

Dear Investors:

August was a major inflection point for BC Technology Group as [we secured approval-in-principle \(AIP\) from the Hong Kong Securities and Futures Commission \(SFC\) for Types 1 and 7 digital asset licenses](#).

Additionally, we released our [2020 interim results in August](#) - which included the Group reporting positive adjusted EBITDA with a 6% increase in overall year-on-year (YoY) revenues, driven by a 47% YoY increase in revenue from our OSL digital assets business. In addition, the OSL platform reported its fifth and sixth consecutive quarters of trading volume growth.

Also during the month, the [Group acquired the core intellectual property assets of blockchain engineering firm Enuma Technologies, and on-boarded the Enuma team](#), including CEO Antoine Cote, a former 15-year veteran of Microsoft, further bolstering our engineering strength. The acquisition included bridgepoint.io, which will supplement the Group's OSL platform product offerings to regulated asset managers, and will eventually be integrated into OSL's deep liquidity pools.

Bitcoin (BTC) and Ethereum (ETH) both hit year-to-date highs during August, with BTC climbing above USD12,000 on to a 52-week high on 17 August and ETH soaring above USD437 on 14 August - on a relative basis ETH dramatically outshone BTC, with monthly gains of approximately 20% and 5% respectively.

Key business updates

On the evening of 12 August, we released our 2020 interim results and hosted well-attended analyst/investor and media briefings the following morning. Despite a challenging global environment as a result of COVID-19 and local and regional factors impacting our China business, the Group returned to positive EBITDA on a pro-forma basis, driven by strong growth in our OSL digital assets platform business.

Digital assets now represent approximately 68% of overall Group revenues and OSL platform volumes increased 420% YoY, with institutions comprising 78% of our total customers. For reference, our interim investor results presentation can be replayed [here](#).

On 23 August, we were delighted to receive confirmation from the SFC of approval-in-principal for licenses to conduct Types 1 (dealing in securities) and 7 (automated trading services) activities for digital assets. Significantly, [we were the first to receive AIP in Hong Kong](#) for these licenses for digital assets, and look forward to accelerating customer acquisition and executing on our sales objectives to capitalize on first-mover advantage.

Both of these milestones received significant local and international media interest, with AIP covered in over 500 media outlets globally, including: [Reuters](#), [The New York Times](#), [Bloomberg](#), [The Hong Kong Economic Times](#) (Traditional Chinese), [21st Century Business Herald](#), (Simplified Chinese), [Securities Daily](#) (Simplified Chinese), [The Business Times](#), and many others.

Group CEO Hugh Madden and OSL CEO Wayne Trench were subsequently interviewed in an in-depth feature by CoinDesk entitled, [How OSL Became the First Crypto Exchange to Win Over Hong Kong Regulators](#).

We believe approval-in-principle will supercharge interest in the digital asset sector in Hong Kong. Its receipt reinforces our conviction that we are uniquely positioned to benefit from ongoing regulatory clarity and growth in institutional adoption of digital assets. The OSL platform's consistently strong volumes (record volumes for 4 of the past 6 months), and continued rapid client onboarding in August, are further evidence that we have engineered the right platform to navigate this sea change successfully. |

Also in August, [TradingScreen Inc.](#) subsidiary, [MARKTS](#), a digital asset order and execution management system, [announced its partnership with OSL](#), to launch the OSL Exchange and OSL intelligent Request for Quote (iRFQ) trading services on its platform, further expanding OSL's global reach.

Reflecting our business and operational successes, both Group and OSL executives were highly sought in August for media and thought leadership commentary:

- I appeared on [CNBC's Capital Connection program on 19 August](#) to discuss institutional adoption in the digital asset space and also featured in a [profile on Fintech.tv](#) a week earlier
- Group Head of Regulatory Affairs Gary Tiu appeared on [Hong Kong flagship TV station TVB's Future Scope program](#) (Traditional Chinese) to discuss the impact of digital assets on finance
- Group CFO Steve Zhang and Group CEO Hugh Madden spoke to [the Hong Kong Economic Journal's Startup Beat column](#) (Traditional Chinese) on the top market capitalization digital assets
- Hugh also moderated a panel on [ESG, carbon credits and blockchain](#) with the Hong Kong Fintech Association

Digital asset market developments

The two largest digital assets by market capitalization, BTC and ETH, hit 2020 highs in August, and open interest in Bitcoin futures also reached a record high. All of this occurred amidst a continuing wave of positive developments that are driving regulatory clarity and institutional adoption of digital assets, including our receipt of AIP from the SFC.

Another important development in the month was the [announcement by Microstrategy - a USD1.2 billion, NASDAQ-listed software firm - that it had purchased approximately USD250 million in Bitcoin as part of a capital allocation strategy to use BTC as a reserve currency](#) (coinciding with a stock buyback for an equivalent amount).

Deeming BTC "superior to cash," Microstrategy CEO Michael J. Saylor also cited the original digital asset's ability to serve as an inflation hedge. Viewed as a BTC proxy by the market, Microstrategy stock popped 10% on the announcement, and is up more than 20% for the month.

Other key market updates from August:

- [Beijing selected the 9-city \(including Hong Kong\) Greater Bay Area as a testing ground for the DCEP digital RMB](#)
- [Traditional finance's digital asset 'land grab' continued - Goldman Sachs hired London-based Mathew McDermott as its first ever global head of digital assets](#)



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- [Bloomberg released its August 2020 Crypto Outlook entitled, *Bitcoin Becoming Prudent*, which claimed “something needs to go wrong to stop Bitcoin adoption”](#)
- [Forbes reported that the US Congress had introduced 35 blockchain bills since the start of 2019](#)
- [DBS Bank released a digital currencies report, stating that 2020 is shaping up to be a “landmark in history” for digital asset adoption](#)
- [Former Prudential Securities CEO George Ball said it’s “time to buy Bitcoin” as it can be a safe haven and an alternative investment for traders and investors](#)

Thank you again for your ongoing support. As always, the team at BC Group and OSL are available to discuss August’s updates, our approval-in-principle, or to answer any questions you may have.

Sincerely,

Dave Chapman
Executive Director
BC Group (863 HK)