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BC TECHNOLOGY GROUP LIMITED

BC 科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0863)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Reference is made to the annual report for year ended 31 December 2018 (the “**2018 Annual Report**”) of BC Technology Group Limited, formerly known as Branding China Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) published on 12 April 2019. Unless otherwise specified, capitalised terms used herein shall have the same meaning as those defined in the 2018 Annual Report.

Further to the information disclosed in the 2018 Annual Report, the Company wishes to provide the following supplemental information regarding the Group’s digital asset business.

DIGITAL ASSET INVENTORIES

Save as disclosed in the 2018 Annual Report, the amount of digital asset inventories was RMB188.7 million as at 31 December 2018, of which RMB180.5 million was held on customers’ accounts under Digital Asset Services Agreement (“**DASA**”) and such amount was recognized as the Group’s assets with a corresponding liability due to the customers, hence the Group’s exposure to the digital assets’ price fluctuation was limited due to the aforesaid net-off effect of the digital asset inventories held on customers’ accounts.

The remaining balance of RMB8.2 millions of digital asset inventories as at 31 December 2018 represents the digital asset inventories held by the Group used to facilitate liquidity and to support the post-trade settlements in connection with the digital asset trading business and are not held for investment purposes.

The institutional brokerage business of the Group buys and sells digital assets from clients and counterparties, matching buy and sell orders of clients and counterparties on a daily basis. While the Group generally requires trading clients and counterparties to pre-fund their digital assets transactions, the Group may from time to time, subject to credit risk limits set by the Group, permit counterparties to settle their obligations after the transactions are performed. However, due to timing differences between trade and settlement in cases where

post-transaction settlement arrangements are permitted, and volatility in demand for and pricing of digital assets, the Group may utilise its own digital assets inventories to facilitate order execution and settlement.

While the institutional brokerage business of the Group generally intends to match buy and sell trades, the Group needs to be able to mitigate any market risk, and credit and settlement risks arising from intra-day trade flows, counterparty settlements cycles and asset price volatility. As such the Group maintains a stable level of digital assets inventory and market exposure as part of the conduct of its ordinary business.

The level of digital assets inventories held by the Group is determined and regularly reviewed by Operations Department and Risk Committee of the Group, taking into account current and recent trade volumes and market conditions. Changes to inventory levels are made only with the approval of the Risk Committee of the Group.

TRADE RECEIVABLES FROM DIGITAL ASSETS BUSINESS

As disclosed in 2018 Annual Report, the Group has trade receivables balances from its digital assets business amounting to RMB7.2 million, of which RMB4.8 million was recognized as a loss allowance for the year ended 31 December 2018. The trade receivables arose from 6 customers.

The loss allowance of RMB4.8 million is related to one customer who was granted a post-trade settlement limit but failed to settle within the prescribed time limit.

The Company has initiated legal actions to recover such receivables. Other than the RMB4.8 million receivables for which a loss allowance was made, all other trade receivables were subsequently settled after the year-end.

By way of clarification, as stated above, while the Group generally requires trading clients and counterparties to pre-fund their digital assets transactions, the Group may from time to time, subject to credit risk limits set by the Group, permit counterparties (generally institutional counterparties) to settle their obligations after the transactions are performed. Where such post-transaction settlement is permitted, such counterparties are typically required to settle within 24 hours of the trades being conducted.

The post-trade settlement limits are determined on the basis of various attributes identified and assessed during credit assessment of the counterparties, including but not limited to their financial circumstances, business reputation, business performance, expected trading volumes and past settlement behavior. Post-trade settlement limits are approved by the Risk Committee of the Group.

RELATED PARTIES BALANCES FROM DIGITAL ASSETS BUSINESS

As disclosed in 2018 Annual Report, the Group has related parties' balances amounting a total of RMB40.9 millions, with Mr. Lo Ken Bon, Mr. Chapman David James, Mr. Madden Hugh Douglas (the "**Relevant Connected Persons**") and OAX Foundation ("**OAX**").

The Group entered into a DASA with each of the Relevant Connected Persons and the OAX for the provision of digital asset trade facilitation services (the “**Facilitation Services**”). Under the DASA, which operates as a master agreement, customers may from time to time place fiat currencies (i.e. cash) and digital assets into their trading accounts with the Group, request the Group to enter into digital assets transactions with them. While the Group charges its clients transaction charges and fees for digital assets transactions, no fees are charged or payable solely for digital assets or fiat currencies placed with the Group. The terms of the Facilitation Services offered to the Relevant Connected Persons and the OAX by the Group will be determined using the same basis as those applicable to the Group’s independent third-party customers.

The Balances represent the liabilities due to the Relevant Connected Persons and OAX in respect of fiat currencies and digital assets placed by them with the Group as at 31 December 2018.

The Company reiterates that the Balances do not constitute transactions as transactions only take place if and when the Relevant Connected Persons and OAX use the Facilitation Services by requesting the Company to enter into digital assets transactions.

The Company also considers the consumer goods or services exemption under Rule 14A.97 apply to the provision of Facilitation Services to the Relevant Connected Persons given that (i) the Facilitation Services are to be made on no more favourable terms to the Relevant Connected Persons than those available to the Group’s independent third-party customers and are to be conducted on normal commercial terms; (ii) the Relevant Connected Persons intend to trade digital assets through the Facilitation Services for their personal investment, and (iii) the Relevant Connected Persons will not use such digital assets for any of their businesses or contemplated businesses. Regarding the provision of Facilitation Services to OAX, the Company will comply with all relevant requirements under Chapter 14A of the Listing Rules in respect of the transactions.

The Board confirms that the above supplemental information does not affect other information contained in the 2018 Annual Report and, save as disclosed in this announcement, the content of the 2018 Annual Report remains correct and unchanged.

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

Hong Kong, 10 September 2019

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