



GLOBAL TOKEN LIMITED

(continued in Bermuda with limited liability)

Stock Code: 8192

2019

FIRST QUARTERLY REPORT



CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Global Token Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

RESULTS

The board of directors of the Company (the “Board”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2019, together with the comparative unaudited figures for the corresponding period in 2018 as follows:

Unaudited Condensed Consolidated Statement of Profit or Loss

	Notes	Three months ended	
		2019	2018
		HK\$'000	HK\$'000
Revenue	5	55,652	40,991
Cost of sales		(53,437)	(37,668)
Gross profit		2,215	3,323
Other revenue	5	8	3
Other gains and losses		1	(1)
Fair value gain on cryptocurrencies		–	18,289
Impairment loss on cryptocurrencies		(8,626)	–
Selling and distribution expenses		(1,083)	(256)
Administrative and other operating expenses		(14,005)	(29,586)
Loss from operations		(21,490)	(8,228)
Finance costs	6	(55)	–
Loss before taxation	7	(21,545)	(8,228)
Taxation	8	–	–
Loss for the period		(21,545)	(8,228)

	<i>Notes</i>	Three months ended	
		31 March	
		2019	2018
		HK\$'000	<i>HK\$'000</i>
Loss for the period attributable to			
Owners of the Company		(18,798)	(5,271)
Non-controlling interests		(2,747)	(2,957)
		(21,545)	(8,228)
Loss per share for the period attributable to owners of the Company			
– Basic and diluted (HK cents)	9	(1.81)	(0.51)

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Notes	Three months ended	
		31 March	
		2019	2018
		HK\$'000	HK\$'000
Loss for the period		(21,545)	(8,228)
Other comprehensive income for the period, net of income tax			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		2,605	4,896
Total comprehensive loss for the period		(18,940)	(3,332)
Total comprehensive loss for the period attributable to			
Owners of the Company		(16,839)	(978)
Non-controlling interest		(2,101)	(2,354)
		(18,940)	(3,332)

Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2019

	Attributable to owners of the Company										Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Capital reserve HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Statutory reserve HK\$'000	Share-based payment reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000			
At 1 January 2018 (Audited)	41,455	1,030	634,138	11	324	4,048	(8,562)	(306,945)	365,499	(7,941)	357,558	
Issue of share options (Note i)	-	-	-	-	-	12,200	-	-	12,200	-	12,200	
Lapse of share options	-	-	-	-	-	(2,024)	-	2,024	-	-	-	
Transaction with owners	-	-	-	-	-	10,176	-	2,024	12,200	-	12,200	
Net loss for the period	-	-	-	-	-	-	-	(5,271)	(5,271)	(2,957)	(8,228)	
Other comprehensive income, net of income tax: Exchange differences on translating foreign operations	-	-	-	-	-	-	4,293	-	4,293	603	4,896	
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	4,293	(5,271)	(978)	(2,354)	(3,332)	
At 31 March 2018 (Unaudited)	41,455	1,030	634,138	11	324	14,224	(4,269)	(310,192)	376,721	(10,295)	366,426	
At 1 January 2019 (Audited)	41,455	1,030	634,138	11	324	13,426	(13,120)	(444,961)	232,303	(26,644)	205,659	
Impact on initial application of HKFRS 16	-	-	-	-	-	-	-	(146)	(146)	-	(146)	
Restated balance at 1 January 2019	41,455	1,030	634,138	11	324	13,426	(13,120)	(445,107)	232,157	(26,644)	205,513	
Lapse of share options	-	-	-	-	-	(912)	-	912	-	-	-	
Transaction with owners	-	-	-	-	-	(912)	-	912	-	-	-	
Net loss for the period	-	-	-	-	-	-	-	(18,798)	(18,798)	(2,747)	(21,545)	
Other comprehensive income, net of income tax: Exchange differences on translating foreign operations	-	-	-	-	-	-	1,959	-	1,959	646	2,605	
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	1,959	(18,798)	(16,839)	(2,101)	(18,940)	
At 31 March 2019 (Unaudited)	41,455	1,030	634,138	11	324	12,514	(11,161)	(462,993)	215,318	(28,745)	186,573	

Note:

- (i) On 11 January 2018, the Company granted share options to certain eligible participants under the share option scheme of the Company adopted on 9 May 2012 to subscribe for a total of 54,876,000 ordinary shares of HK\$0.04 each of the Company at an exercise price of HK\$0.370 per share.

Notes to the Unaudited Condensed Consolidated Financial Statements

1. General Information

The Company is a limited liability company incorporated in the Cayman Islands and continued in Bermuda. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is Room 3008-10, 30th Floor, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares have been listed on GEM of the Exchange with effect from 29 November 2002.

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in (i) rental of energy-saving air-conditioners, (ii) trading business, (iii) money lending business, (iv) securities trading business and (v) blockchain technology related business.

2. Basis of Preparation

The Group's unaudited condensed consolidated results have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "New HKFRSs"). The unaudited condensed consolidated results also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The accounting policies adopted in preparing the unaudited condensed consolidated results for the three months ended 31 March 2019 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018 ("the 2018 Financial Statements"), except for the amendments and interpretations of HKFRSs issued by HKICPA which have become effective in this period as detailed in the notes of the 2018 Financial Statements.

3. Changes in Accounting Policies and Disclosures

HKFRS 16 Leases

Upon the adoption of HKFRS 16, at the commencement date of the lease, the lessee recognises a “lease liability” and a corresponding “right-of-use” asset. After initial recognition of this asset and liability, the lessee recognises interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses continue to be recognised on a systematic basis over the lease term.

HKFRS 16 primarily affect the Group’s accounting as a lessee of premises which are classified as operating leases in previous year. The application of the new accounting model leads to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss over the period of the lease.

HKFRS 16 has been applied modified retrospective approach, with the cumulative effect of initial application recognised as an adjustment to the opening balances of accumulated losses as at 1 January 2019. Comparative information has not been restated. In addition, the Group elected the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply HKFRS 16 only to new contracts. Furthermore, the Group has used the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease.

Upon the initial application of HKFRS 16, the Group measured the right-of-use assets as if HKFRS 16 had always been applied by using the incremental borrowing rate at initial application date and the opening balances of lease liabilities and the corresponding right-of-use assets has been adjusted as at 1 January 2019.

The following table summarises the impact of transition to HKFRS 16 on the opening balances of accumulated losses:

	Impact of adopting HKFRS 16 on opening balances
	<i>HK\$'000</i>
Recognition of interest of lease liabilities and depreciation of right-of-use assets	
Accumulated losses	
Impact at 1 January 2019	146

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group’s financial statements from 2019 onwards.

4. Segment Information

Information reported to executive Directors and chief executive officers of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable segments under HKFRS 8 are as follows:

- Rental of energy-saving air-conditioners ("Rental of air-conditioners")
- Trading business
- Operations of the carbon emission trading platform and related services ("Operations of the CETP") (Disposed on 15 October 2018)
- Money lending business
- Securities trading business
- Blockchain technology related business (new segment during the year ended 31 December 2018)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments.

For the three months ended 31 March 2019:

	Rental of air-conditioners HK\$'000	Trading business HK\$'000	Operations of the CETP HK\$'000	Money lending business HK\$'000	Securities trading business HK\$'000	Blockchain technology related business HK\$'000	Total HK\$'000
Segment revenue	721	53,866	-	375	482	208	55,652
Segment results	(2,572)	1,301	-	101	(405)	(4,993)	(6,568)
Other revenue							8
Exchange gains, net							4
Impairment loss on cryptocurrencies							(8,626)
Central administrative costs							(6,308)
Finance cost							(55)
Loss before taxation							(21,545)

For the three months ended 31 March 2018:

	Rental of air- conditioners HK\$'000	Trading business HK\$'000	Operations of the CETP HK\$'000	Money lending business HK\$'000	Securities trading business HK\$'000	Blockchain technology related business HK\$'000	Total HK\$'000
Segment revenue	810	38,163	-	919	1,099	-	40,991
Segment results	(2,471)	1,052	(447)	636	(252)	(3,541)	(5,023)
Other revenue							3
Exchange gains, net							(1)
Net gain on fair value change of cryptocurrencies							18,289
Central administrative costs							(21,496)
Loss before taxation							(8,228)

All of the segment revenue reported above is generated from external customers.

5. Revenue

Revenue arised from sale of electronic products, interest income from provision of money lending business, brokerage and commission income from provision of securities trading services, net realised gains from OTC trading, commission and service income and blockchain solution service income from blockchain technology related business. Revenue and other revenue recognised during the three months ended 31 March 2019 are as following:

Disaggregation of revenue from contracts with customers

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Three months ended	
	31 March	
	2019	2018
	HK\$'000	HK\$'000
Timing of revenue recognition		
Revenue recognised at a point in time		
Revenue from sale of electronic products	53,866	38,163
Brokerage and commission income from securities trading business	482	1,099
Blockchain technology related business:		
– Commission and service income from trading platform	66	–
– Realised gains from OTC trading, net	142	–
Revenue from contracts with customers	54,556	39,262
Revenue from other source		
Interest income from money lending business	375	919
Rental income of air-conditioners	721	810
	55,652	40,991
Other revenue		
Interest income	1	1
Sundry income	7	2
	8	3

6. Finance Costs

	Three months ended	
	31 March	
	2019	2018
	HK\$'000	HK\$'000
Interest expenses on lease liabilities	55	–
	55	–

7. Loss before Taxation

The Group's loss before taxation is arrived at after charging:

	Three months ended	
	31 March	
	2019	2018
	HK\$'000	HK\$'000
Directors' emoluments	452	542
Employee benefit expenses (excluding directors' emoluments)		
– Salaries, bonus and allowance	5,243	8,062
– Share-based payments	–	12,200
– Retirement benefits scheme contribution	118	185
Depreciation		
– Owned assets	2,395	3,113
– Right-of-use assets	1,150	–
Loss on disposal of property, plant and equipment	11	–
Costs of inventories recognised as an expense	51,807	35,500
Impairment loss on cryptocurrencies	8,626	–
License fee for cryptocurrencies trading platform	2,340	2,340

Note:

- (a) Depreciation of property, plant and equipment of approximately HK\$1,630,000 (31 March 2018: approximately HK\$2,168,000) for the three months ended 31 March 2019 is included in the cost of sales.

8. Taxation

	Three months ended	
	2019	2018
	HK\$'000	HK\$'000
PRC enterprise income tax	-	-
Hong Kong profits tax	-	-
	-	-

The Company is not subject to taxes in profits, income or dividends in Bermuda.

The subsidiaries of the Company in Hong Kong are subject to Hong Kong profits tax at the rates of 16.5% on the estimated assessable profits for the three months ended 31 March 2018. On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to the Group for the three months ended 31 March 2019. Accordingly, the Hong Kong Profits Tax for the three months ended 31 March 2019 is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

The income tax provision in respect of operations in the PRC is calculated at the applicable rates on the estimated assessable profits for the period based on the unification of income tax rates for domestic-invested and foreign invested enterprises at 25% (2018: 25%).

No provision for taxation has been provided for in the unaudited condensed consolidated financial statements for the three months ended 31 March 2019 and 2018 as the subsidiaries of the Company in Hong Kong and the PRC either had no assessable profits or had accumulated tax losses brought forward which exceeded the estimated assessable profits for the period.

9. Loss per Share

	Three months ended 31 March	
	2019	2018
Loss for the period attributable to the owners of the Company (HK\$)	(18,798,000)	(5,271,000)
Weighted average number of ordinary shares in issue	1,036,379,025	1,036,379,025
Basic loss per share (HK cents)	(1.81)	(0.51)

Basic loss per share is calculated by dividing the loss attributable to owners of the Company over the weighted average number of ordinary shares in issue during the period under review.

The basic and diluted loss per share for the three months ended 31 March 2019 and 2018 are the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the period under review was anti-dilutive.

10. Dividend

The Board does not recommend the payment of dividend for the three months ended 31 March 2019 (31 March 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in (i) rental of energy-saving air-conditioners, (ii) trading business, (iii) money lending business, (iv) securities trading business and (v) blockchain technology related business.

The operations of carbon emission trading platform and related services was disposed on 15 October 2018.

BUSINESS REVIEW AND PROSPECT

Rental of Energy-Saving Air-conditioners

The Group recorded approximately HK\$721,000 of revenue from the rental of energy-saving air-conditioners business for the three months ended 31 March 2019, representing a decrease of 11.0% compared to the last corresponding period of approximately HK\$810,000. The slowdown of growth in air-conditioners usage hours was caused by the economic slowdown of the mainland China.

Loss of this segment slightly increased by 4.1% from approximately HK\$2,471,000 for the three months ended 31 March 2018 to approximately HK\$2,572,000 for the three months ended 31 March 2019 as a result of the increase in repairing and maintenance cost of air-conditioners.

Trading Business

The Group's trading business is mainly engaged in trading of electronic products in the PRC. During the three months ended 31 March 2019, the Group recorded approximately HK\$53,866,000 (31 March 2018: approximately HK\$38,163,000) of revenue from the trading business, representing an increase of 41.1% compared with last corresponding period.

Profit of this segment increased by 23.7% from approximately HK\$1,052,000 for the three months ended 31 March 2018 to approximately HK\$1,301,000 for the three months ended 31 March 2019 in line with the increase of sales volume in the first quarter. A prudent manner to access the cash conversion cycle will be continually adopted to minimise the increased credit risk posted by the uncertainties of trade war in between U.S. and PRC.

Money Lending Business

The Group recorded loans interest income of approximately HK\$375,000 from the money lending business for the three months ended 31 March 2019, representing a decrease of 59.2% compared with the last corresponding period of approximately HK\$919,000. The decrease on loan interest income was caused by the reduction on the capital of loan borrowed to customers.

The money lending business decreased by 84.1% from approximately HK\$636,000 for the three months ended 31 March 2018 to approximately HK\$101,000 for the three months ended 31 March 2019. The net profit margin was narrowing in line with the decrease on the loans interest income.

Securities Trading Business

The revenue from securities trading business mainly comprised of the brokerage income. The Group recorded approximately HK\$482,000 of revenue from securities trading business for the three months ended 31 March 2019, representing a decrease of 56.1% compared with last corresponding period of approximately HK\$1,099,000 in line with the reduction in the total turnover of approximately HK\$203.25 million (31 March 2018: approximately HK\$481.60 million).

Loss of this segment increased by 60.7% from approximately HK\$252,000 for the three months ended 31 March 2018 to approximately HK\$405,000 for the three months ended 31 March 2019 due to the decrease on turnover caused by the adverse Hong Kong stock market performance.

Blockchain Technology Related Business

The blockchain technology related business is mainly engaged in (i) mainstream cryptocurrencies trading, (ii) non-mainstream cryptocurrencies trading and (iii) enterprise solution for blockchain technology. During the three months ended 31 March 2019, the Group recorded approximately HK\$142,000 of net realised gain from OTC trading (mainstream cryptocurrencies trading) and approximately HK\$66,000 of commission and service income from trading platform (non-mainstream cryptocurrencies trading). There is no revenue from the enterprise solution for blockchain technology in the first quarter.

The segment loss of approximately HK\$4,993,000 (31 March 2018: approximately HK\$3,541,000) is mainly attributed to the decrease on trading volume in both mainstream and non-mainstream cryptocurrencies trading due to the decline of the crypto economy.

Notwithstanding the difficult challenges ahead, the Group will use its best endeavours to take all necessary effective actions and measures that the Board thinks fit with the aim to ensuring the sustainability of the Group's business development.

FINANCIAL REVIEW

Revenue

For the three months ended 31 March 2019, the Group's unaudited consolidated revenue was approximately HK\$55,652,000 (31 March 2018: approximately HK\$40,991,000), representing an increase of 35.8% compared to the corresponding period of last year. The increase was mainly attributed to the growth on revenue from trading business.

Selling and Distribution expenses

The selling and distribution expenses of the Group was approximately HK\$1,083,000 for the three months ended 31 March 2019 (31 March 2018: approximately HK\$256,000), representing an increase of 323.0% comparing with the corresponding period of last year. The increase was driven by the distribution costs derived from the segment of rental of air-conditioners including the repairing and maintenance costs of air-conditioners.

Administrative and Other Operating Expenses

The administrative and other operating expenses for the three months ended 31 March 2019 amounted to approximately HK\$14,005,000 (31 March 2018: approximately HK\$29,586,000), representing a decrease of 52.7% comparing with the corresponding period of last year. The decrease was mainly attributed to (i) the strict cost cutting measures in research and development in blockchain technology related business and (ii) the equity-settled share-based payments, which is not incurred in the current period.

Cryptocurrencies

As a result of the downturn of cryptocurrencies market, the Group's investment in cryptocurrencies (which is classified as "cryptocurrencies" in the consolidated statement of financial position) mainly comprised of approximately 2,000 units of ETH and approximately 111.74 million units of XPA as at 31 March 2019 suffered from a price sink during the first quarter, leading an impairment loss of cryptocurrencies approximately HK\$8,626,000.

Loss for the Period

As a result of the above mentioned factors, the loss of the Group increased from approximately HK\$8,228,000 for the three months ended 31 March 2018 to approximately HK\$21,545,000 for the three months ended 31 March 2019. The substantial increase was mostly related to the impairment loss on the cryptocurrencies.

PRINCIPAL RISKS

The Group's financial position, business prospect may be affected by a number of risks including operation risks, market risk, financial risk and compliance risk. The Group's trading business and money lending business are subject to credit risks and foreign currency risk, respectively. The Group has commenced the blockchain technology related business and the related operation risks, compliance risks and financial risks are set out as following:

Early Stage of Blockchain Technology Development and May Not Obtain Wide Market Acceptance in the Future

Blockchain is an open-source peer to decentralised digital ledger comprising a series of data blocks that are linked and secured using cryptography. Although there is a strong potential for blockchain technology in various applications, including but not limited to those in fields of payment, financial services (such as registration and transfer of equity ownership), cloud computing, IoT, cybersecurity, and cryptocurrencies, there can be no assurance that such potential will be fully utilised. If blockchain technology cannot gain a universal acceptance in the society, there may not be strong market demand for blockchain technology, and the prospects, business and results of operations can be materially and adversely affected.

Intense Industry Competition

It is a highly competitive industry for cryptocurrencies trading platforms. The competitors include many well-known domestic and international players with advantage over us in terms of financial and other resources. The competition in cryptocurrencies trading platforms industry will continue to be intense as the Group not only competes with existing players that have been currently focusing on cryptocurrencies trading platforms, but also new entrants. Some of these competitors may become more responsive to the change in the cryptocurrencies industry more promptly and efficiently. Competitive environment from the existing and potential competitors could result in decreasing in our market share. If the Group fail to compete effectively and efficiently or fail to adopt to changes in this environment, the cryptocurrencies trading platform business of the Group, financial condition and results of the operations may be materially and adversely affected.

Difficulties in Recruiting and Retaining Key Personnel

The future growth and success of the blockchain technology related business depend to a significant extent on the continuing service and contribution of the engineers and senior management personnel. Much of the Group's future success on this business depends on the continuing available service of key personnel, including the Group's management team and other highly skilled employees. Experienced personnel in the blockchain technology related industry are in high demand and competition of their talents is intense.

Economic, Political, Regulatory and Other Risks Arising from the Blockchain Technology Related Business

Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic and political risks that may be different from or incremental to those in Hong Kong. In addition to the risks that we face in Hong Kong, the operation risks that could adversely affect the business, including:

- The need to adopt our content and user interfaces for specific cultural and language differences, including licensing a certain portion of our content assets before we have developed a full appreciation for its performance within a given territory;
- Difficulties and costs associated with staffing and managing foreign operations;
- Management distraction;
- Difficulties in understanding and complying with local laws, regulations and customs in foreign jurisdictions;
- There is no legislation that directly regulate nor define cryptocurrencies or crypto exchanges in Hong Kong. Stemming from the degree of uncertainty within the statutory law, other secondary sources are relied on, whether relevant legislations and/or publications from governmental authorities;
- Fluctuations in cryptocurrency exchange rates (due to the fact that we charge transaction fees in cryptocurrencies instead of fiat money), which we do not use foreign exchange contracts or derivatives to hedge against and which could impact asset value;
- New and different sources of competition; and
- Different and more stringent user protection, data protection, privacy and other laws, including data localization requirements.

Our failure to manage any of these risks successfully could harm our overall business, and results of our operations.

USE OF PROCEEDS

The gross proceeds raised from subscription of new shares (the “Subscription of New Shares”) and rights issue (the “Rights Issue”) were approximately HK\$37,885,000 and HK\$103,638,000, respectively. The intended use of net proceeds from the Subscription of New Shares and Rights Issue, utilisation, remaining balance of the proceeds as at 31 March 2019 and the revised allocation before and after adjustment are summarised below:

(a) Subscription of New Shares

On 4 January 2017, the Company entered into the subscription agreements pursuant to which the Company has conditionally agreed to allot and issue, and the Subscribers have agreed to subscribe for a total of 115,153,225 shares at HK\$0.329 per subscription price, representing approximately 20.00% of the issued share capital of the Company. The net proceeds from the subscription of shares received by the Company was approximately HK\$37,750,000.

The below table sets out intended use of net proceeds, utilisation and the remaining balance of the net proceeds as at 31 March 2019:

	Intended use of net proceeds <i>HK\$ million</i>	Utilisation <i>HK\$ million</i>	Remaining balance as at 31 March 2019 <i>HK\$ million</i>
Repayment of short-term loan	21.00	(21.00)	–
Expansion of securities trading business	8.00	(3.33)	4.67
General working capital	8.75	(8.75)	–
Total	37.75	(33.08)	4.67

(b) Rights Issue

On 29 March 2017, the Company entered into an underwriting agreement with an underwriter by issuing 345,459,675 rights shares on the basis of one rights share for every two shares on the record date (13 April 2017) at the subscription price of HK\$0.3 per rights shares, representing approximately 50.00% of the then issued shares capital of the Company. The net proceeds raised from the Rights Issue received by the Company was approximately HK\$99,690,000.

As disclosed in the Company's announcement dated on 18 January 2018, the Board as resolved to re-allocate approximately HK\$50.00 million of the unutilised net proceeds (comprising approximately HK\$35.00 million out of the development of securities trading business and approximately HK\$15.00 million out of the development of money lending business) to the Group's investment business sector a view to enhancing the value of the Group as a whole.

The below table sets out the proposed application of net proceeds before and after adjustments and usage up to 31 March 2019:

	Intended use of net proceeds	Utilisation before Reallocations	Reallocations	Utilisation after reallocations up to 31 March 2019	Remaining balance as at 31 March 2019
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Development of securities trading business	50.00	-	(35.00)	-	15.00
Development of money lending business	25.00	(9.97)	(15.00)	(0.03)	-
Operations of carbon emission trading platform	3.00	(1.57)	-	(1.43)	-
Investment business sector	-	-	50.00	(29.94)	20.06
General working capital	21.69	(0.46)	-	(21.23)	-
Total	99.69	(12.00)	-	(52.63)	35.06

DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 31 March 2019 (2018: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2019.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2019, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO") which were notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in shares and underlying shares of the Company

Name of Directors	Number of underlying shares held under share options	Percentage of the issued share capital of the Company
Mr. Chen Ping	10,356,000	1.00%
Ms. Ma Jian Ying	10,356,000	1.00%
Mr. Tsang Chun Kit Terence	10,356,000	1.00%
Mr. Shi Guang Rong	1,032,000	0.10%

Save as disclosed herein, neither the directors nor any of their associates had any interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations as at 31 March 2019 as defined in Section 352 of the SFO. In addition, at no time during the reporting period had the Directors and chief executives of the Company (including their spouses and children under 18 years of age) any interest in, or been granted, or exercised any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations (within the meaning of the SFO).

Save as disclosed above, at no time during the reporting period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

A share option scheme has been adopted and approved by the shareholders of the Company at the annual general meeting held on 9 May 2012 (the "Share Option Scheme"). As at 31 March 2019, the Company has 53,757,500 options outstanding which represented approximately 5.19% of the total number of issued shares of the Company as at that date.

The following table discloses movements in the Company's share options during the period ended 31 March 2019:

Category of participants	Date of share options granted	Outstanding at beginning of the period	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at end of the period	Exercise price HK\$	Exercise period
Directors	11 January 2018	32,100,000	-	-	-	32,100,000	0.370	11 January 2018 – 9 May 2022
Employees and consultants	18 January 2016	6,129,500	-	-	-	6,129,500	0.488	18 January 2016 – 9 May 2022
	11 January 2018	19,668,000	-	-	(4,140,000)	15,528,000	0.370	11 January 2018 – 9 May 2022
		57,897,500	-	-	(4,140,000)	53,757,500		

Note: Adjustments were made to the exercise price and the number of shares of the Company comprised in the outstanding share options which may be allotted and issued upon exercise as a result of the right issues completed on 12 May 2017.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2019, the interests and short positions of person in the shares and underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in shares and underlying shares of the Company

Name of shareholders	Number of shares interested	Capacity in which shares are held	Approximate percentage of issued share capital
Mr. Sun Li Jun	129,547,378	Beneficial owner	12.50%
Mr. Zhu Wei Sha	93,475,000	Beneficial owner	9.02%
Yuxing InfoTech Investment Holdings Limited (<i>note 1</i>)	80,880,000	Interest in controlled corporation	7.80%
Yuxing Group (International) Limited (<i>note 1</i>)	80,880,000	Interest in controlled corporation	7.80%
Yuxing Technology Company Limited (<i>note 1</i>)	80,880,000	Beneficial owner	7.80%

Note:

- 80,800,000 shares of the Company are held by Yuxing Technology Company Limited which is a wholly-owned subsidiary of Yuxing Group (International) Limited, which in turn is wholly owned by Yuxing InfoTech Investment Holdings Limited. By virtue of the provisions of Part XV of the SFO, each of Yuxing Group (International) Limited and Yuxing InfoTech Investment Holdings Limited was deemed to be interested in the shares of the Company in which Yuxing Technology Company Limited was interested.

Save as disclosed above, as at 31 March 2019, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors and the substantial shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) have any business or interest in companies that competes or may compete with the business of the Group or any other conflict of interests which any such person has or may have with the Group.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules (the "CG Code") for the three months ended 31 March 2019, other than the code provision A.2.1 of the CG Code as disclosed below.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) with written terms of reference in compliance with the provisions set out in the CG Code particularly C.3.3 of the CG Code and Rules 5.28 to 5.33 of the GEM Listing Rules. As at the date of this report, the Audit Committee comprises three members, Mr. Leung Wah (Chairman), Ms. Wong Mei Ling and Mr. Qin Hui, all of them are independent non-executive Directors.

The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal controls system and risk management system of the Group, and provide advice and comments on the Company’s draft annual reports and accounts, half year reports and quarterly reports to the Directors. The Audit Committee has reviewed the Group’s unaudited first quarterly results for the three months ended 31 March 2019 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules, and that adequate disclosures have been made.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions throughout the three months ended 31 March 2019.

As at the date of this report, the Board comprises the following Directors:

Executive Directors:

Mr. Chen Ping (*Chairman*)

Ms. Ma Jian Ying (*CO-Chief Executive Officer*)

Ms. Xie Bin (*CO-Chief Executive Officer*)

Mr. Tsang Chun Kit Terence

Mr. Wang An Zhong

Non-executive Director:

Mr. Shi Guang Rong

Independent non-executive Directors:

Mr. Leung Wah

Ms. Wong Mei Ling

Mr. Qin Hui

By order of the Board

Global Token Limited

Ma Jian Ying

CO-Chief Executive Officer and Executive Director

Hong Kong, 15 May 2019