



# OSL GROUP (HKEX:863) 2023 ANNUAL RESULTS

March 2024



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HKEX 863

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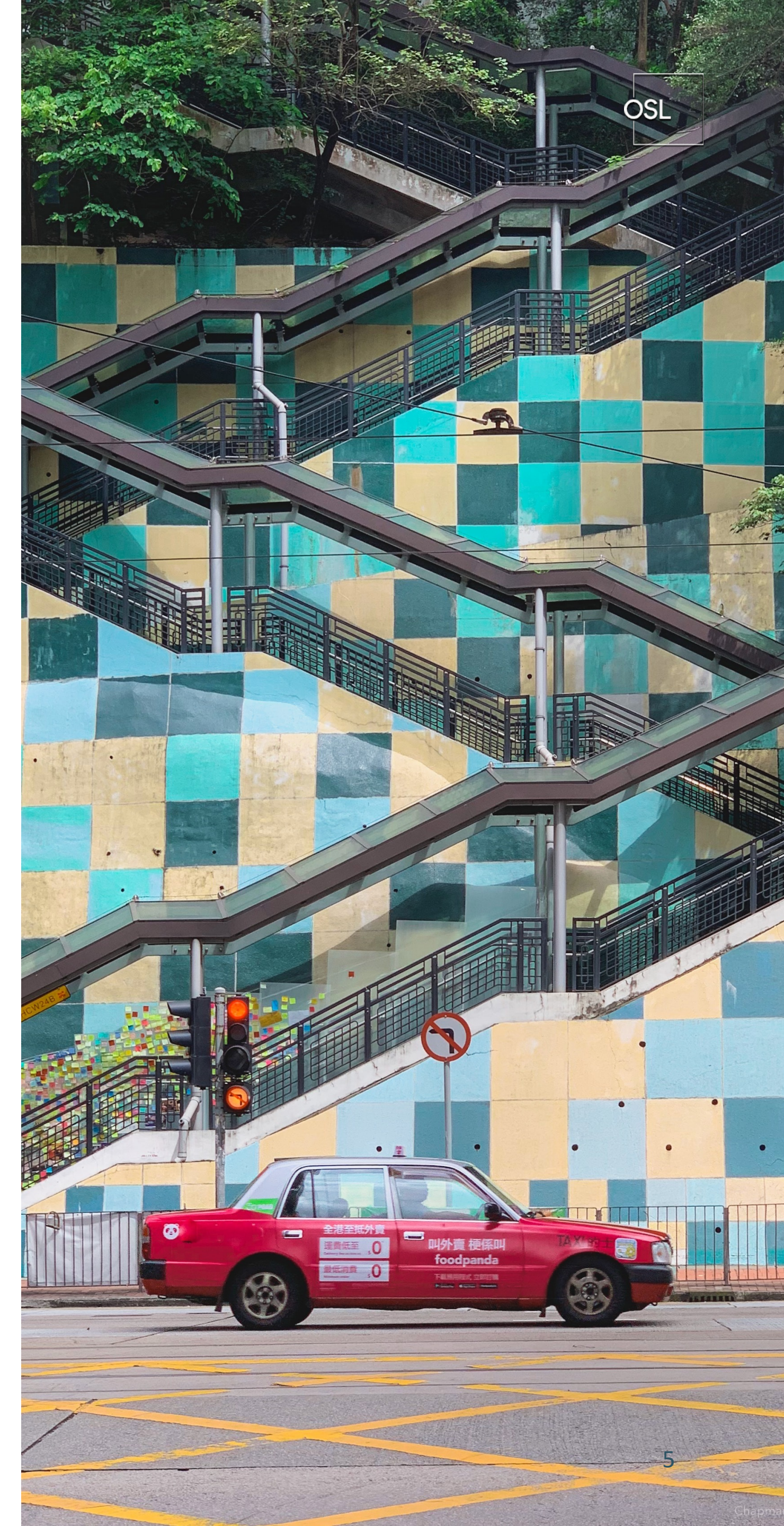
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# Hong Kong Regulatory Landscape and Recent Market Conditions

# Key Announcements in Hong Kong

## Virtual Asset Platform Guidelines (June 2023)

- Licensed VATPs may provide VA trading services to retail investors, subject to compliance with a range of robust investor protection measures covering onboarding, governance, disclosure and token due diligence and admission.
- To ensure safe custody of client assets, the SFC maintains that the cold to hot storage ratio should not be lowered (i.e. 98% of client VAs must be stored in cold storage and only 2% stored in hot or other storages).
- A licensed VATP's primary business is to act as an agent and provide an avenue for the matching of orders between clients. Other activities commonly seen in the VA market such as earning, deposit-taking, lending and borrowing may lead to potential conflicts of interest and require additional safeguards. Accordingly at this stage, the SFC does not allow licensed VATPs to conduct these other activities.
- The SFC draws comfort in knowing the bulk of client VAs are held in cold storage. Thus, the SFC is prepared to lower the coverage threshold to 50% for client VAs held in cold storage, on the basis that 98% of them will be required to be held in cold storage.
- The Travel Rule is a key AML/CFT measure for VA service providers and financial institutions as it provides fundamental information for carrying out sanctions screening and transaction monitoring, and other risk mitigating measures.
- Where handling clients' request to transfer VAs to or from unhosted wallets, licensed VATPs are subject to specific requirements which may be more stringent than the Travel Rule requirements. In particular, licensed VATPs should obtain required information from the client and conduct sanctions screening, and should only accept transfers with unhosted wallets that are assessed to be reliable, having regard to screening results of the VA transactions and associated wallet addresses, as well as assessment results of the ownership or control of the unhosted wallet.
- [Link to the Virtual Asset Platform Guidelines June 2023](#)



# Key Announcements in Hong Kong

## Joint Circular on Intermediaries' Virtual Asset-Related Activities (Oct 2023)

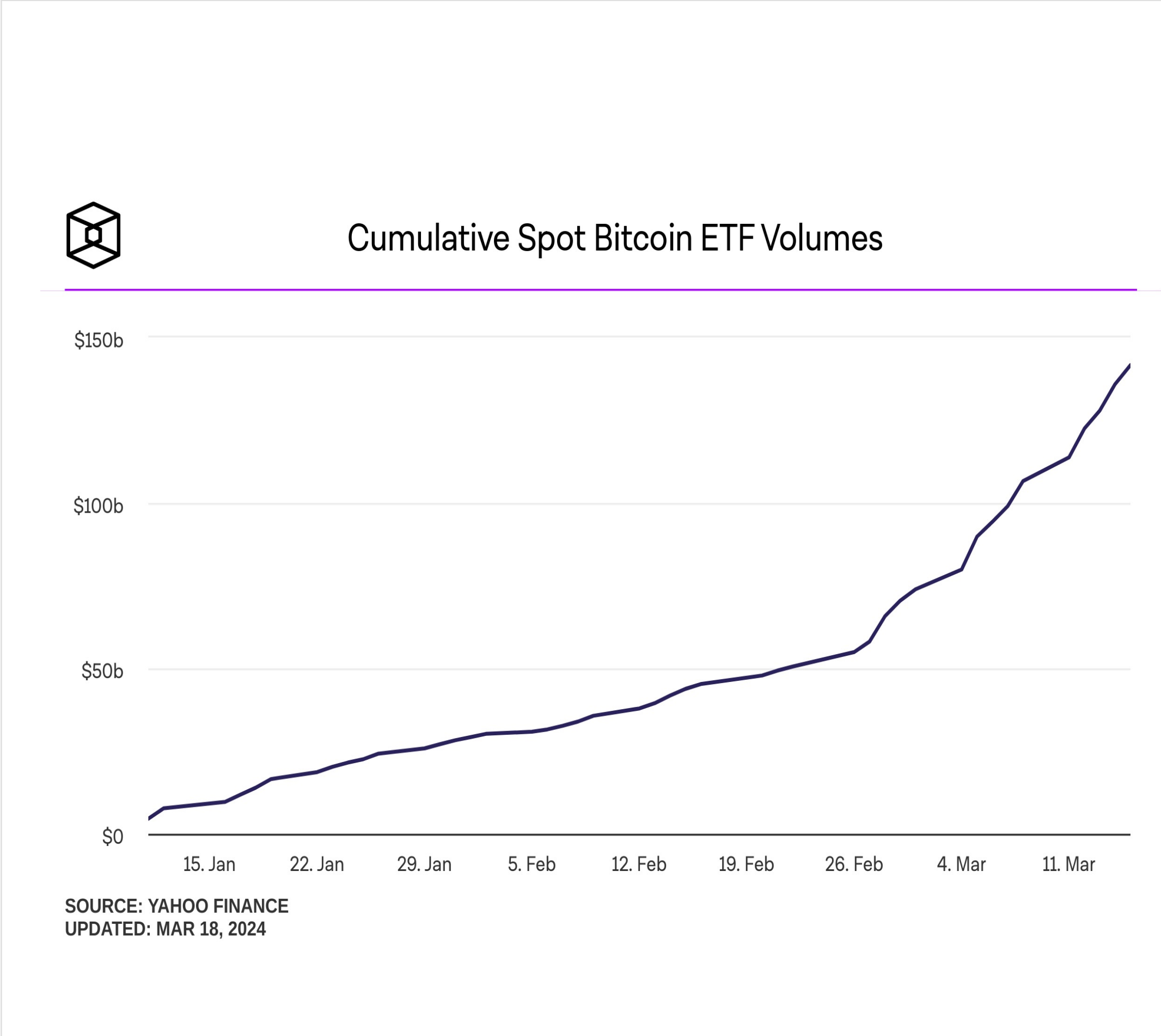
- The SFC and HKMA reiterate that only entities licensed for Type 1 (Dealing in Securities) regulated activity ("RA") are permitted to provide VA Dealing services.
- The SFC and HKMA will permit VA Dealing services to be provided to retail in partnership with the SFC-licensed VA trading platforms ("VATPs"), and subject to the VA knowledge test, suitability, limit to exposure and other requirements. In particular, VA Dealing may only be conducted through an omnibus account maintained with a VATP that can serve retail investors.
- Intermediaries must evaluate their clients' knowledge of virtual assets before conducting transactions involving virtual asset-related products, except for institutional and qualified corporate investors. If clients lack this knowledge, intermediaries must provide adequate training on virtual asset nature and risks. Additionally, clients should have sufficient financial capacity to handle the risks and potential losses associated with trading virtual asset-related products.
- Licensed intermediaries can now allow customers to deposit or withdraw amounts in VA as well as fiat currencies. Such withdrawal /deposit must be through segregated accounts established either with the partner VATP, or an authorised bank (that meets the HKMA standards for VA custody).
- Certain virtual asset-related derivatives listed on approved exchanges and authorised for retail offering by a regulator in a designated jurisdiction may be offered to retail investors in Hong Kong. For example, virtual asset futures and public futures-based VA ETFs follow conventional rules, reducing concerns about pricing transparency and market manipulation. These products are not limited to professional investors, but intermediaries must meet existing derivative product requirements and conduct a virtual asset-knowledge test as a safeguard, even without solicitation or recommendation.
- Any other virtual asset-related derivative products, unlisted or listed on non-specified exchanges, are considered complex products. They must comply with the full set of complex product requirements and additional investor protection measures.
- [Link to the SFC-HKMA Joint circular on intermediaries' virtual asset-related activities \(Oct 20, 2023\)](#)

# A Look at the Current Market

### BTC Reaches ATH



### Impressive ETF Inflows



Note: Slide updated as of 19 March 2024

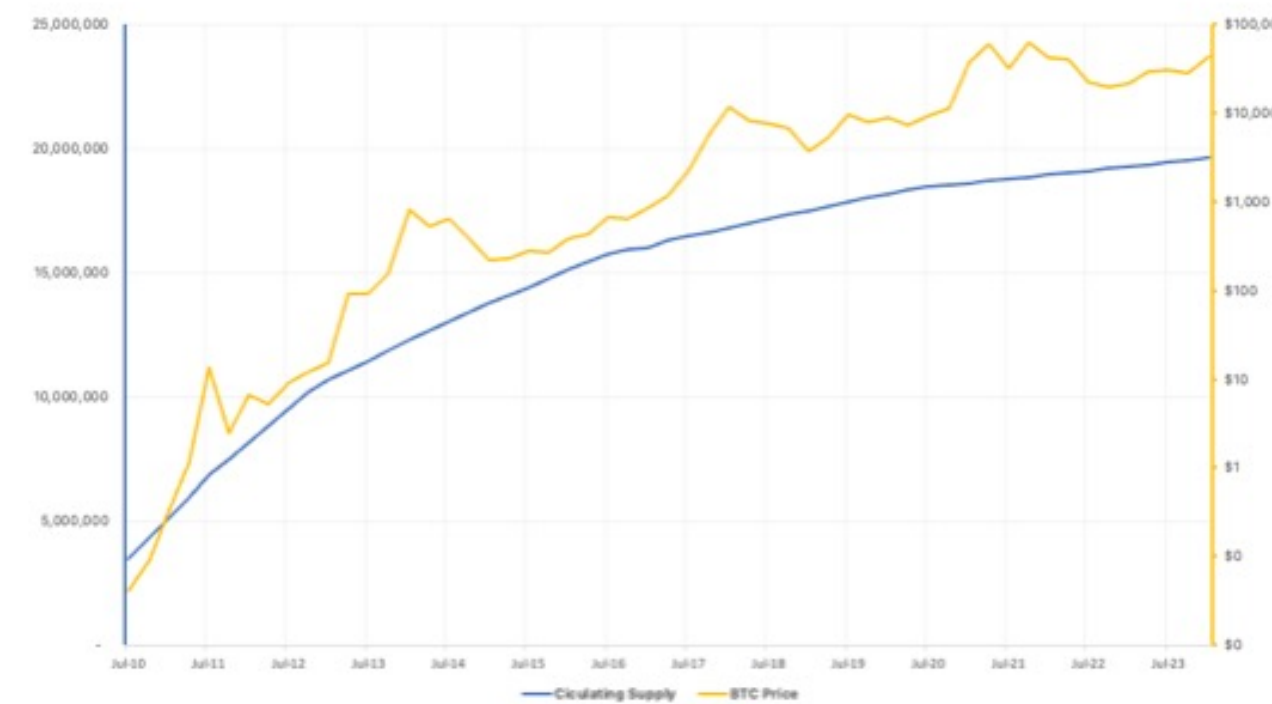


# Anticipation in 2024

## BTC Halving

It's widely agreed upon that Bitcoin halving events tend to have a positive impact on its price, a trend observed throughout history. These events typically foster optimism among crypto investors, resulting in favourable price movements before and afterwards. The upswing in price can be ascribed to various factors. Primarily, the decrease in the supply issuance rate underscores Bitcoin's scarcity, thus amplifying demand and subsequently driving its price higher.

Figure 1: BTC Price Tends to Increase as Supply Crunches Over Time



**Note:** With regards to the Bitcoin mining community, an epoch in Bitcoin's reference, refers to a specific period in the history of the Bitcoin blockchain, marked by a predetermined number of blocks mined. In this context, an epoch is a time-period between each halving.

Figure 2: Bitcoin Epoch Matrix

	Epoch 1	Epoch 2	Epoch 3	Epoch 4
Ending Block	210,000	420,000	630,000	840,000
BTC Price at Epoch Start	\$0.01	\$12	\$665	\$8,800
BTC MCap at Epoch Start	\$170 Thousand	\$127 Million	\$10 Billion	\$161 Billion
Indexed Growth Since Last Halving / Genesis	49,285%	8,020%	1,454%	749% (as of this writing)



# OSL Group Introduction



# Delivering Best-in-Class Access to Digital Assets, Setting Standards for Performance, Security and Compliance

OSL Group (the “Group”; f.k.a BC Technology Group), is a publicly listed entity in the main board of the Hong Kong Stock Exchange under the ticker symbol 863.HK.



## Regulated and Compliant

Licenses: Types 1 & 7 licenses from the Hong Kong Securities & Futures Commission (SFC)  
SOC2 Type 2 compliant



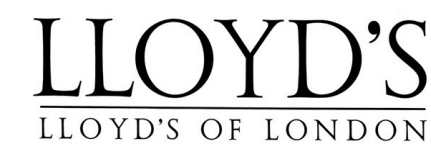
## Publicly Listed

Listed digital asset company on the main board of the Hong Kong Stock Exchange



## ‘Big Four’ Audited

With digital assets recognised on our group financial statements audited by big four accounting firms.



## Insured

Hot and cold wallets insured for crime insurance with named customer specie insurance availability



## Experienced

Developed proprietary product and services that caters to 900+ UHNWIs and Institutions, traded 100+ billion in volume, 99.75% uptime, and 24/7 trading and support availability

# OSL Products and Services

## Brokerage (OTC Desk, RFQ)

- Access OTC Desk for PI: Email, BBG, or telephone
- Clients can execute trades via the Request-for-Quote (RFQ) UI or API interfaces

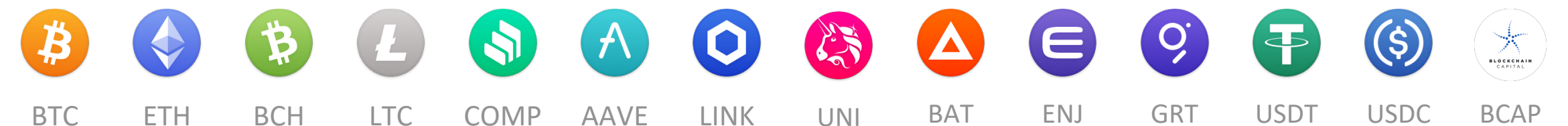
## Exchange

- Access Exchange: Web UI or API
- Clients can execute trades via OS LDS' exchange platform that allows various order types.

## API / STP Model

- RFQ and Exchange access with tech integration required
- Scalable, Interoperable Core Trading Platform
- Electronic execution via API allows Intermediary to offer pricing and execution services via its own electronic platform

## Custody and STO

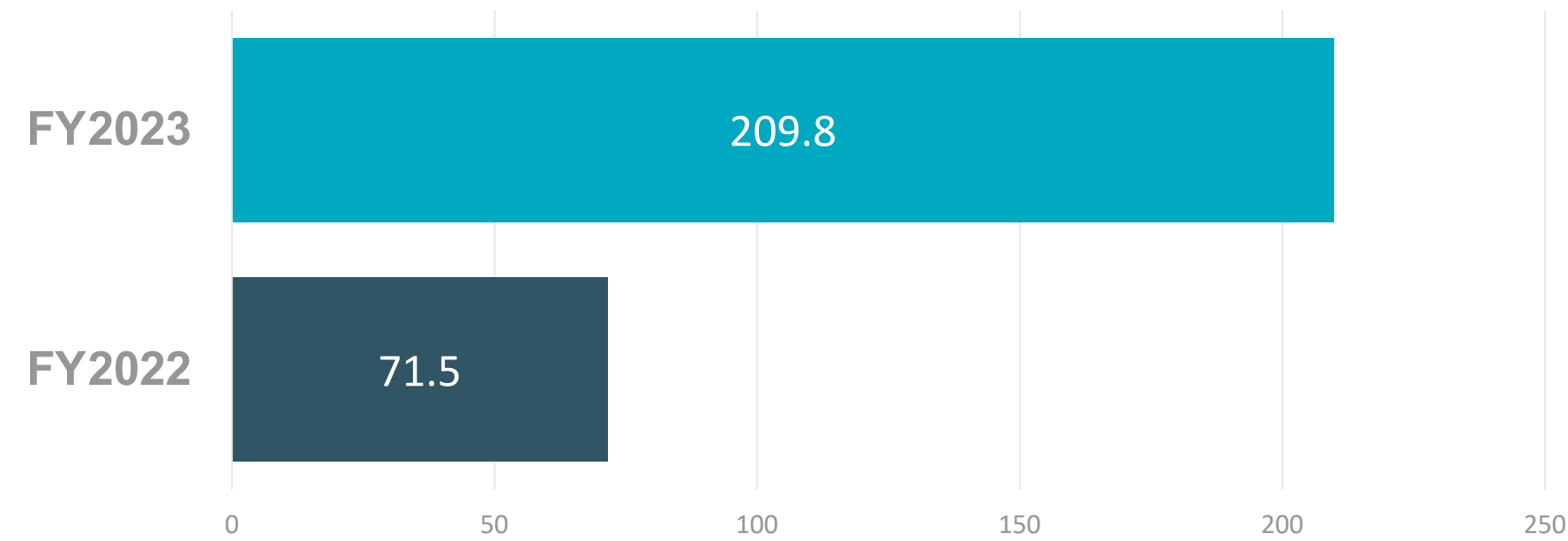


- Digital Assets: Major cryptocurrencies (BTC, ETH, AAVE, LINK, etc) and stablecoins (USDT, USDC)
- Tokenised Real Word Assets (RWA): Origination, tokenisation, and distribution capabilities including issuance and distribution of Security Tokens (i.e. BCAP)

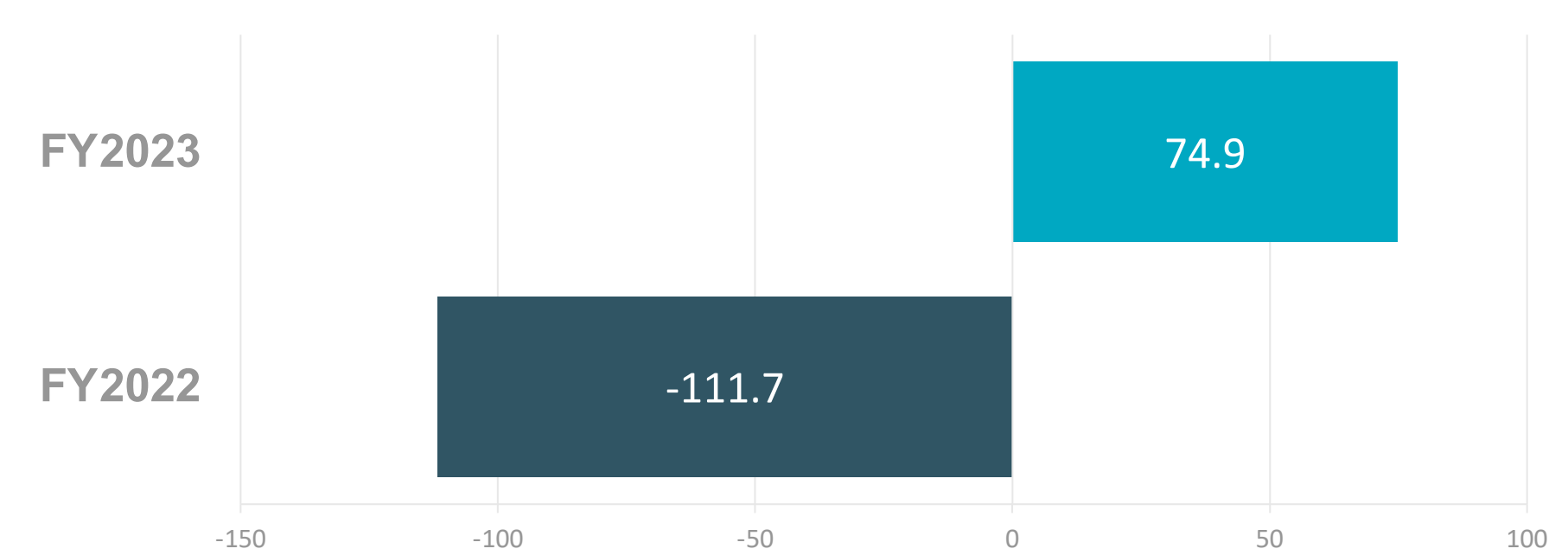
# Financial and Operational Highlights

# Group Financial Highlights (HKD millions)

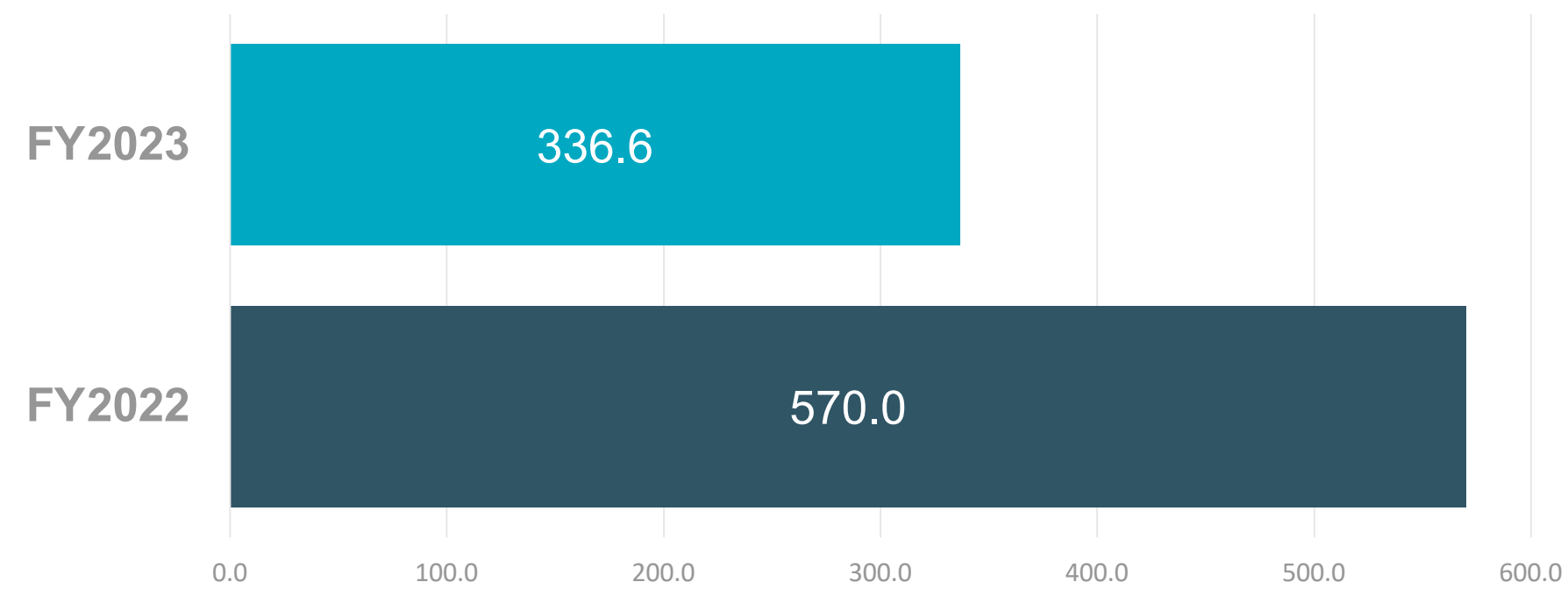
Group IFRS Revenue



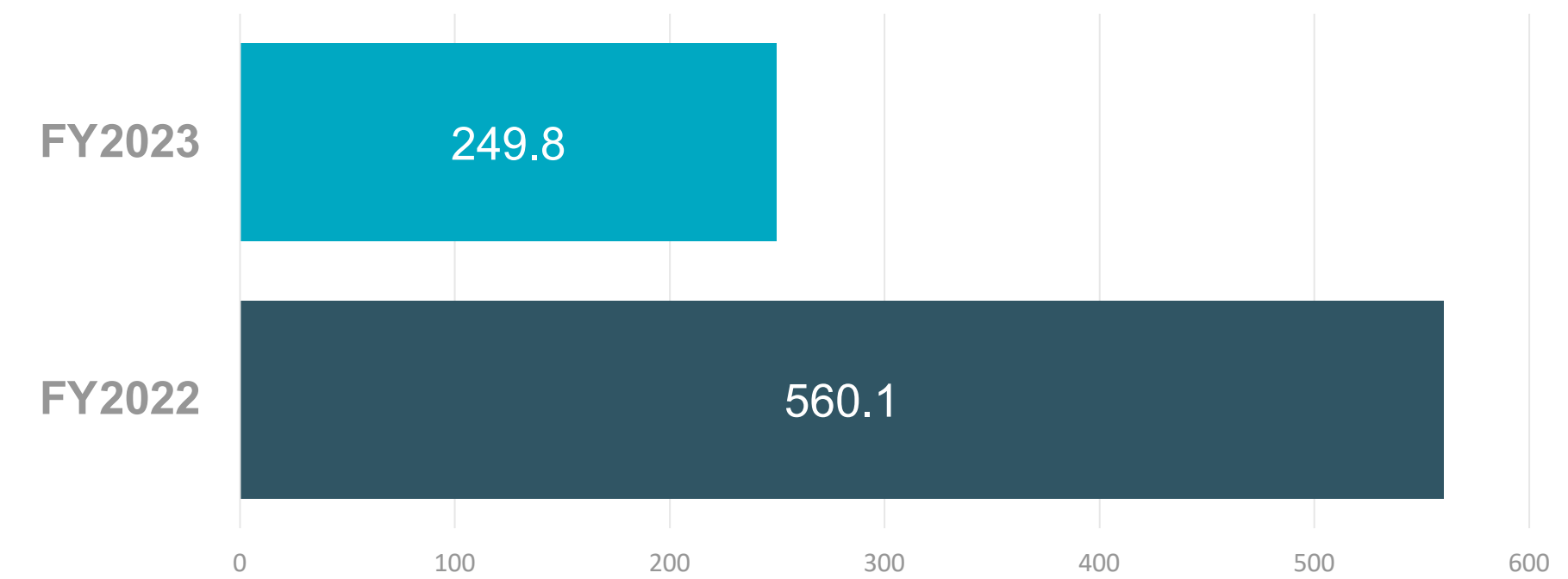
Fair Value Gains (Losses) on Digital Assets



Admin. and Other Operating Expenses

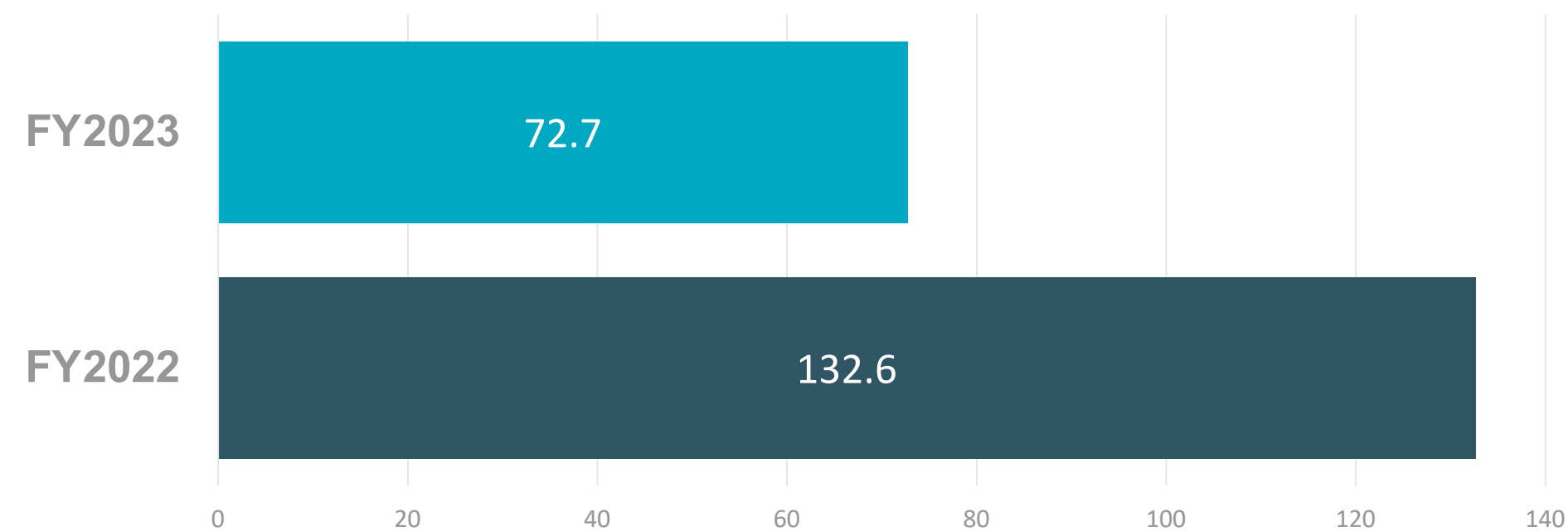


Loss from Continuing Operations

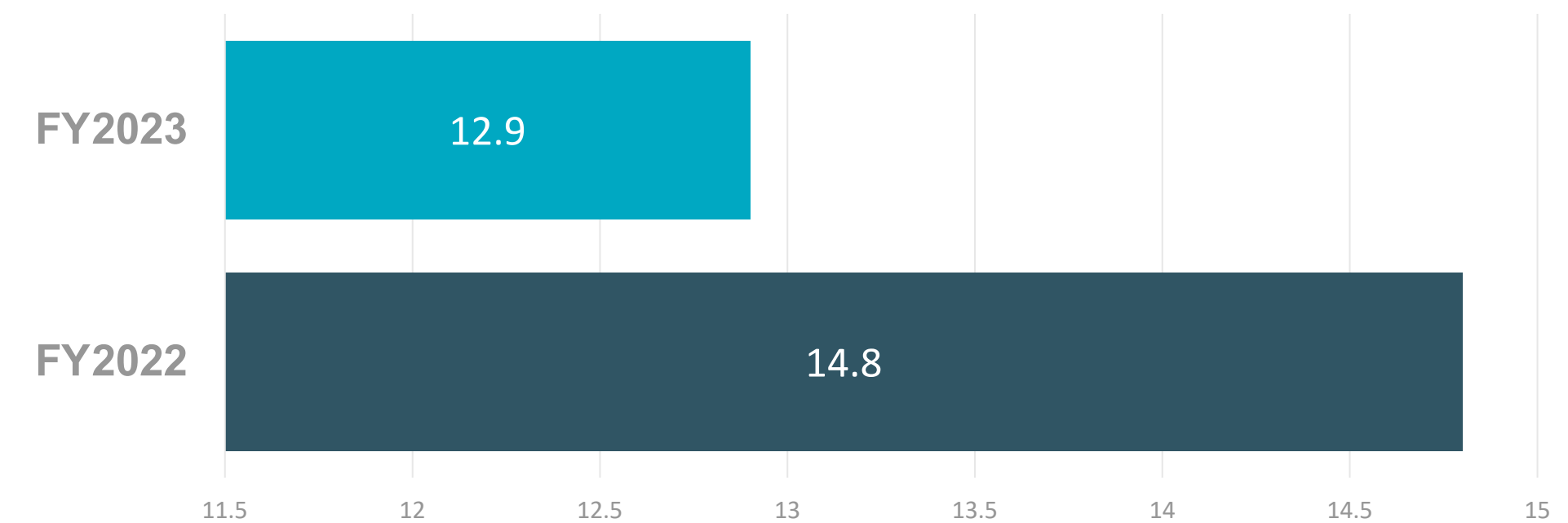


# OSL Digital Asset Platform Revenue (HKD millions)

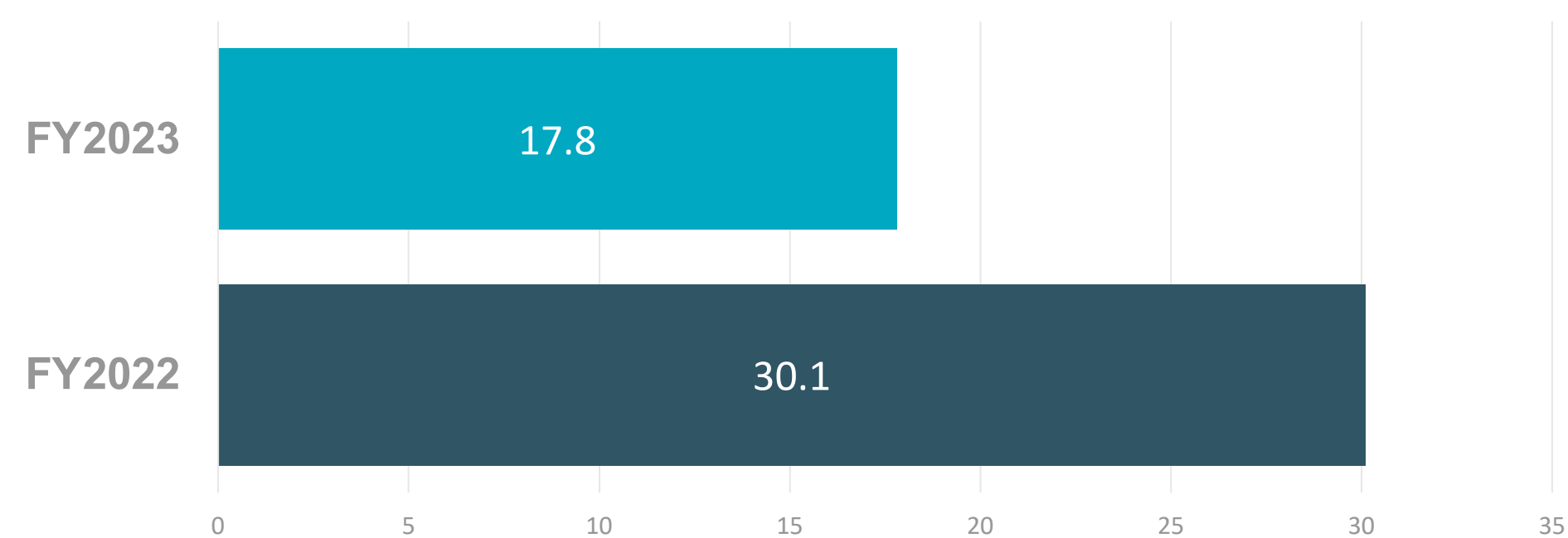
### Prime Brokerage Adjusted Non-IFRS Income



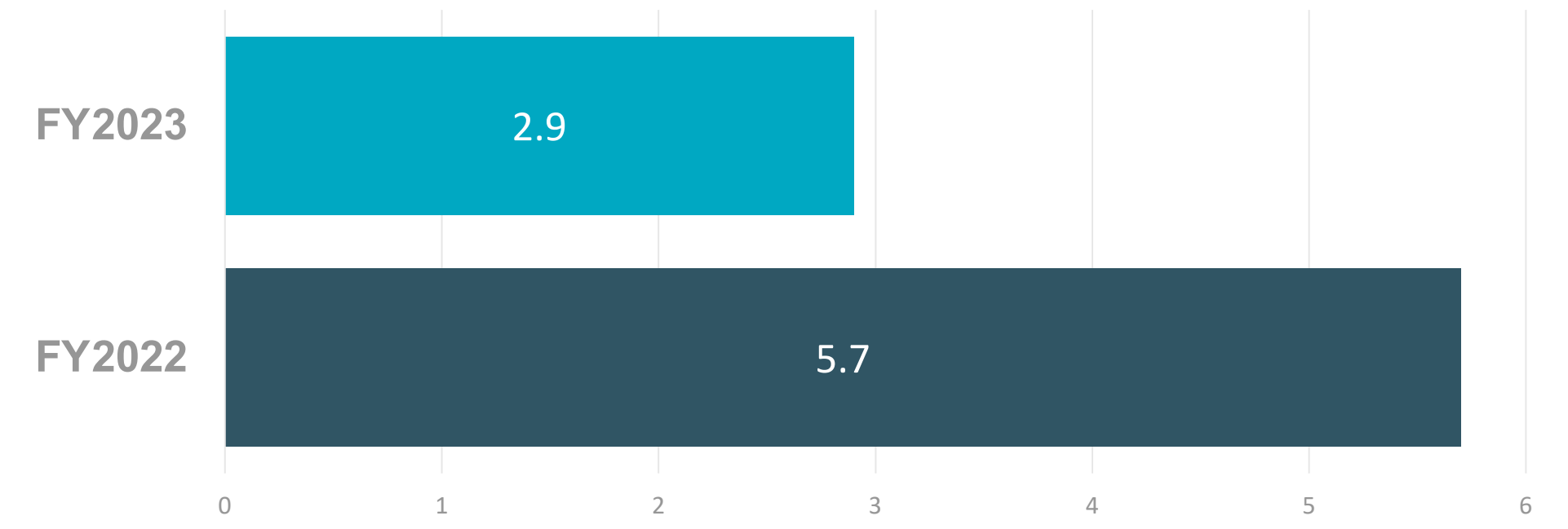
### Exchange Income



### Services Fees from SaaS

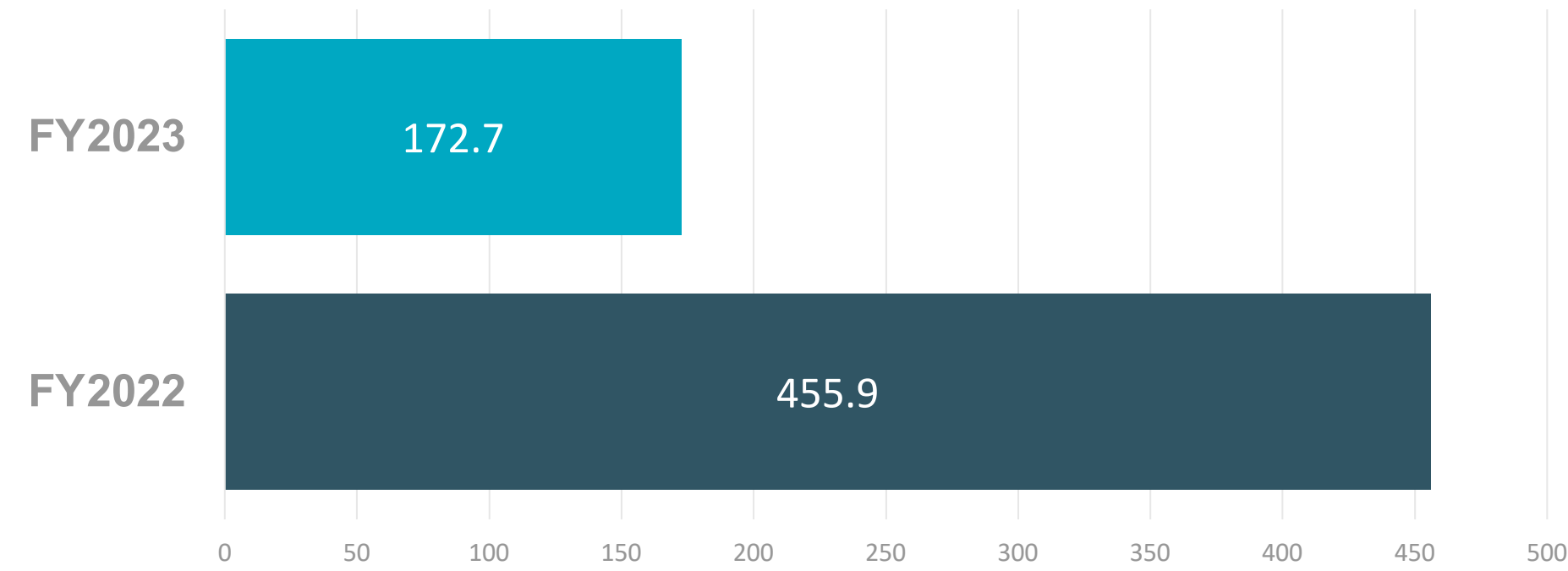


### Custody and Other Income

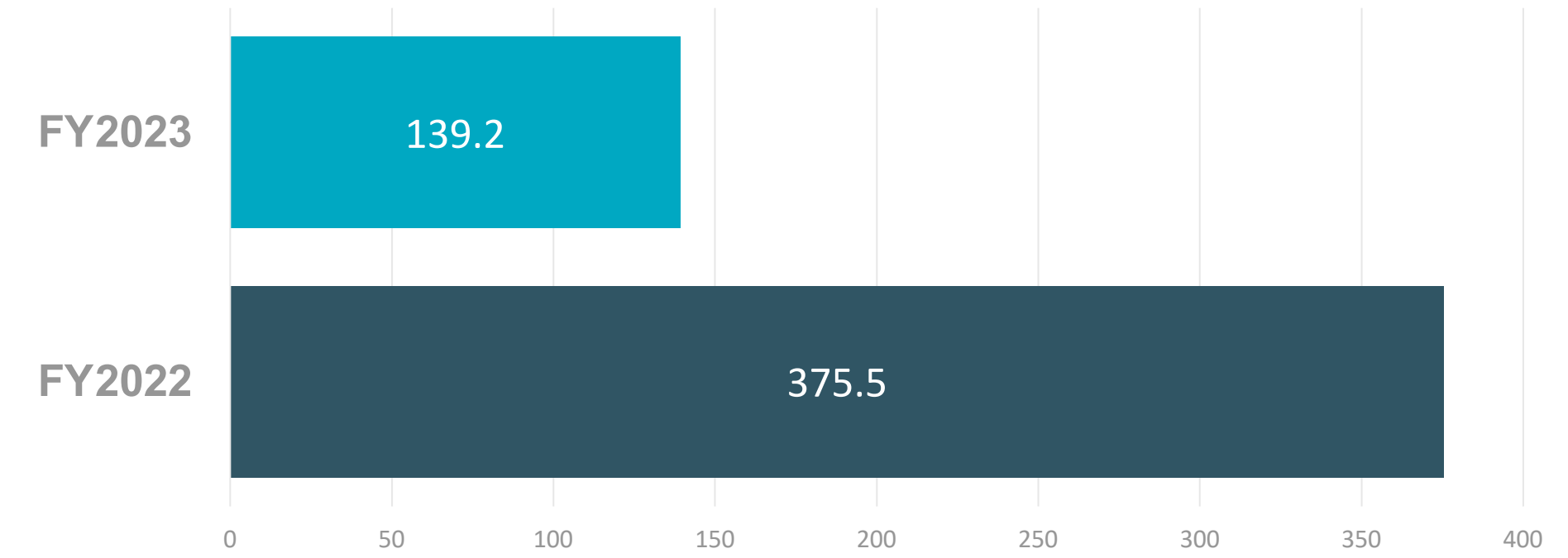


# Trading Volumes (HKD billions)

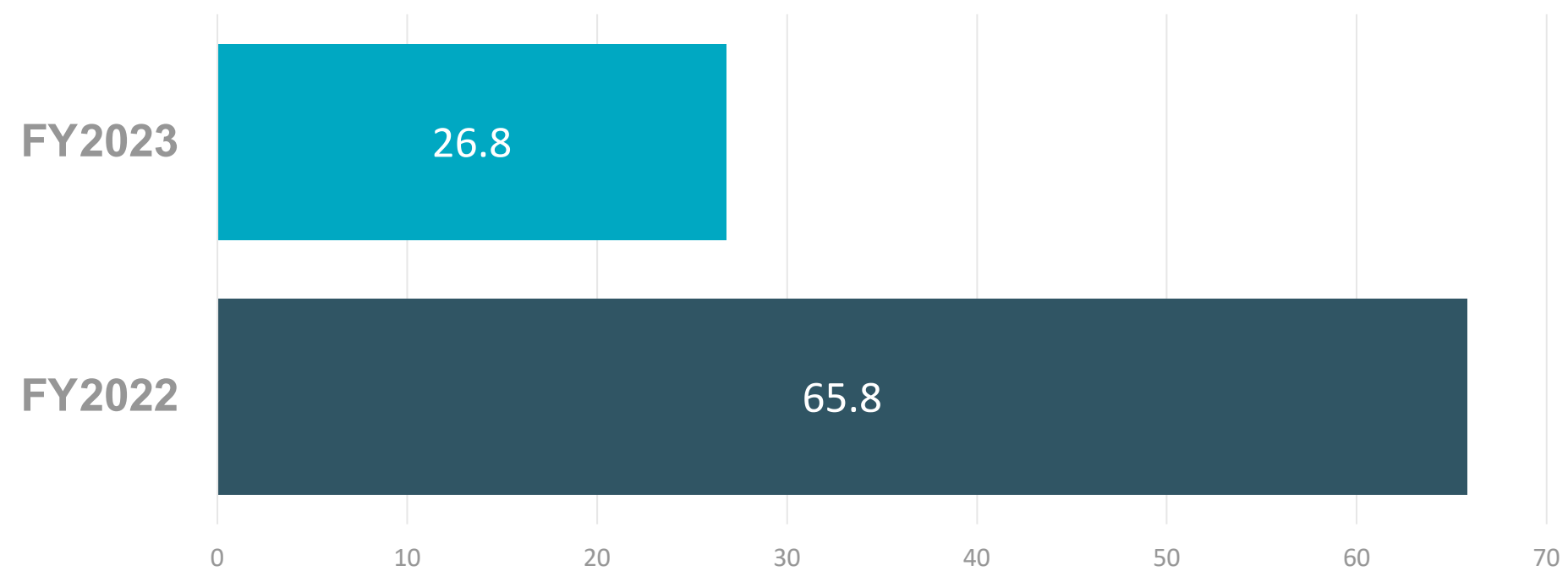
### Total Trading Volume



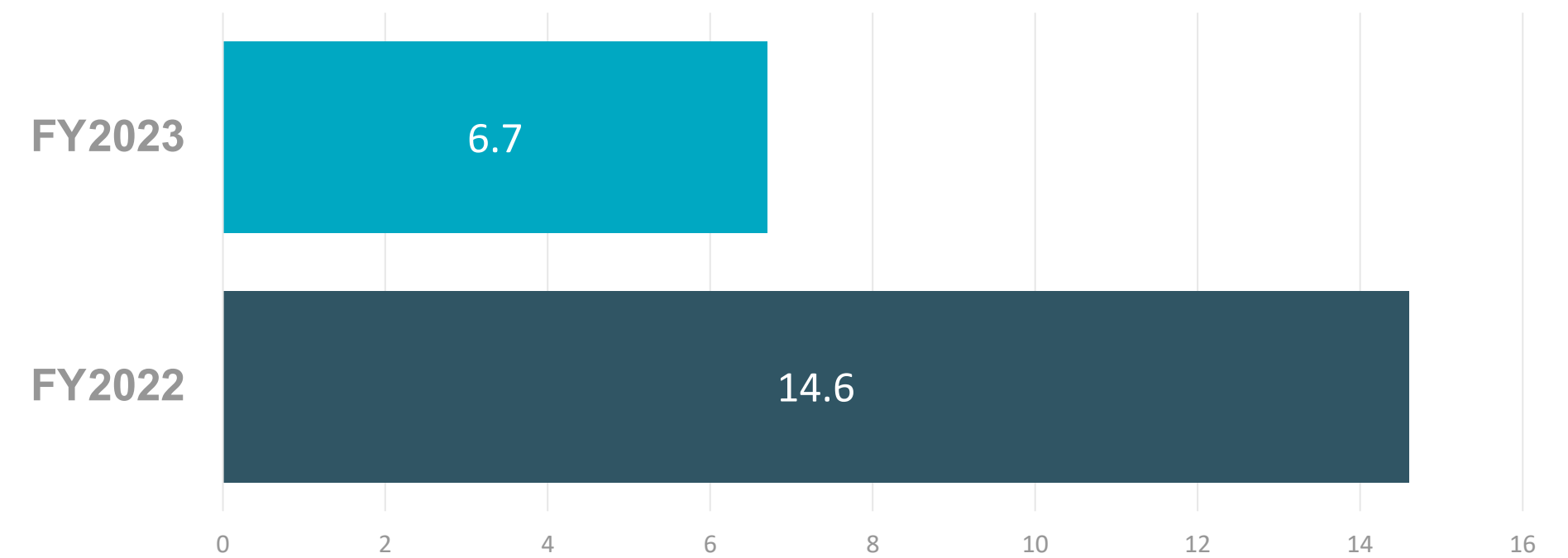
### Brokerage Trading Volume



### Exchange Trading Volume



### SaaS Trading Volume



# Financial Reviews (HKD '000)

	FY 2023	FY 2022
Adjusted non-IFRS income from digital assets and blockchain platform business ("DA business")	134,940	183,190
Net gain/(loss) of digital assets used in facilitation of prime brokerage business and net fair value gain/(loss) on digital assets	74,897	(111,710)
IFRS income from DA business	209,837	71,480
Cost of revenue	(17,594)	(1,315)
Selling expenses	(42,089)	(55,813)
Administrative and other operating expenses	(336,554)	(569,989)
Provision for impairment losses, net and finance costs, net	(6,085)	(14,941)
Share of net loss of an associate	(23,704)	(20,890)
Other income and gains, net	(35,658)	31,855
Net loss before income tax	(251,847)	(559,613)
Income tax credit/(expense)	2,058	(496)
Net loss from continuing operations	(249,789)	(560,109)



# Business Updates and Outlook



# Leadership for the Future

After the successful strategic investment by BGX, OSL looks to the future with renewed vision and determination with the appointment of Patrick Pan as CEO. Patrick draws on extensive experience from his senior leadership roles at prominent companies across diverse industries spanning global digital assets platforms, China's largest online real estate platform, cybersecurity, and e-commerce, bringing valuable expertise to OSL.

"With a committed vision for OSL, we're not just charting a new path in the digital asset domain – we will be pioneering it. Our direction is crystal clear: to lead with innovation, and to scale new heights. The synergy between our revitalised team and global strategy places OSL at the vanguard of setting industry standards," Pan addressed.



# Expanding B2B2C Partnerships

## Omnibus (B2B2C Model)



OSL and Solomon Securities signed a memorandum of understanding (MOU) to collaborate on expanding the digital asset ecosystem.



In a significant development for the local market, Interactive Broker has received an upgrade in its license and its retail investors in Hong Kong now have immediate access to digital asset trading through a single unified platform powered by OSL.



OSL and Mulana IM signed agreements to collaborate in a number of areas to further enhance each other's digital asset products and services offerings, starting with a collaborative introducing broker model.



OSL and Victory Securities proudly announce the expansion of their services to retail investors.

# Pioneering Tokenisation

## STO Updates:



OSL is pleased to announce that its proposal with Harvest Global Investments has been jointly submitted to the SFC to explore tokenisation of retail fund products (“Fund Tokens”) with a view to complying with the regulatory guidance provided by the SFC.



OSL proudly announces participation in UBS’s pilot investment-grade tokenised warrant featuring an equity-linked call warrant token issued on the Ethereum-based public blockchain by UBS AG to OSL.

This transaction reproduces the entire product life cycle of an equity-linked call warrant, showcasing the potential to revolutionise transparency, reduce costs, and enhance trading flexibility.



# Catalysing Growth: OSL's Strategic Roadmap for 2024

OSL's Global Strategy for 2024 centers around four key pillars. Firstly, a focus on the OTC business. Secondly, while maintaining OSL's institutional focus, the strategy aims to strengthen the retail side to become an all-integrative digital asset service provider. Thirdly, OSL plans for global expansion through M&A activities. Lastly, service innovation focuses on developing user-friendly digital asset products through collaborations and regulatory support for security token products.

This strategy ultimately underscores OSL's commitment to the highest compliance standards across multiple jurisdictions, ensuring global access to digital asset solutions. This strategic direction aligns with OSL's vision to lead the institutional digital asset market and set a global benchmark for innovation, security, and compliance.



## OTC

To fortify the readily attainable opportunities within the OTC business, it has bolstered its team by appointing a new Head of OTC. Its objective is to elevate both trading volume and the caliber of our customer base, ultimately targeting higher take rates.



## Institution + Retail

While preserving the autonomy of its institutional business line encompassing SaaS and Omnibus services, OSL plans to enhance its retail outreach. This effort includes the introduction of a new mobile app designed to bolster OSL's retail presence.



## Globalization

In an increasingly interconnected digital landscape, beyond Hong Kong and Singapore, OSL recognises the significance of establishing a global footprint to serve a diverse and international clientele. As part of this expansion, OSL remains resolute in upholding its rigorous compliance standards.



## STO

Leveraging its collaborations with its institutional partners and product issuers and the policy support for security token products from the Securities and Futures Commission, OSL will continue to pioneer the development of tokenised financial products in Hong Kong.



## Contact Us

# Get In Touch With Any Questions!

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