



GLOBAL TOKEN LIMITED

(continued in Bermuda with limited liability)

Stock Code: 8192

2020 FIRST QUARTERLY REPORT

69.928

31.012

22.10

18.75

8.81

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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 Stock 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 Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company and its subsidiaries (collectively, the “Group”). 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 2020, together with the comparative unaudited figures for the corresponding period in 2019 as follows:

Unaudited Condensed Consolidated Statement of Profit or Loss

		Three months ended	
		31 March	
		2020	2019
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Continuing operations			
Revenue	4	55,428	54,931
Cost of sales		(52,763)	(51,807)
Gross profit		2,665	3,124
Other revenue	4	1	1
Other gains and losses	5	1,574	(65)
Impairment loss on cryptocurrencies		(128)	(8,626)
Net reversal of allowance for expected credit losses on financial assets at amortised cost		3	66
Selling and distribution expenses		–	(81)
Administrative and other operating expenses		(4,944)	(13,344)
Loss from operations		(829)	(18,925)
Finance costs	6	(94)	(40)
Loss before taxation	7	(923)	(18,965)
Taxation	8	–	–
Loss for the period from continuing operations		(923)	(18,965)

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	Notes	Three months ended	
		2020	2019
		HK\$'000	HK\$'000
Discontinued operation			
Loss for the period from discontinued operation, net of income tax	9	(1,006)	(2,580)
Loss for the period		(1,929)	(21,545)
Loss for the year attributable owners of the Company			
– from continuing operations		(827)	(17,482)
– from discontinued operation		(513)	(1,316)
		(1,340)	(18,798)
Loss for the period attributable to non-controlling interests			
– from continuing operations		(96)	(1,483)
– from discontinued operation		(493)	(1,264)
		(589)	(2,747)
Loss for the period		(1,929)	(21,545)
			(Restated)
Loss per share for the period attributable to owners of the Company			
For continuing and discontinued operations			
– Basic and diluted (HK cents)	10	(0.13)	(1.81)
For continuing operations			
– Basic and diluted (HK cents)	10	(0.08)	(1.69)

Unaudited Condensed Consolidated Statement of The Comprehensive Income

	Notes	Three months ended	
		2020	2019
		HK\$'000	HK\$'000
Loss for the period		(1,929)	(21,545)
Other comprehensive (loss)/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		(1,959)	2,605
Total comprehensive loss for the period		(3,888)	(18,940)
Total comprehensive (loss)/income for the period attributable to			
Owners of the Company		(4,014)	(16,839)
Non-controlling interest		126	(2,101)
		(3,888)	(18,940)

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Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2020

	Attributable to owners of the Company										
	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	Non-controlling interests HK\$'000	Total HK\$'000
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)	(462,933)	215,318	(28,745)	186,573
At 1 January 2020 (Unaudited)	41,455	1,030	634,138	11	324	11,830	(14,340)	(520,475)	153,973	(35,024)	118,949
Lapse of share options	-	-	-	-	-	(4,562)	-	4,562	-	-	-
Transaction with owners	-	-	-	-	-	(4,562)	-	4,562	-	-	-
Net loss for the period	-	-	-	-	-	-	-	(1,340)	(1,340)	(589)	(1,929)
Other comprehensive (loss)/income, net of income tax: Exchange differences on translating foreign operations	-	-	-	-	-	-	(2,674)	-	(2,674)	715	(1,959)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(2,674)	(1,340)	(4,014)	126	(3,888)
At 31 March 2020 (Unaudited)	41,455	1,030	634,138	11	324	7,268	(17,014)	(517,253)	149,959	(34,898)	115,061

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) trading business, (ii) money lending business, (iii) securities trading business and (iv) 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 is a collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the unaudited condensed consolidated results also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

3. Segment Information

Information reported to executive Directors and chief executive officer 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:

Continuing operations

- Trading business
- Money lending business
- Securities trading business
- Blockchain technology related business

The segment of rental of energy-saving air-conditioners was discontinued during the year ended 31 December 2019.

The segment information below does not include any amounts for the discontinued operation, which are described in more details in Note 9.

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 2020

Continuing operations

	Trading business HK\$'000	Money lending business HK\$'000	Securities trading business HK\$'000	Blockchain technology related business HK\$'000	Total HK\$'000
Segment revenue	54,644	375	409	–	55,428
Segment results	1,459	347	(406)	(133)	1,267
Other revenue					1
Exchange gains, net					6
Other gains and losses					20
Gain on disposal of cryptocurrencies					1,548
Impairment loss on cryptocurrencies					(128)
Finance cost					(94)
Central administrative costs					(3,543)
Loss before taxation from continuing operations					(923)

For the three months ended 31 March 2019

Continuing operations

	Trading business <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Securities trading business <i>HK\$'000</i>	Blockchain technology related business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	53,866	375	482	208	54,931
Segment results	1,301	101	(405)	(4,924)	(3,927)
Other revenue					1
Exchange gains, net					4
Loss on disposal of cryptocurrencies					(69)
Impairment loss on cryptocurrencies					(8,626)
Finance costs					(40)
Central administrative costs					(6,308)
Loss before taxation from continuing operations					(18,965)

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

4. Revenue

Revenue arose 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 2020 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	
	2020	2019
	HK\$'000	HK\$'000
Continuing operation:		
Timing of revenue recognition		
Revenue recognised at a point in time		
Revenue from sale of electronic products	54,644	53,866
Brokerage and commission income from securities trading business	409	482
Blockchain technology related business:		
– Commission and service income from trading platform	–	66
– Realised gains from OTC trading, net	–	142
Revenue from contracts with customers	55,053	54,556
Revenue from other source		
Interest income from money lending business	375	375
	55,428	54,931
Other revenue		
Bank interest income	1	1
	1	1

5. Other Gains and Losses

	Three months ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Continuing operations:		
Exchange gains, net	6	4
Gain/(loss) on disposal of cryptocurrencies	1,548	(69)
Gain on termination of lease arrangement	20	–
	1,574	(65)

6. Finance Costs

	Three months ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Continuing operations:		
Interest on lease liabilities	93	40
Interest on shareholder's loan	1	–
	94	40

7. Loss before Taxation

The Group's loss before taxation is arrived at after charging/(crediting):

	Three months ended	
	31 March	
	2020	2019
	HK\$'000	HK\$'000
Continuing operations:		
Directors' emoluments	653	452
Employee benefit expenses (excluding directors' emoluments)		
– Salaries, bonus and allowances	1,377	4,818
– Retirement benefits scheme contribution	52	88
Depreciation		
– Owned property, plant and equipment	398	753
– Right-of-use asset	762	976
Costs of inventories recognised as an expense	52,763	51,807
(Gain)/loss on disposal of cryptocurrencies	(1,548)	69
Impairment loss on cryptocurrencies	128	8,626
License fee for cryptocurrencies trading platform	–	2,340

8. Taxation

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

The Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 millions of the estimated assessable profits and 16.5% on the estimated assessable profits above HK\$2 millions for the three months ended 31 March 2020 and 2019.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2019: 25%).

No provision for taxation has been provided for in the unaudited condensed consolidated financial statements for the three months ended 31 March 2020 and 2019 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. Discontinued Operation

On 30 December 2019, the Group entered into a sale and purchase agreement to disposal of its entire 51% equity interest in Shenzhen Shun Tian Yun Environmental Technology Limited to an independent third party at a consideration of RMB2,800,000 (equivalent to approximately HK\$3,119,000). The disposal was completed on 23 April 2020.

The loss for the period from the discontinued rental of energy-saving air-conditioners business is set out below. The comparative figures in the unaudited condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present the rental of energy-saving air-conditioners business as a discontinued operation.

An analysis of the results of discontinued operation is set out below:

	Three months ended	
	31 March	
	2020	2019
	HK\$'000	HK\$'000
Revenue	–	721
Costs of sales	(1,092)	(1,630)
Gross profit	(1,092)	(909)
Other revenue	447	7
Selling and distribution expenses	(28)	(1,002)
Administrative and other operating expenses	(333)	(661)
Loss from operation	(1,006)	(2,565)
Finance costs	–	(15)
Loss before taxation	(1,006)	(2,580)
Taxation	–	–
Loss for the period from discontinued operation	(1,006)	(2,580)
Loss for the period attributable to		
Owners of the Company	(513)	(1,316)
Non-controlling interests	(493)	(1,264)
	(1,006)	(2,580)

Loss for the period from discontinued operation has been arrived at after charging:

	Three months ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Employee benefit expenses (excluding directors' emoluments)		
– Salaries, bonus and allowances	239	425
– Retirement benefits scheme contribution	15	30
Total staff costs	254	455
Depreciation		
– Owned property, plant and equipment	1,100	1,642
– Right-of-use assets	–	174

10. Loss per Share

	Three months ended 31 March	
	2020	2019
Loss for the period attributable to the owners of the Company (HK\$)		
– for continuing and discontinued operations	(1,340)	(18,798)
– for continuing operations	(827)	(17,482)
– for discontinued operation	(513)	(1,316)
Weighted average number of ordinary shares in issue	1,036,379,025	1,036,379,025
<i>Basic loss per share (HK cents)</i>		
– for continuing and discontinued operations	(0.13)	(1.81)
– for continuing operations	(0.08)	(1.69)
– for discontinued operation	(0.05)	(0.12)

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 2020 and 2019 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.

11. Dividend

The Board does not recommend the payment of dividend for the three months ended 31 March 2020 (31 March 2019: Nil).

12. Events after the Reporting Period

(i) **Disposal of Non-mainstream Cryptocurrency Trading Business and Acquisition of Cryptocurrencies**

On 1 April 2020, the Group entered into a sale and purchase agreement (the "SP Agreement") with an independent third party for the disposal of its entire interests in Even Reward Limited and its subsidiary, Tide Global Exchange Technology Limited (the "Disposal Group") at a consideration of HK\$1,400,000 which was settled by transferring 28.35 units BTC to the Group (the "Disposal and Acquisition"). The Disposal Group was principally engaged in operating of non-mainstream cryptocurrency trading business. As at 10:00 a.m. on 1 April 2020, being the date of the SP Agreement, the market value of such BTC amounted to approximately HK\$1,406,000. The Disposal and Acquisition was completed on the same date.

(ii) **Discontinued Operation of Blockchain Technology Related Business**

Given the unsatisfactory financial performance of blockchain technology related business, the Directors is of the opinion that it's cost-intensive to continue the operation. The business has contributed to a substantial segment loss since its commencement and no revenue was able to generate from the business since the second quarter of 2019. A further substantial capital contribution might be required in the development cost of the blockchain technology as the industry is still in its initial stage. On 15 May 2020, the board of Directors of the Company approved to discontinue the entire blockchain technology related business including the existing sub-segments of mainstream cryptocurrencies trading and enterprise solution for blockchain technology.

13. Comparative Figures

The comparative unaudited condensed consolidated statement of profit or loss and other comprehensive income has been re-presented as the rental of energy-saving air-conditioners business was discontinued during the year ended 31 December 2019. Certain comparative amounts have been reclassified to conform to the current period's presentation. In the opinion of the Directors of the Company, such reclassification provides a more appropriate presentation of the Group's business segments.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in (i) trading business, (ii) money lending business, (iii) securities trading business and (iv) blockchain technology related business.

BUSINESS REVIEW AND PROSPECT

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 2020, the Group recorded approximately HK\$54,644,000 (31 March 2019: approximately HK\$53,866,000) of revenue from the trading business, representing an increase of 1.4% compared to last corresponding period.

Profit of this segment increased by 12.1% from approximately HK\$1,301,000 for the three months ended 31 March 2019 to approximately HK\$1,459,000 for the three months ended 31 March 2020 due to the increase in trading volume. A prudent manner will be continually adopted to manage the credit risk posted by the economic uncertainties raised from the novel coronavirus pneumonia ("COVID-19") outbreak.

Money Lending Business

The Group recorded loans interest income of approximately HK\$375,000 from the money lending business for the three months period ended 31 March 2020 and 2019.

The segment profit of money lending business increased by 243.6% from approximately HK\$101,000 for the three months ended 31 March 2019 to approximately HK\$347,000 for the three months ended 31 March 2020. The net profit margin was improved as a result of the strict cost-cutting measures.

There was no default event happened in respect of the Group's loan portfolio during the period under review. However, the default risk is expected to increase due to the material uncertainties of the global economic environment affected by the recent outbreak of COVID-19, which may have an adverse effect on the value of the loan collateral. A prudent attitude to better the default risk management of the money lending business will be adopted by closely monitoring and evaluating the value of the loan collateral.

Securities Trading Business

The revenue from securities trading business mainly comprised of the brokerage and commission income. The Group recorded approximately HK\$409,000 of revenue for the three months ended 31 March 2020, representing a decrease of 15.1% compared to last corresponding period of approximately HK\$482,000 in line with the reduction in the total turnover of approximately HK\$148.48 million (31 March 2019: approximately HK\$203.25 million), affected by the outbreak of COVID-19 in the first season.

Loss of this segment slightly increased by 0.2% from approximately HK\$405,000 for the three months ended 31 March 2019 to approximately HK\$406,000 for the three months ended 31 March 2020.

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 2020, no revenue (31 March 2019: approximately HK\$208,000) was recorded from the business.

The segment loss of approximately HK\$133,000 (31 March 2019: approximately HK\$4,924,000) was significantly reduced due to the strict cost-cutting measures including the reduction in the headcounts in the research and development of the enterprise solution for blockchain technology and the cease of operation related to non-mainstream cryptocurrencies trading platform during the year ended 31 December 2019.

On 1 April 2020, the Group disposed of the non-mainstream cryptocurrencies trading business to an independent third party at a consideration of HK\$1,400,000. The disposal was completed on the same date. Details of the disposal are set out in the Company's announcement dated 24 April 2020.

Given the underperformance of the business, the Directors are of the opinion that it's cost-intensive to continue the operation. A further substantial capital contribution might be required in the development cost of the blockchain technology as the industry is still in its initial stage. At the date of this report, the board of Directors of the Company approved to discontinue the entire operation of blockchain technology related business.

Discontinued Operation

On 30 December 2019, the Group entered into a sale and purchase agreement to dispose of the entire segment of the rental of energy-saving air-conditioners to an independent third party at a consideration of RMB2,800,000. The Directors is of the opinion that this segment has been loss-making and further financial contribution might be required to anticipate the operation. Details of the disposal are set out in the Company's announcement dated 30 December 2019. The disposal was completed on 23 April 2020.

During the period under review, no revenue (31 March 2019: approximately HK\$721,000) had been generated from the business. Segment loss of the business had been decreased by 61.0% from approximately HK\$2,580,000 for the three months ended 31 March 2019 to approximately HK\$1,006,000 for the three months ended 31 March 2020.

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 2020, the Group's unaudited consolidated revenue was approximately HK\$55,428,000 (30 March 2019: approximately HK\$54,931,000), representing an increase of 0.9% compared to the corresponding period of last year. The increase was mainly attributed to the increase on revenue from trading business.

Other Gains and Losses

The other gains and losses was increased significantly from a net loss of approximately HK\$65,000 for the three months ended 31 March 2019 to a net gain of approximately HK\$1,574,000 for the three months ended 31 March 2020. The increase was attributed to the gain on disposal of cryptocurrencies of approximately HK\$1,548,000 (31 March 2019: a loss of approximately HK\$69,000).

Selling and Distribution Expenses

The selling and distribution expenses of the Group was HK\$Nil for the three months ended 31 March 2020 (31 March 2019: approximately HK\$81,000), representing a decrease of 100.0% comparing with the corresponding period of last year. The decrease was caused by the reduced headcounts of marketing talents of blockchain technology related business.

Administrative and Other Operating Expenses

The administrative and other operating expenses for the three months ended 31 March 2020 amounted to approximately HK\$4,944,000 (31 March 2019: approximately HK\$13,344,000), representing a decrease of 62.9% compared to the corresponding period of last year. The decrease was mainly attributed to the reduced headcounts in research and development of the operation related to enterprise solution for blockchain technology and strict cost-cutting in other operating costs related to the entire blockchain technology related business.

Finance Costs

The finance costs are the interest on lease liabilities from the new adoption of HKFRS 16 and the interest on shareholder's loan. The Group recorded approximately HK\$94,000 (31 March 2019: approximately HK\$40,000) of finance costs for the three months ended 31 March 2020.

Cryptocurrencies

During the three months ended 31 March 2020, the Group disposed of its investment in cryptocurrencies (which is classified as “cryptocurrencies” in the consolidated statement of financial position) mainly included approximately 1,946.010 Ethereum and 14.593 Bitcoin, resulting in a gain of approximately HK\$1,548,000. The investment in cryptocurrencies recorded an impairment loss of approximately HK\$128,000 (31 March 2019: approximately HK\$8,626,000) for the three months ended 31 March 2020, representing a significant decrease of 98.5% compared to the corresponding period of last year as a result from the stabilised market price on cryptocurrencies.

Loss for the Period

As a result of the above mentioned factors, the loss for the period was decreased from approximately HK\$21,545,000 for the three months ended 31 March 2019 to approximately HK\$1,929,000 for the three months ended 31 March 2020. The apparent improvement was mainly attributed to (i) the cost-cutting measures in the operation related to blockchain technology related business leading to a substantial decrease on administrative and other operating expenses, and (ii) the market price upward of cryptocurrencies resulting in a gain on the disposal of cryptocurrencies and the lower of impairment loss on cryptocurrencies.

UPDATE ON THE LISTING STATUS

On 28 June 2019, the GEM Listing Committee of the Stock Exchange (the “GEM Listing Committee”) conducted a review hearing, upon the application of the Company, to review the decision of the Listing Department set out in the letter. Please refer to the Company’s announcement dated 22 March 2019 for details of the decision.

On 8 July 2019, the Company received a letter from the GEM Listing Committee setting out its ruling (the “Committee Ruling”) to uphold the Decision to suspend trading in the Company’s shares under Rule 9.04 of the GEM Listing Rules and proceed with cancellation of the Company’s listing under Rule 9.14 of the GEM Listing Rules. Under Rule 4.06(2) of the GEM Listing Rules, the Company has the right to have the Committee ruling referred to the GEM Listing (Review) Committee for a review. The Company has submitted a written request to the GEM Listing (Review) Committee on 15 July 2019 for a review of the Committee Ruling. On 18 July 2019, the Company received a letter from the Review Hearing of the GEM Listing (Review) Committee (the “Review Hearing”). The Review Hearing was conducted on 8 October 2019.

As disclosed in the Company’s announcement dated 28 October 2019, on 24 October 2019, the Company received a letter from the GEM Listing (Review) Committee that they had decided to uphold the Committee Ruling to suspend trading in the Company’s shares under Rule 9.04 of the GEM Listing Rules and proceed with cancellation of the Company’s Listing under Rule 9.14 of the GEM Listing Rules. Trading in the shares of the Company has been suspended with effect from 9:00 a.m. on 25 October 2019.

On 24 March 2020, the Company received a letter from the Stock Exchange (the “Additional Resumption Guidance”), in which the Stock Exchange sets out the Additional Resumption Guidance for the Company that the Company requires to publish all outstanding financial results and address any audit modifications. The Stock Exchange has further indicated that it may modify the resumption conditions/guidance that have been given and/or give further guidance if the Company’s situation changes.

MAJOR EVENTS DURING THE REPORTING PERIOD

Acquisition of High Sharp Electronic Limited (“High Sharp”) and Shanghai High Sharp Tech Limited (“Shanghai High Sharp”)

The Group expanded its trading business coverage to include the trading of cryptocurrencies mining hardware for Bitcoin through the acquisition of 85.7% equity interest of High Sharp, a company incorporated in Hong Kong with limited liability, at a consideration of HK\$600,000 and 90.0% equity interest of Shanghai High Sharp, a company incorporated in the PRC with limited liability, at a consideration of RMB585,000. High Sharp is principally engaged in the provision of general trading and Shanghai High Sharp is principally engaged in the research and development of ASIC-based chips which are critical components of the cryptocurrencies mining hardware products.

After the acquisition, High Sharp and Shanghai High Sharp become indirect 85.7%-owned and 90.0%-owned subsidiaries of the Group, respectively. The acquisition of High Sharp was completed on 18 March 2020. The acquisition of Shanghai High Sharp has not yet completed at the date of this report.

Financial Assistance from a Substantial Shareholder

On 18 March 2020, High Sharp entered into a loan agreement with Cloud Digit Investment LP, an indirect wholly-owned subsidiary of the Group’s substantial shareholder, Yuxing InfoTech Investment Holdings Limited, in the amount of HK\$60,000,000 with a term of 18 months. The loan bears an interest at rate of 5.0% per annum and was received on 3 April 2020.

Shareholder’s Loan

On 26 March 2020, Mr. Zhu Wei Sha, a substantial shareholder of the Group, advanced a loan in the amount of HK\$1,400,000. The loan is unsecured, interest at 4.0% per annum and repayable on 25 September 2021.

DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 31 March 2020 (31 March 2019: 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 2020.

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

As at 31 March 2020, the interests or short positions of Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock 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 required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which were to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long Positions in the Ordinary Shares and Underlying Shares of the Company

Interests in the Company

Name of Directors	Personal Interest	Family Interest	Corporate Interest	Total Interest in Ordinary Shares	Total Interest in Underlying Shares - Share options	Aggregate Interests	% of the Company's issued voting shares
Ms. Ma Jian Ying	10,356,000	-	-	-	10,356,000	10,356,000	1.00%
Mr. Tsang Chun Kit Terence	10,356,000	-	-	-	10,356,000	10,356,000	1.00%
Mr. Shi Guang Rong	1,032,000	-	-	-	1,032,000	1,032,000	0.10%

Save as disclosed above, as at 31 March 2020, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the standards of dealing by Directors as referred to in Rule 5.48 to 5.67 of the GEM Listing Rules.

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme (“Share Option Scheme”), which was approved by the shareholders of the Company at the annual general meeting held on 9 May 2012. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

The purpose of Share Option Scheme is to provide incentives or rewards to the Participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes share not in aggregate exceed 10% of the total number of shares in issue from time to time under the Company obtains a fresh approval from the shareholders pursuant to the conditions set out in the Share Option Scheme. The 10% limit of the Share Option Scheme has been refreshed on 13 May 2015 and 3 May 2016.

The Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption, after which period no further options will be granted or offered.

The subscription price in respect of each Share issued pursuant to the exercise of options granted shall be a price solely determined by the Board and notified to a Participant and shall be at least the highest of:

- (a) the closing price of Shares as stated in the Stock Exchange’s daily quotation sheet on the date of grant, which must be a business day;
- (b) the average closing price of the Shares as stated in the Stock Exchange’s daily quotation sheet for the five business days immediately preceding the date of grant; and
- (c) the nominal value of a Share on the offer date.

The share options are exercisable at any time during period of not more than ten years from the date of grant, subject to the terms and conditions of the Share Option Scheme, or any conditions stipulated by the Board of Directors. An offer shall be deemed to be granted and to have taken effect when the Offer Letter comprising acceptance of the Option duly signed by the grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company before or on the Last Acceptance Date.

As at 31 March 2020, the Company has 29,937,500 options outstanding which represented approximately 2.89% 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 three months ended 31 March 2020:

Category of participants	Date of share options granted	Vesting period	Outstanding at beginning of the period	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at end of the period	Adjusted exercise price HK\$	Exercise period
Directors									
Mr. Chen Ping*	11 January 2018	Vested upon granted	10,356,000	-	-	(10,356,000)	-	0.370	11 January 2018 – 9 May 2022
Ms. Ma Jian Ying	11 January 2018	Vested upon granted	10,356,000	-	-	-	10,356,000	0.370	11 January 2018 – 9 May 2022
Mr. Tsang Chun Kit Terence	11 January 2018	Vested upon granted	10,356,000	-	-	-	10,356,000	0.370	11 January 2018 – 9 May 2022
Mr. Shi Guang Rong	11 January 2018	Vested upon granted	1,032,000	-	-	-	1,032,000	0.370	11 January 2018 – 9 May 2022
Employee	18 January 2016	Vested upon granted	6,129,500	-	-	-	6,129,500	0.488 (note)	18 January 2016 – 9 May 2022
Advisers	11 January 2018	Vested upon granted	12,420,000	-	-	(10,356,000)	2,064,000	0.370	11 January 2018 – 9 May 2022
			50,649,500	-	-	(20,712,000)	29,937,500		

* Resigned as Chairman and executive Director on 16 March 2020

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

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the three months ended 31 March 2020 was the Company or any associated corporation a party to any arrangements to enable the Directors or chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 31 March 2020, the following persons/entities (not being Directors or chief executives of our Company) have an interest or a short position in the Shares or the underlying Shares which were disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register of the Company required to be kept under Section 336 of the SFO, were as follows:

Long Positions in the Ordinary 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 (note 1)	80,880,000	Interest in controlled corporation	7.80%
Yuxing Group (International) Limited (note 1)	80,880,000	Interest in controlled corporation	7.80%
Yuxing Technology Company Limited (note 1)	80,880,000	Beneficial owner	7.80%

Notes:

1. 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 2020, 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.

COMPETITION AND CONFLICT OF INTERESTS

During the three months ended 31 March 2020, none of the Directors, the substantial shareholders or the controlling shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict of interests with the Group.

CORPORATE GOVERNANCE PRACTICES

During the three months ended 31 March 2020, the Board considers the Company has complied with all the provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code as set out in Appendix 15 to 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. Hu Xiaoming, all of them are independent non-executive Directors.

The primary duties of the Audit Committee are to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting, risk management and internal control principles and procedures, and to make recommendations to the Board on the appointment and dismissal of the external auditor.

The Audit Committee has reviewed the Group's unaudited first quarter results for the three months ended 31 March 2020 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.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors, its employees, and the directors and employees of its subsidiaries, who may likely possess inside information on the Company or its securities on terms no less exacting than the required standard of dealings 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 2020.

MAJOR EVENTS AFTER THE REPORTING PERIOD

Disposal of Non-mainstream Cryptocurrency Trading Business and Acquisition of Cryptocurrencies

On 1 April 2020, the Group entered into a sale and purchase agreement (the "SP Agreement") with an independent third party for the disposal of its entire interests in Even Reward Limited and its subsidiary, Tide Global Exchange Technology Limited (the "Disposal Group") at a consideration of HK\$1,400,000 which was settled by transferring 28.35 units BTC to the Group (the "Disposal and Acquisition"). The Disposal Group was principally engaged in operating of non-mainstream cryptocurrency trading business. As at 10:00 a.m. on 1 April 2020, being the date of the SP Agreement, the market value of such BTC amounted to approximately HK\$1,406,000. The Disposal and Acquisition was completed on the same date.

Discontinued Operation of Blockchain Technology Related Business

Given the unsatisfactory financial performance of blockchain technology related business, the Directors is of the opinion that it's cost-intensive to continue the operation. The business has contributed to a substantial segment loss since its commencement and no revenue was able to generate from the business since the second quarter of 2019. A further substantial capital contribution might be required in the development cost of the blockchain technology as the industry is still in its initial stage. On 15 May 2020, the board of Directors of the Company approved to discontinue the entire blockchain technology related business including the existing sub-segments of mainstream cryptocurrencies trading and enterprise solution for blockchain technology.

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

Executive Directors:

Mr. Guo Yong (*Chairman*)

Mr. Tsang Chun Kit Terence

Mr. Wang An Zhong

Mr. Xu Wenbin

Non-executive Director:

Mr. Shi Guang Rong

Independent non-executive Directors:

Mr. Leung Wah

Ms. Wong Mei Ling

Mr. Hu Xiaoming

On behalf of the Board

Global Token Limited

Guo Yong

Chairman and Executive Director

Hong Kong, 15 May 2020