



OSL GROUP (HKEX:863) 2024 INTERIM RESULTS

August 2024



DISCLAIMER



HKEX 863

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Hong Kong Regulatory Landscape and Recent Market Conditions

Key Regulatory Milestones in Hong Kong

- **VATPs transitional period ended**

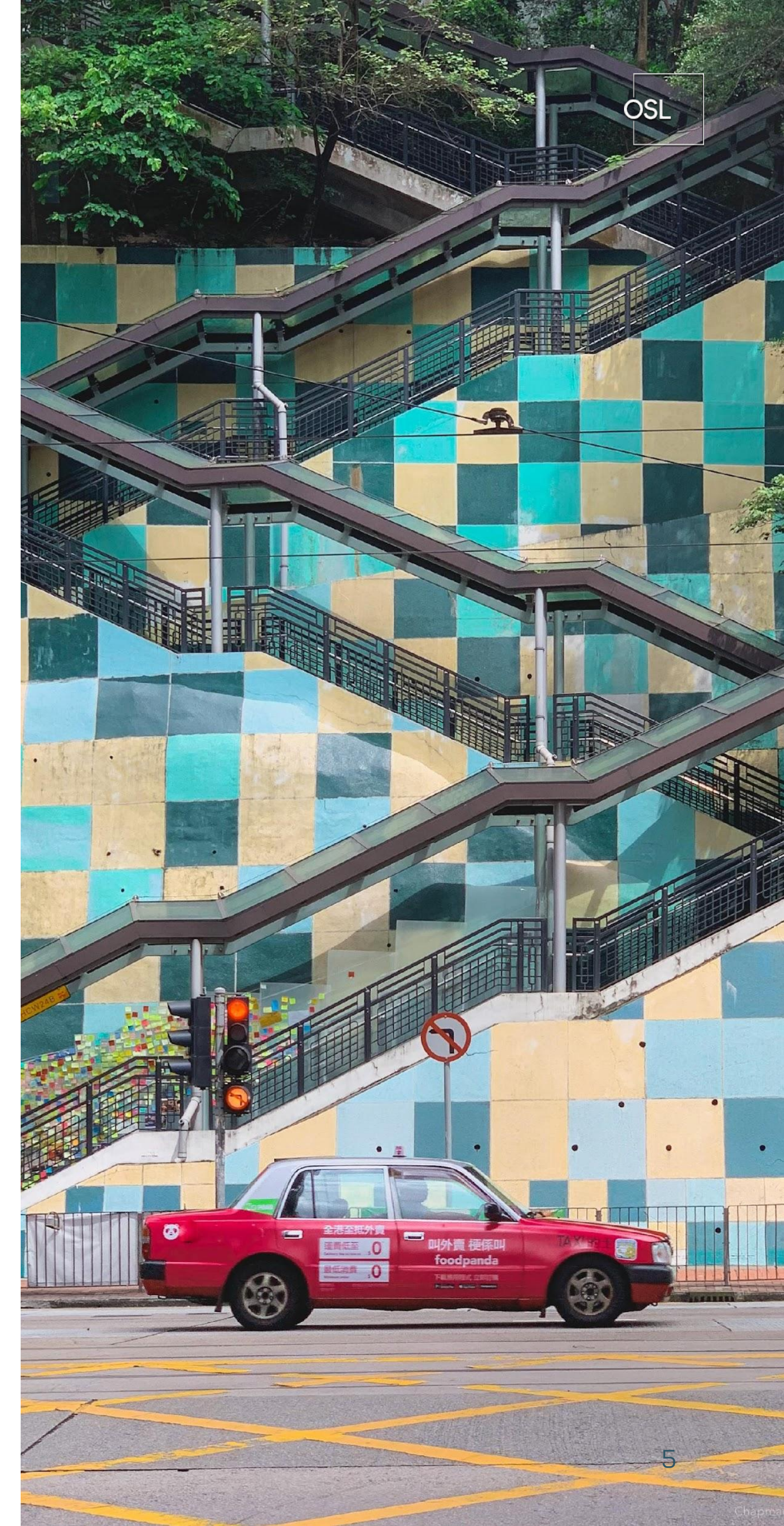
1 June 2024 marks the end of the transitional period and the beginning of the era of mandatory licensing for virtual asset trading platforms (VATPs) in Hong Kong, and VATPs must now ensure they have the necessary licences and meet the SFC's compliance standards to continue operating in the Hong Kong market.

- **Stablecoin consultation paper**

Hong Kong has announced the completion of a public consultation on the regulation of stablecoins and the list of initial sandbox participants.

- **Spot digital asset ETFs launched in Hong Kong**

30 April 2024 witnessed the launch of the first spot digital asset exchange-traded funds (ETFs), marking a significant milestone in the integration of digital assets into the mainstream financial landscape in the region.



Spot BTC / ETH ETF Launch

- **Hong Kong is the first market to deliver both spot Bitcoin and Ethereum ETFs**

Hong Kong has become the first market globally to launch both spot Bitcoin and Ethereum exchange-traded funds (ETFs), with fund managers such as **ChinaAMC, Harvest Global and Bosera Asset Management**. This positions Hong Kong as the frontrunner in providing investors with direct exposure to the two largest digital assets through regulated and transparent investment vehicles.

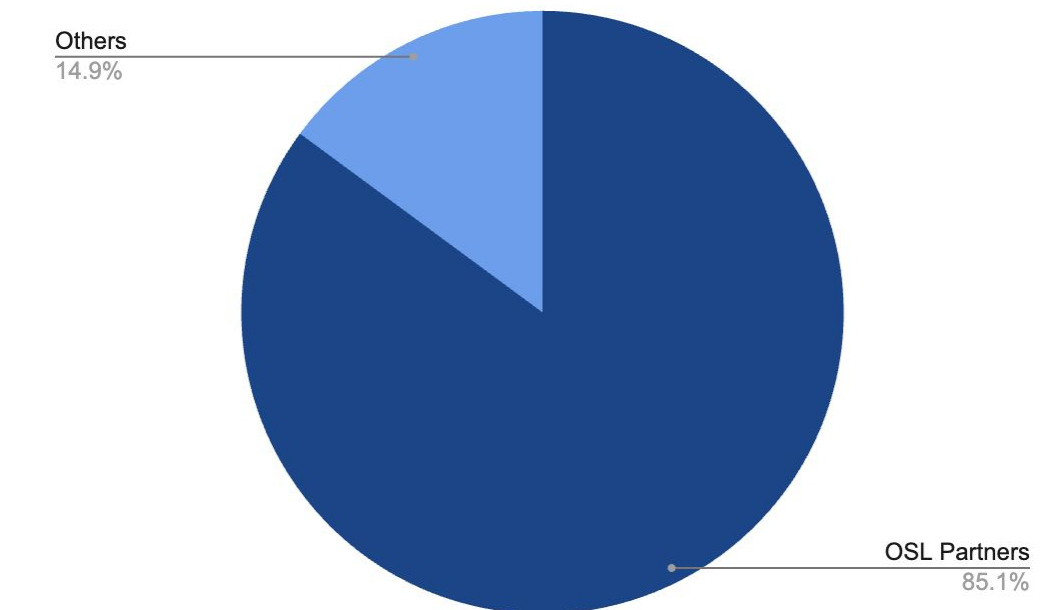
- **Unique market to provide both fiat and in-kind subscription & redemption**

Hong Kong's spot digital asset ETFs offer a unique feature, allowing investors to subscribe and redeem the ETF units using **both fiat currency and the underlying digital assets**. This flexibility caters to a broader range of investors, facilitating seamless participation in the digital asset market through traditional financial infrastructure.

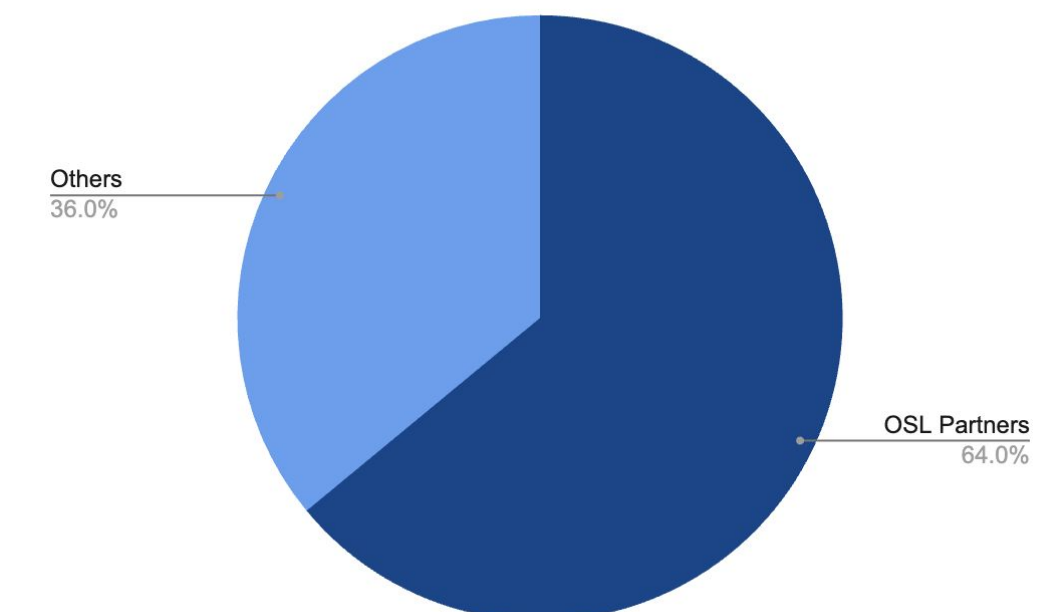
- **Spot digital asset ETFs maintain strong investor demand amid market volatility**

The performance of Hong Kong's newly launched spot Bitcoin and Ethereum ETFs has been resilient, even as the broader digital asset market experienced a downturn. Despite the market volatility, the assets under management (AUM) for these ETFs surpassed HKD 2.4 billion as of 6 May 2024, showcasing the continued strong investor demand for these products. The trading volume for the ETFs also reached record levels, demonstrating the market's confidence in these regulated investment vehicles. This milestone highlights the successful integration of traditional financial systems with cutting-edge digital asset solutions in Hong Kong's evolving digital finance landscape.

Spot BTC ETF Turnover (HKD in million)



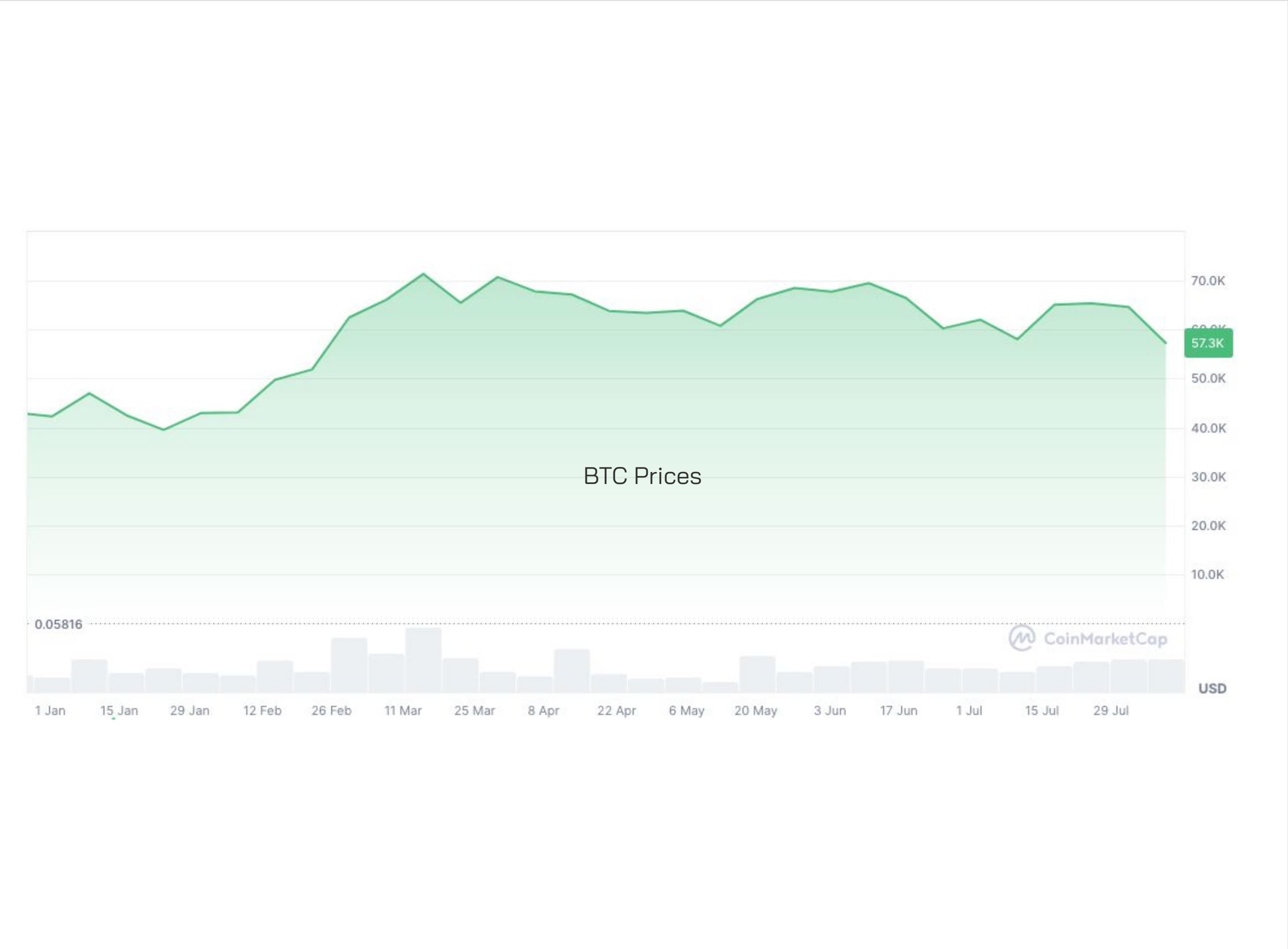
Spot ETH ETF Turnover (HKD in million)



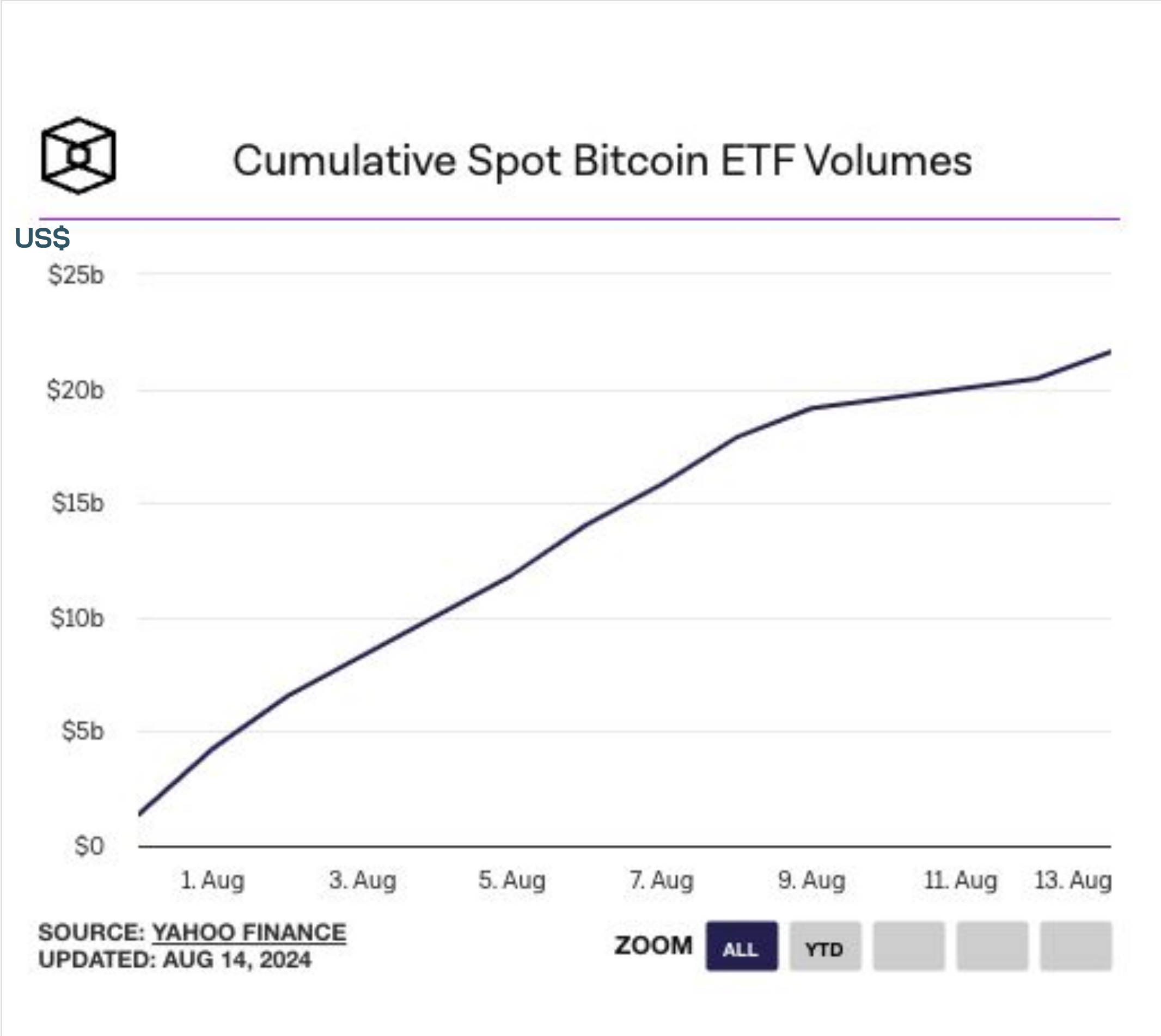
*Data as of 6 August 2024, Hong Kong time (Source: HKEX)

A Look at the Current Market

Bitcoin's price soared to a new ATH of US\$73,000 in March 2024



Impressive BTC ETF Volume



Note: Slide updated as of 15 Aug 2024

OSL Group Introduction



Delivering best-in-class access to digital assets, setting standards for performance, security and compliance

OSL 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

Regulated by the Hong Kong Securities and Futures Commission and SOC2 Type 2 compliant.



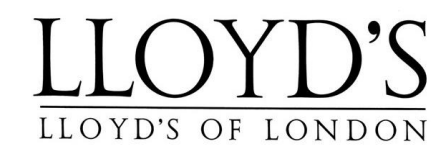
Publicly Listed

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 – 100% and 50% coverage for hot and cold (and frozen) wallets respectively.



Experienced

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

OSL Products and Services

Products

Brokerage

Spot trading available in voice, chat, or electronic trading (via RFQ)

Exchange

Secure and frictionless digital asset trading with deep liquidity, multi-currency, and multi-token

Custody

Certified military grade technology with state-of-the-art encryption and multi-control processes

Services

Technologies

Customizable, secure, and scalable trading platforms for financial institutions

Asset Management

Digital asset investment strategies, institutional-grade portfolio management and advisory services

Consultancy

Strategic consultancy services for digital finance, providing in-depth industry insights, regulatory guidance, and tailored solutions

Asset Universe



US \$100+ Billion

Traded volume since inception

900+

Institutional and UHNWI clients

24/7

Trading and support coverage

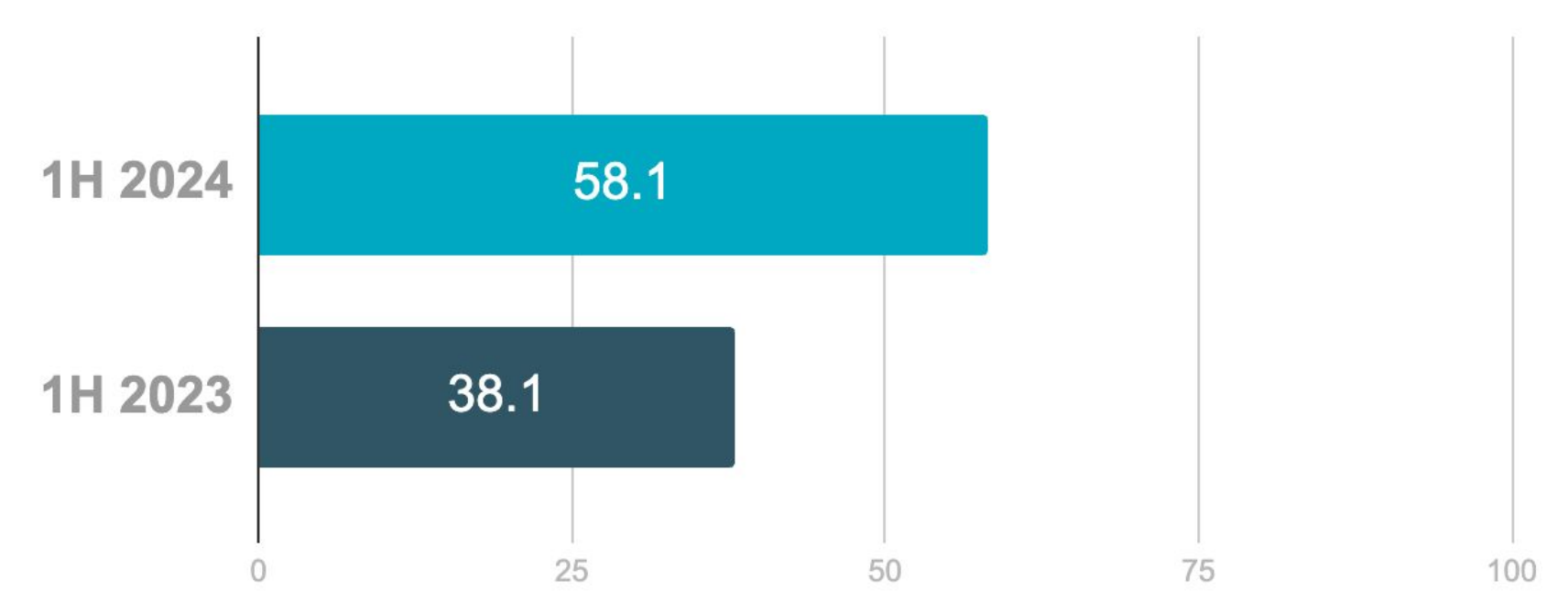
Financial and Operational Highlights

Financial Highlights (HKD millions)

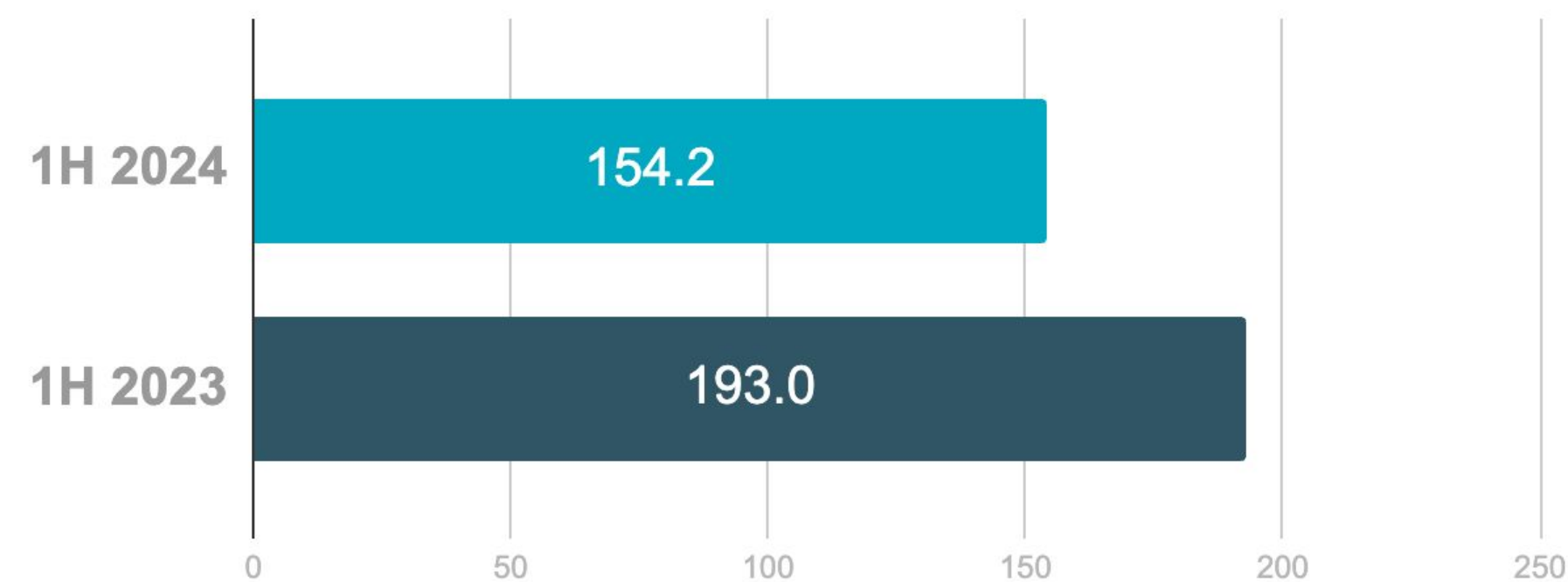
Group IFRS Income



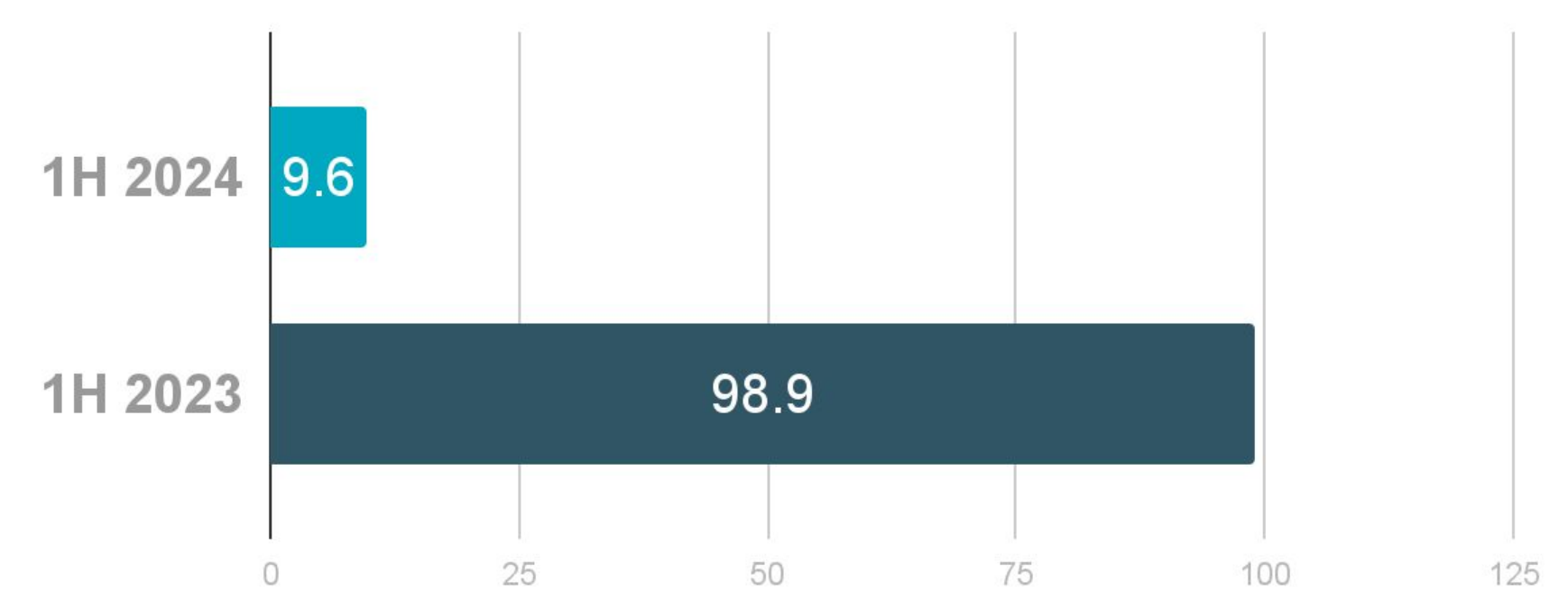
Fair Value Gains on Digital Assets



Admin. and Other Operating Expenses*



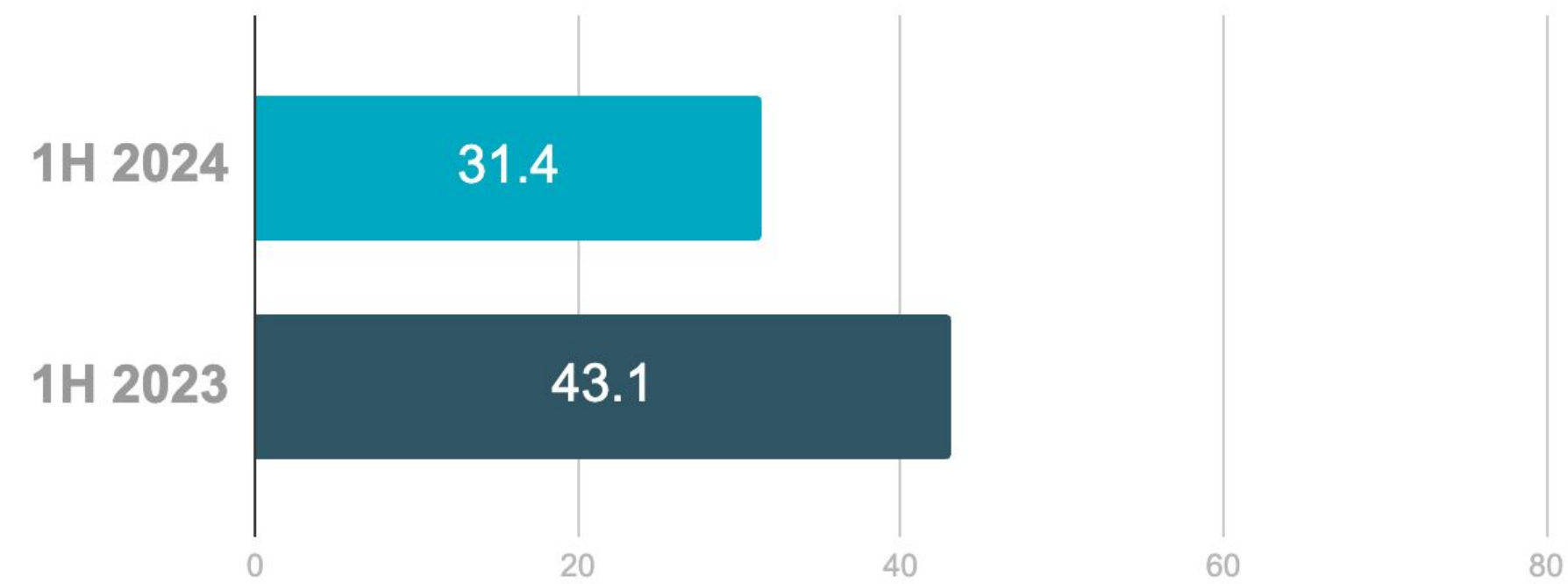
Loss from Continuing Operations



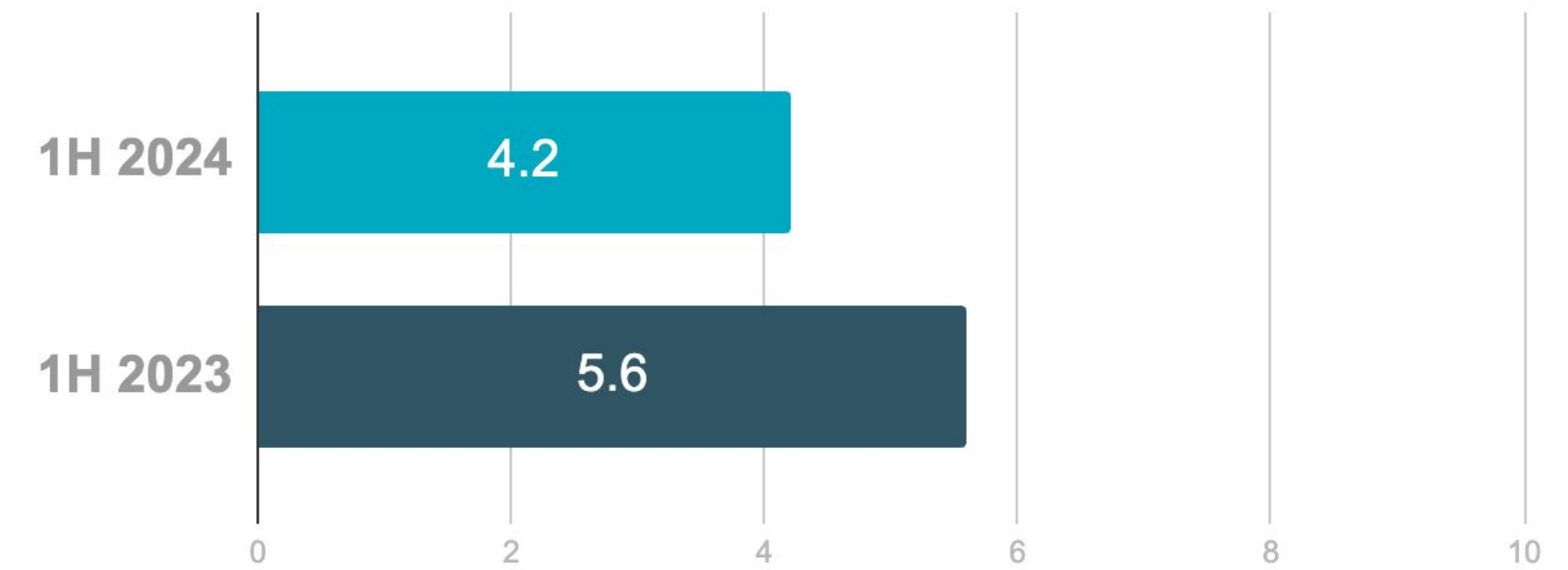
* Include Fee and commission, Staff costs, IT costs, Depreciation and amortisation and Other operating expenses

OSL Digital Asset Platform Revenue (HKD millions)

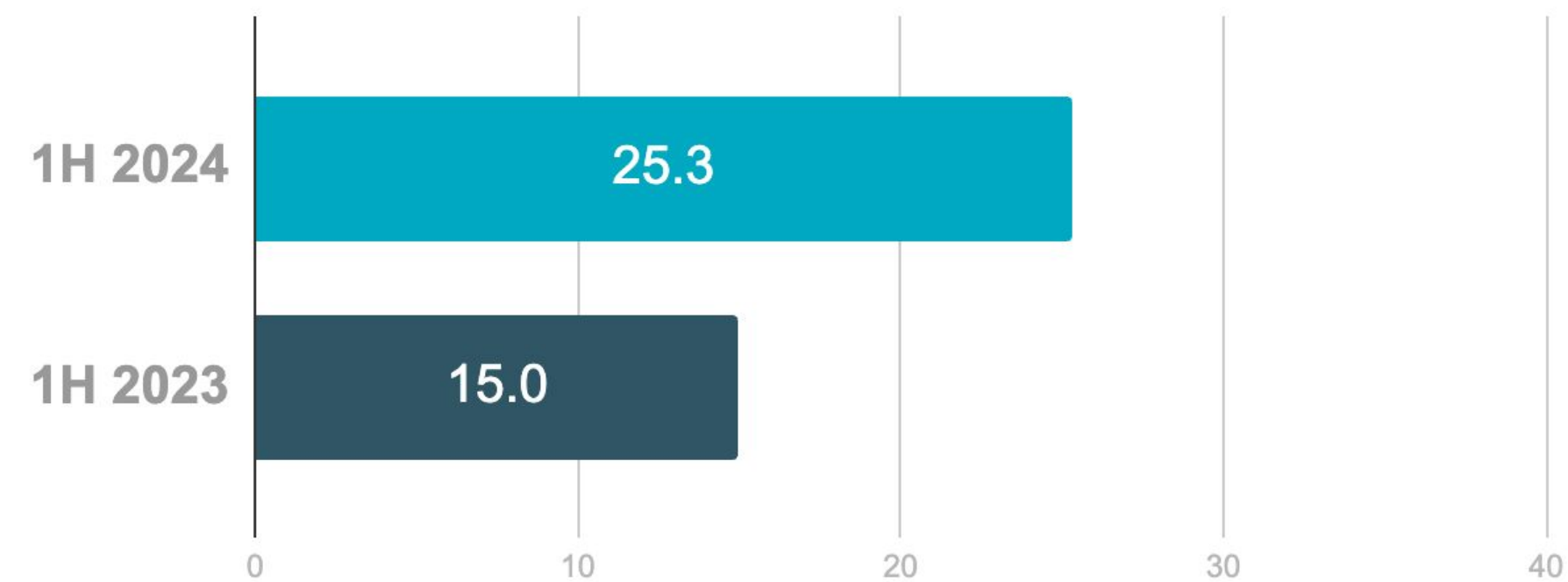
Prime Brokerage Adjusted Non-IFRS Income



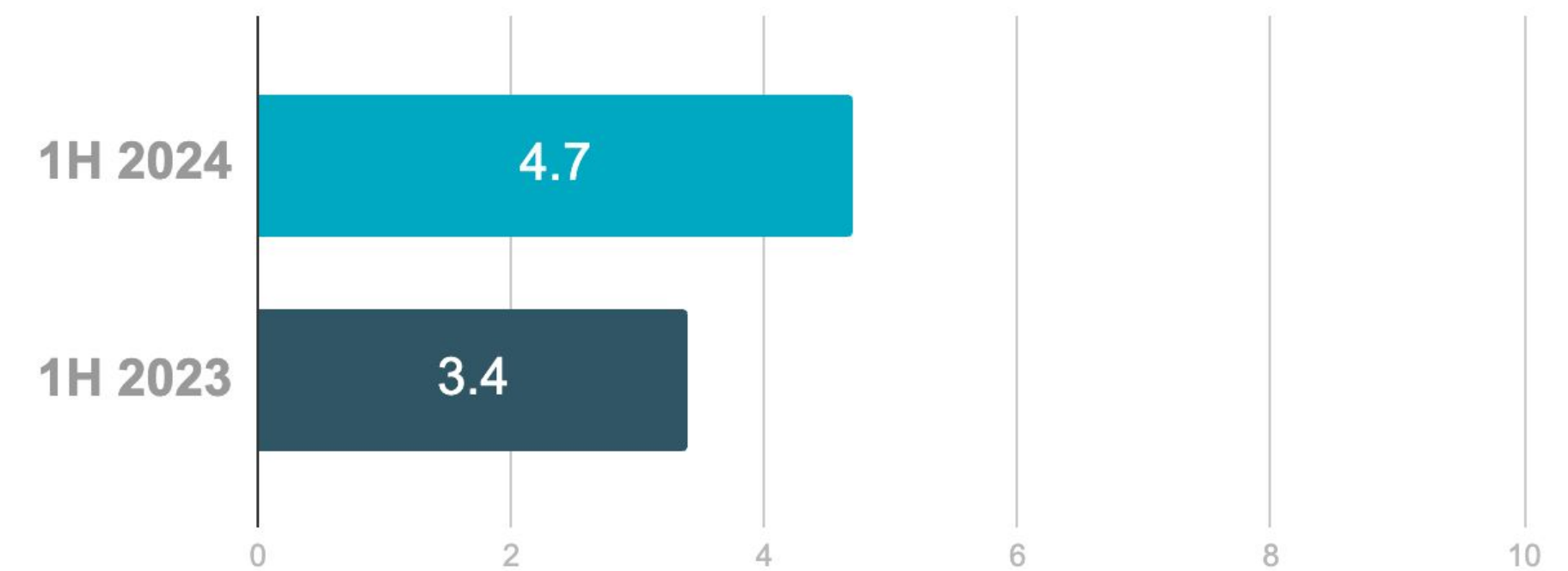
Exchange Income



Services Fees from SaaS

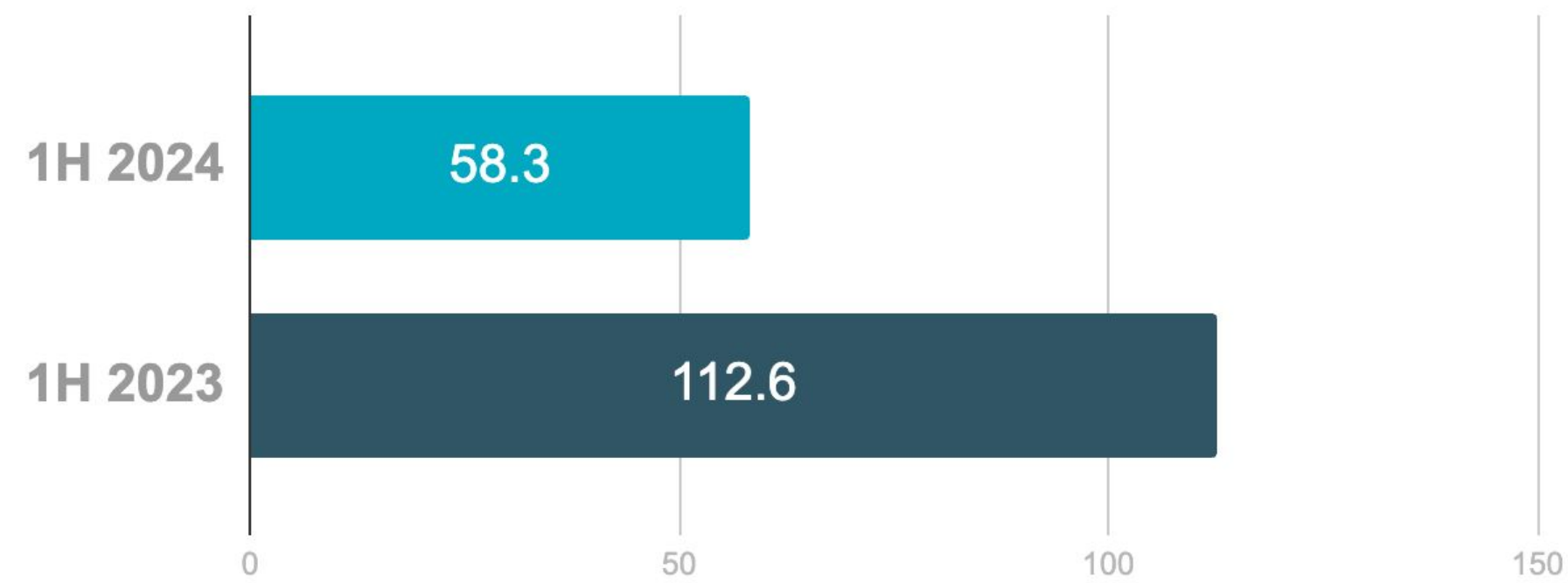


Custody and Other Income

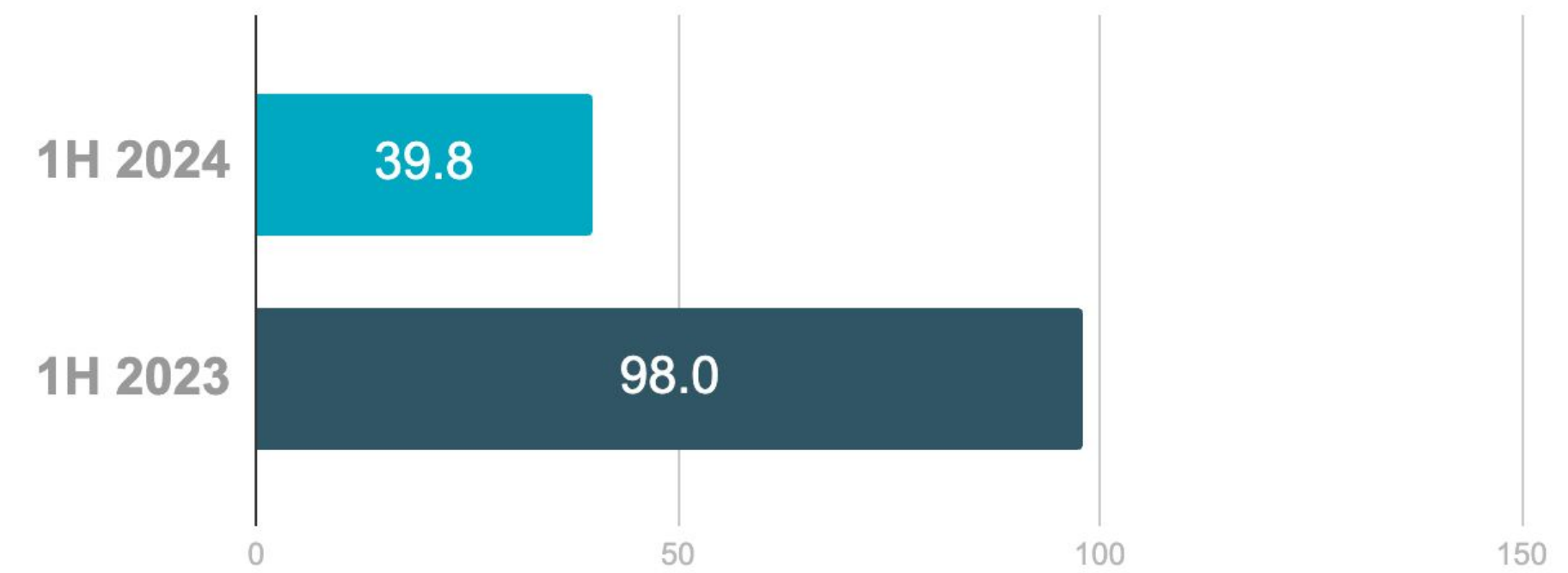


Trading Volumes (HKD billions)

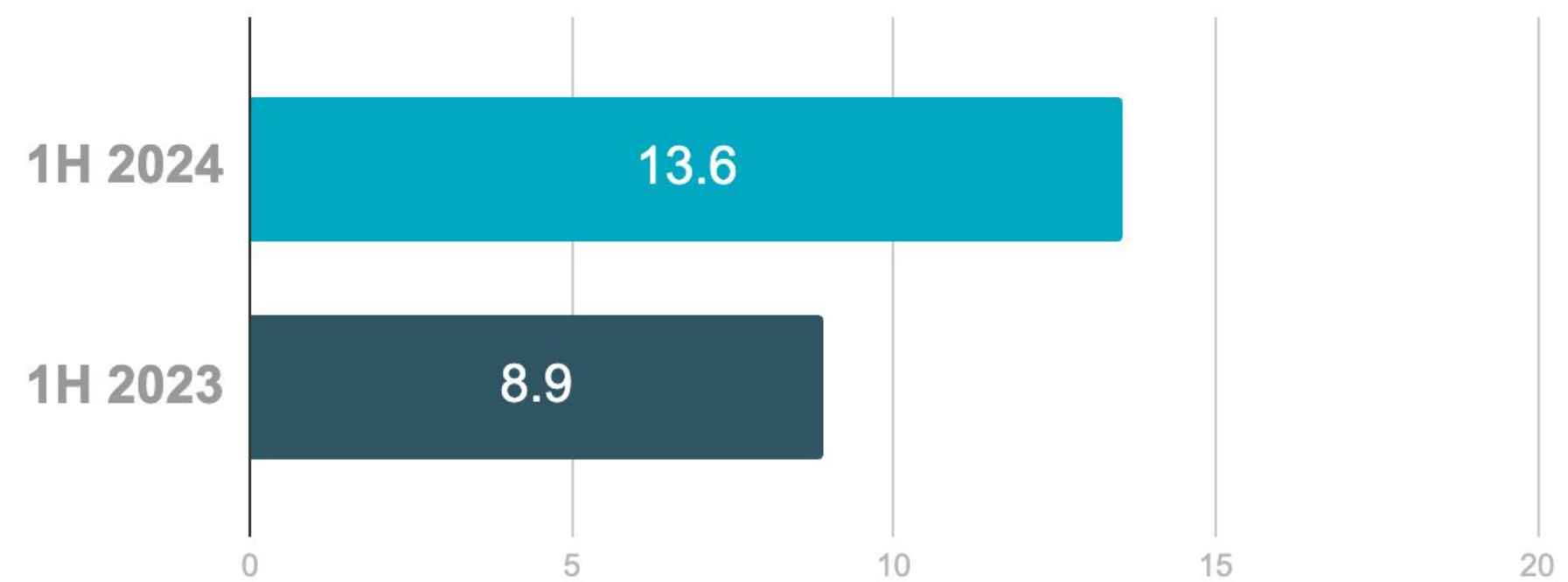
Total Trading Volume



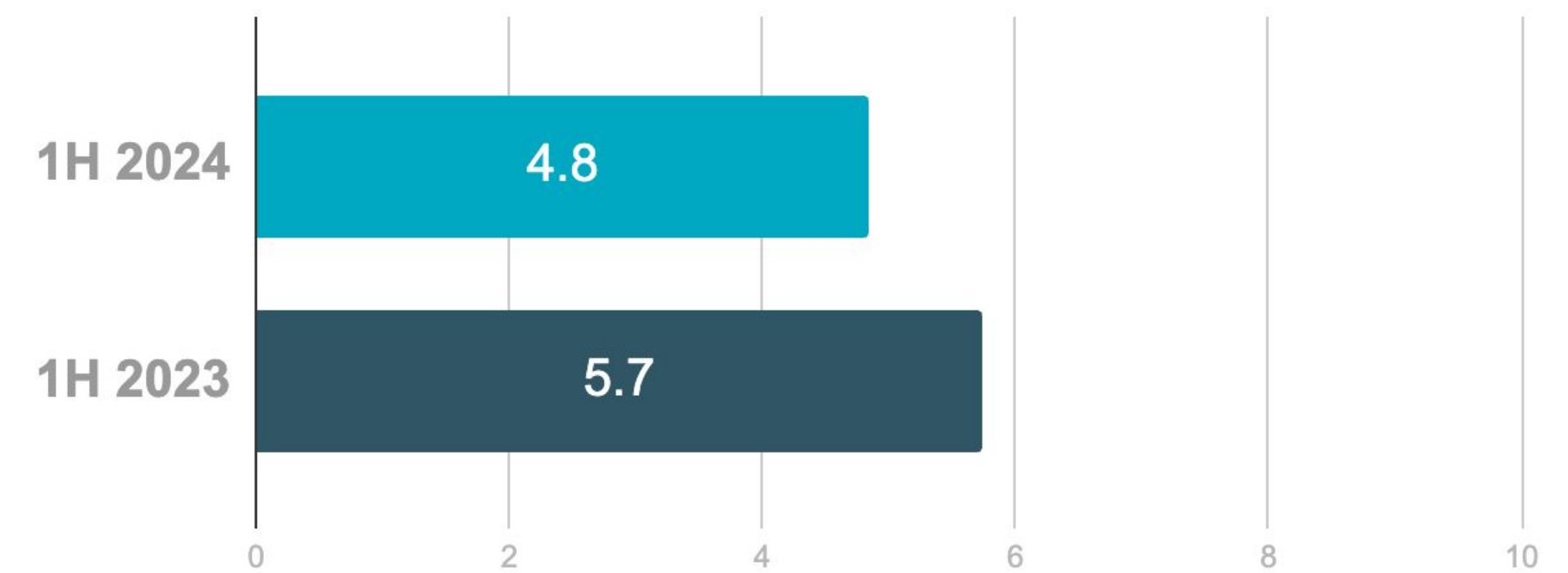
Brokerage Trading Volume



Exchange Trading Volume



SaaS Trading Volume



Financial Reviews (HKD '000)

	1H2024	1H2023
Group's adjusted non-IFRS income from digital assets and blockchain platform business ("DA business")	65,648	67,142
Net gain of digital assets used in facilitation of prime brokerage business and net fair value change in digital assets	58,141	38,075
Group's IFRS income from DA business	123,789	105,217
Fee and commission expenses	(3,667)	(14,040)
Staff costs	(82,129)	(90,951)
IT costs	(13,661)	(24,609)
Depreciation and amortisation	(14,664)	(19,683)
Other operating expenses	(40,068)	(43,748)
Provision for impairment losses on financial assets, net	(1,333)	(1,215)
Finance income/(costs), net	8,595	(1,647)
Share of net loss of an associate	(2,777)	(9,544)
Other income and gains, net	16,319	1,687
Net loss before income tax	(9,596)	(98,533)
Income tax expense	(47)	(323)
Net loss from continuing operations	(9,643)	(98,856)

Business Updates and Outlook



Expansion of Leadership Team

After the successful strategic investment by BGX, OSL looks to the future with a strategic expansion of its executive leadership team to propel the company into its next growth phase with the appointment of Kevin Cui as CEO. Kevin draws on extensive experience from his impactful leadership roles at Bybit, a global digital asset platform. As a visionary in the digital asset space, Kevin will drive OSL’s direction in regulatory compliance, security, and user experience, bringing two decades of expertise in both Web 2 and Web 3 sectors to OSL.

"I am honoured to lead OSL team into its next phase of growth. My leadership philosophy is rooted in putting the customer first, a principle I honed during my time at Google," Kevin remarked. "By focusing on what our clients need and delivering value, we aim to make digital assets more accessible and convenient, fostering mass adoption and future applications. Our commitment to compliance and security will remain unwavering as we strive to create the best possible user experience."



Expanding Institutional Customer Base

Partner Brokers (B2B2C Model)



OSL powered Solomon Securities to offer digital assets trading and the distribution of digital assets ETFs to retail and institutional investors.



OSL powered Interactive Broker as the first licensed broker to offer digital assets trading since February 2023.



OSL powered Victory Securities to offer digital assets trading and products to retail and institutional investors.

... and more online brokers, wealth managers and institutional partners in the pipeline!

Powering Hong Kong's Digital Finance Evolution

ETF and Tokenisation Updates:



OSL has been selected as the only sub-custodian for the **ChinaAMC & Harvest Global** spot BTC and ETH ETFs.

This partnership ensures robust operational support and institutional-grade custody solutions for the ETF products, enhancing investor confidence and strengthening Hong Kong's digital finance ecosystem.



OSL proudly participated 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 reproduced the entire product life cycle of an equity-linked call warrant, showcasing the potential to revolutionise transparency, reduce costs, and enhance trading flexibility.



Expanding Reach and Industry Recognition

Corporate Updates:



OSL's inclusion as a constituent of the **MSCI Hong Kong Index*** in May 2024 underscores the company's growing prominence in the global digital assets landscape.



OSL has been awarded the **"Best Digital Assets Service Provider"** at the **2024 HFM Asia Services Awards**, and **"Best Investment & Wealth Management - Virtual Asset Trading Platform"** at **Metro Finance**.



OSL was the **first VATP** to be granted an Anti-Money Laundering and Counter-Terrorist Financing (**AMLO**) licence by the Hong Kong SFC in April 2024.

*Under MSCI GLOBAL SMALL CAP INDEXES



Catalysing Growth: OSL's Strategic Roadmap for 2024

As Hong Kong's digital finance ecosystem continues to evolve, OSL is poised to play a pivotal role in driving further growth and innovation. OSL's strategic roadmap for 2024, led by newly appointed CEO Kevin Cui and with Patrick Pan as the Chairman of the Board, outlines a comprehensive plan to enhance its offerings and expand its reach across key areas.

Looking ahead, the digital asset market is expected to regain strong momentum, presenting OSL with opportunities to introduce more innovative products and solutions. OSL is well-positioned to capitalise on this market resurgence and accelerate the adoption of digital finance in the region.



OTC

Strengthening its industry-leading OTC trading capabilities by onboarding additional market makers and liquidity providers, offering institutional investors seamless access to enhanced digital asset liquidity.



Institution + Retail

While preserving the autonomy of its institutional business lines encompassing SaaS and Omnibus services, OSL plans to enhance its retail outreach - providing a user-friendly platform to access its suite of digital asset investment products.



APAC Expansion

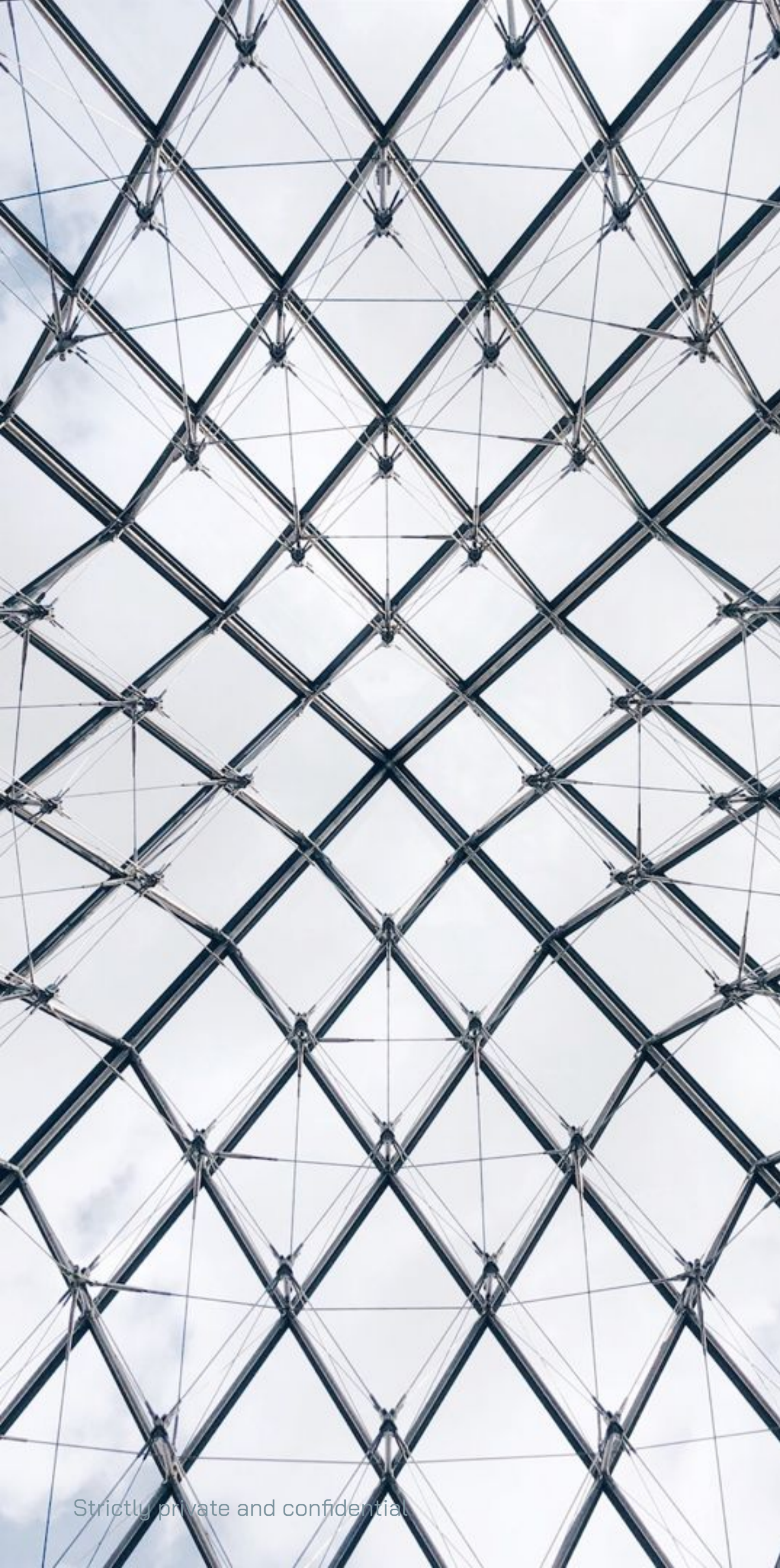
Accelerating its growth across the Asia-Pacific region, with a focus on strategic mergers and acquisitions to spearhead this regional expansion initiative, targeting markets with mature trading appetite and robust regulatory frameworks.



Tokenisation

Pioneering the development of innovative tokenised products and solutions, enabling the seamless integration of traditional financial instruments with cutting-edge digital asset technologies.





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