 22 August 2027
Tranche 4	One-fourth	27 January 2021 to 22 August 2024	22 August 2024 to 22 August 2026	8 October 2021 to 22 August 2025	22 August 2025 to 22 August 2027

Grant date	22 August 2018	10 December 2018	18 January 2019	15 January 2020	12 June 2020*	13 August 2020	27 January 2021	8 October 2021
Fair value on grant date (HK$)								
Tranche 1	3.53	3.04	2.88	2.33	2.83 to 2.84	3.34	4.94	5.57
Tranche 2	3.77	3.26	3.09	2.59	3.03 to 3.04	3.66	5.33	5.94
Tranche 3	N/A	N/A	N/A	N/A	3.21 to 3.34	3.94	5.68	6.28
Tranche 4	N/A	N/A	N/A	N/A	13.20	4.21	6.01	6.59
Tranche 5	N/A	N/A	N/A	N/A	N/A	4.45	N/A	N/A

* The fair value has taken into consideration of the impact of modification.

The Company has used the Black-Scholes model for assessing the fair value of the share options granted. The following table lists the assumptions adopted in the calculation of the fair value at the grant date for the 2018 Share Option 1, 2018 Share Option 2, 2019 Share Option, 2020 Share Option 1, 2020 Share Option 2, 2020 Share Option 3, 2021 Share Option 1 and 2021 Share Option 2:

	2018 Share Option 1	2018 Share Option 2	2019 Share Option	2020 Share Option 1	2020 Share Option 2*	2020 Share Option 3	2021 Share Option 1	2021 Share Option 2
Share price at the date of grant (HK$)	8.75	7.80	7.50	7.45	7.99	10.56	13.80	12.70
Exercise price (HK$)	8.88	7.84	7.53	7.45	7.99	10.99	14.39	12.70
Expected volatility	54.0%	54.0%	54.0%	53.7%	50.9%–55.0%	53.5%	54.96%	62.70%
Risk-free interest rate (%)	2.03%	2.03%	2.03%	1.34%–1.42%	0.13%–0.38%	0.07%–0.14%	0.16%–0.30%	0.34%–0.65%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%	0%

* The expected volatility and risk-free interest rate have taken into consideration of the impact of modification.

43 SHARE OPTION SCHEME *(Continued)*

It should be noted that the value of options varies with different variables of certain subjective assumptions, any change in variables so adopted may materially affect the fair value estimate.

The following tables disclose movements of the Company's share options held by employees, consultants providing similar services and directors during the years ended 31 December 2021 and 2020:

Option type	Outstanding at 1 January 2020	Issued during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2020
2018 Share Option 1	15,048,890	–	(489,444)	–	14,559,446
2018 Share Option 2	433,333	–	(166,667)	(100,000)	166,666
2019 Share Option	2,621,111	–	(522,667)	(190,000)	1,908,444
2020 Share Option 1	–	1,700,000	(155,000)	–	1,545,000
2020 Share Option 2	–	21,300,000	–	–	21,300,000
2020 Share Option 3	–	1,838,500	–	–	1,838,500
Total	18,103,334	24,838,500	(1,333,778)	(290,000)	41,318,056

Option type	Outstanding at 1 January 2021	Issued during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2021
2018 Share Option 1	14,559,446	–	(3,613,333)	–	10,946,113
2018 Share Option 2	166,666	–	(166,666)	–	–
2019 Share Option	1,908,444	–	(1,157,259)	(36,853)	714,332
2020 Share Option 1	1,545,000	–	(1,245,000)	–	300,000
2020 Share Option 2	21,300,000	–	(483,333)	(200,000)	20,616,667
2020 Share Option 3	1,838,500	–	(287,500)	–	1,551,000
2021 Share Option 1	–	3,500,000	–	(140,000)	3,360,000
2021 Share Option 2	–	1,500,000	–	–	1,500,000
Total	41,318,056	5,000,000	(6,953,091)	(376,853)	38,988,112

The Group recognised an expense of approximately HK$50,793,000 (2020: HK$40,297,000) for the year ended 31 December 2021 in relation to share options granted by the Company.

44 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000 (Restated) (Note 1.1)	As at 1 January 2020 HK$'000 (Restated) (Note 1.1)
Assets				
Non-current asset				
Investments in subsidiaries		**1,994,755**	731,537	10
Current assets				
Prepayments and other receivables		**3,601**	3,163	2,872
Amounts due from subsidiaries		**34,170**	77,589	305,425
Cash and cash equivalents		**56,531**	369	173
Total current assets		**94,302**	81,121	308,470
Total assets		**2,089,057**	812,658	308,480
Liabilities				
Current liabilities				
Other payables and accruals		**27,128**	24,479	23,048
Amounts due to subsidiaries		**167,920**	6,716	6,715
Borrowings		**21,196**	175,302	20,670
Total current liabilities		**216,244**	206,497	50,433
Non-current liability				
Borrowings		**–**	–	129,296
Total liabilities		**216,244**	206,497	179,729
Equity attributable to the owners of the Company				
Share capital		**4,233**	3,366	2,845
Other reserves	*44(b)*	**2,352,458**	962,353	450,560
Accumulated losses	*44(b)*	**(483,878)**	(359,558)	(324,654)
Total equity		**1,872,813**	606,161	128,751

44 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(Continued)

(b) Reserve movement of the Company

Company	Share premium (Note i) HK$'000 (Restated) (Note 1.1)	Share-based payments reserve (Note ii) HK$'000 (Restated) (Note 1.1)	Accumulated losses (Note iii) HK$'000 (Restated) (Note 1.1)
At 1 January 2020	376,205	74,355	(324,654)
Loss for the year	–	–	(34,904)
Total comprehensive loss	–	–	(34,904)
Issuance of new shares	287,458	–	–
Issuance of new shares upon conversion of a convertible note	16,281	–	–
Equity-settled share-based payment under share option scheme	–	40,297	–
Equity-settled share-based payments under share award scheme	–	53,554	–
Share awards vested	65,723	(65,723)	–
Equity-settled share-based payments for a warrant	–	103,473	–
Exercise of share options	14,934	(4,204)	–
At 31 December 2020	760,601	201,752	(359,558)

44 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company *(Continued)*

Company	Share premium (Note i) HK$'000	Share-based payments reserve (Note ii) HK$'000	Accumulated losses (Note iii) HK$'000
At 1 January 2021	**760,601**	**201,752**	**(359,558)**
Loss for the year	**–**	**–**	**(124,320)**
Total comprehensive loss	**–**	**–**	**(124,320)**
Issuance of new shares	**1,191,932**	**–**	**–**
Equity-settled share-based payment under share option scheme	**–**	**50,793**	**–**
Equity-settled share-based payments under share award scheme	**–**	**39,219**	**–**
Share awards vested	**47,004**	**(47,004)**	**–**
Equity-settled share-based payments for a warrant	**–**	**49,826**	**–**
Exercise of share options	**84,365**	**(26,030)**	**–**
At 31 December 2021	**2,083,902**	**268,556**	**(483,878)**

Notes:

(i) Share premium represents amount subscribed for share capital in excess of par value.

(ii) It represents the reserve for the share options granted and the shares allotted under the share award scheme.

(iii) It represents cumulative net gains and losses recognised in profit or loss.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1 to the consolidated financial statements)	2019 HK$'000 (Restated) (Note)	2018 HK$'000 (Restated) (Note)	2017 HK$'000 (Restated) (Note)
Revenue	**74,344**	73,580	105,638	156,655	186,917
Income from digital assets and blockchain platform business	**277,675**	170,157	81,350	9,832	–
Loss before tax from continuing operations	**(367,808)**	(291,558)	(280,052)	(178,910)	(60,386)
Income tax (expense)/credit	**(1,435)**	(2,036)	1,791	(5,911)	(2,158)
Loss for the year from continuing operations	**(369,243)**	(293,594)	(278,261)	(184,821)	(62,544)
Profit/(loss) for the year from discontinued operations	**–**	2,389	(51)	260	(3,475)
Loss for the year	**(369,243)**	(291,205)	(278,312)	(184,561)	(66,019)
Exchange differences on translating foreign operations	**10,387**	13,430	(5,165)	(2,792)	53
Total comprehensive loss for the year	**(358,856)**	(277,775)	(283,477)	(187,353)	(65,966)
(Loss)/profit for the year attributable to:					
Owners of the Company	**(375,675)**	(278,745)	(276,561)	(185,176)	(67,159)
Non-controlling interests	**6,432**	(12,460)	(1,751)	615	1,140
	(369,243)	(291,205)	(278,312)	(184,561)	(66,019)
Total comprehensive (loss)/income for the year attributable to:					
Owners of the Company	**(365,514)**	(265,875)	(281,599)	(187,745)	(67,106)
Non-controlling interests	**6,658**	(11,900)	(1,878)	392	1,140
	(358,856)	(277,775)	(283,477)	(187,353)	(65,966)

FIVE YEAR FINANCIAL SUMMARY

SUMMARY OF ASSETS AND LIABILITIES

	2021 HK$'000	2020 HK$'000 (Restated) (Note 1.1 to the consolidated financial statements)	2019 HK$'000 (Restated) (Note 1.1 to the consolidated financial statements)	2018 HK$'000 (Restated) (Note)	2017 HK$'000 (Restated) (Note)
Total non-current assets	**313,604**	264,291	446,633	356,140	74,222
Total current assets	**4,965,155**	3,775,487	833,909	784,896	277,308
Total current liabilities	**3,949,913**	3,622,583	816,219	809,989	113,602
Net current assets/(liabilities)	**1,015,242**	152,904	17,690	(25,093)	163,706
Non-current liabilities	**137,703**	256,808	538,475	291,638	23,490
Net assets/(liabilities)	**1,191,143**	160,387	(74,152)	39,409	214,438
Capital and reserves					
Total equity attributable to owners of the Company	**1,194,517**	169,059	(77,380)	34,303	208,915
Non-controlling interests	**(3,374)**	(8,672)	3,228	5,106	5,523
Total equity/(deficit)	**1,191,143**	160,387	(74,152)	39,409	214,438

Note: The selected items of assets and liabilities of the Group as at 31 December 2017 and 2018 are translated into the current presentation currency of the Group of HK$ using exchange rate prevailing at the end of 2017 and 2018. The selected items of income and expenses for the years ended 31 December 2017, 2018 and 2019 are translated at the average exchange rates for the respective years.