



GLOBAL TOKEN LIMITED

(continued in Bermuda with limited liability)

Stock Code: 8192

2019

THIRD QUARTERLY REPORT



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.

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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 (the “GEM Listing Rules”) on GEM of the Stock Exchange 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 and nine months ended 30 September 2019 respectively together with the comparative unaudited figures for the corresponding periods in 2018 as follows:

Unaudited Condensed Consolidated Statement of Profit or Loss

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Continuing operations					
Revenue	5	55,053	55,566	141,584	144,734
Cost of sales		(53,092)	(52,534)	(136,270)	(135,420)
Gross profit		1,961	3,032	5,314	9,314
Other revenue	5	1	2	343	7
Other gains and losses	6	(68)	3	1,220	1
Impairment loss on cryptocurrencies		(3,489)	(1,259)	(18,688)	(9,270)
Selling and distribution expenses		(66)	(398)	(1,490)	(946)
Administrative and other operating expenses		(10,498)	(15,169)	(34,536)	(56,083)
Loss from operations		(12,159)	(13,789)	(47,837)	(56,977)
Finance costs	7	(15)	–	(112)	–
Loss before taxation	8	(12,174)	(13,789)	(47,949)	(56,977)
Taxation	9	(18)	(131)	(36)	(262)
Loss for the period from continuing operations		(12,192)	(13,920)	(47,985)	(57,239)

	Notes	Three months ended		Nine months ended	
		30 September 2019	2018	30 September 2019	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Discontinued operation					
Loss for the period from discontinued operation	10	(267)	(648)	(5,739)	(8,040)
Loss for the period		(12,459)	(14,568)	(53,724)	(65,279)
Loss for the period attributable to					
Owners of the Company		(11,865)	(13,353)	(48,531)	(58,185)
Non-controlling interests		(594)	(1,215)	(5,193)	(7,094)
		(12,459)	(14,568)	(53,724)	(65,279)
Loss per share for the period attributable to owners of the Company					
			(restated)		(restated)
For continuing and discontinued operations					
Basic and diluted (HK cents)	11	(1.13)	(1.26)	(4.40)	(5.21)
For continuing operations					
Basic and diluted (HK cents)	11	(0.01)	(0.03)	(0.28)	(0.40)

Unaudited Condensed Consolidated Statement of Other Comprehensive Income

Notes	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
	(12,459)	(14,568)	(53,724)	(65,279)
Loss for the period				
Other comprehensive loss for the period, net of income tax				
<i>Item that may be subsequently reclassified to profit or loss:</i>				
Exchange differences on translation of foreign operations	(3,356)	(4,660)	(3,419)	(6,180)
Total comprehensive loss for the period	(15,815)	(19,228)	(57,143)	(71,459)
Total comprehensive loss for the period attributable to				
Owners of the Company	(14,341)	(17,508)	(51,018)	(63,618)
Non-controlling interests	(1,474)	(1,720)	(6,125)	(7,841)
	(15,815)	(19,228)	(57,143)	(71,459)

Unaudited Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Capital reserve	Share premium	Special reserve	Statutory reserve	Share-based payment reserve	Exchange reserve	Accumulated losses	Sub-total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2018 (Audited)	41,455	1,030	634,138	11	324	4,048	(8,562)	(306,945)	365,439	(7,941)	357,558	
Issue of share options (Note i)	-	-	-	-	-	12,200	-	-	12,200	-	12,200	
Lapse of shares options	-	-	-	-	-	(2,024)	-	2,024	-	-	-	
Transaction with owners	-	-	-	-	-	10,176	-	2,024	12,200	-	12,200	
Net loss for the period	-	-	-	-	-	-	-	(58,185)	(58,185)	(7,094)	(65,279)	
Other comprehensive loss, net of income tax: Exchange differences on translation of foreign operations	-	-	-	-	-	-	(5,433)	-	(5,433)	(747)	(6,180)	
Total comprehensive loss for the period	-	-	-	-	-	-	(5,433)	(58,185)	(63,618)	(7,841)	(71,459)	
At 30 September 2018 (Unaudited)	41,455	1,030	634,138	11	324	14,224	(13,995)	(363,106)	314,081	(15,782)	298,299	
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	-	-	-	-	-	-	-	(48,531)	(48,531)	(5,193)	(53,724)	
Other comprehensive loss, net of income tax: Exchange differences on translation of foreign operations	-	-	-	-	-	-	(2,487)	-	(2,487)	(932)	(3,419)	
Total comprehensive loss for the period	-	-	-	-	-	-	(2,487)	(48,531)	(51,018)	(6,125)	(57,143)	
At 30 September 2019 (Unaudited)	41,455	1,030	634,138	11	324	12,514	(15,607)	(492,726)	181,139	(32,769)	148,370	

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 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 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 Stock 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 ("HKFRS") 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 nine months ended 30 September 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. The adoption of the New HKFRSs has no material impact on the accounting policies in the Group's condensed consolidated financial statements for the period.

3. Changes in Accounting Policies and Disclosures

HKFRS 16

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:

Recognition of interest of lease liabilities and Depreciation of right-of-use assets	Impact of adopting HKFRS 16 on opening balances <i>HK\$'000</i>
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 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:

- 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 unaudited revenue and results from continuing operations by reportable segments.

For the nine months ended 30 September 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	2,071	136,755	-	1,125	1,491	142	141,584
Segment results	(4,672)	3,172	-	461	(1,261)	(9,437)	(11,737)
Other revenue							343
Exchange losses, net							(9)
Impairment loss on cryptocurrencies							(18,688)
Central administrative costs							(17,746)
Finance costs							(112)
Loss before taxation							(47,949)

For the nine months ended 30 September 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	3,176	135,848	-	2,727	2,351	632	144,734
Segment results	(6,353)	2,680	(1,306)	1,924	(1,230)	612	(3,673)
Other revenue							7
Exchange gains, net							1
Impairment loss on cryptocurrencies							(9,269)
Central administrative costs							(44,043)
Loss before taxation							(56,977)

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 nine months ended 30 September 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 30 September		Nine months ended 30 September	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Continuing operations:				
Timing of revenue recognition				
Revenue recognised at appoint in time				
Revenue from sale of electronic products	53,571	52,681	136,755	135,848
Brokerage and commission income from securities trading business	433	561	1,491	2,351
Blockchain technology related business:				
– Realised gains from OTC trading, net	–	231	142	632
Revenue from contracts with customers	54,004	53,473	138,388	138,831
Revenue from other source				
Interest income from money lending business	375	893	1,125	2,727
Rental income of air-conditioners	674	1,200	2,071	3,176
	55,053	55,566	141,584	144,734
Other revenue				
Interest income	1	1	3	3
Sundry income	–	1	340	4
	1	2	343	7

6. Other Gains and Losses

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations:				
Exchange (losses)/gains, net	(1)	3	(9)	1
(Loss)/gain on disposal of property, plant and equipment	(9)	–	914	–
Gain on termination of lease arrangement	–	–	12	–
(Loss allowance)/reversal of loss allowance on financial assets at amortised cost	(58)	–	303	–
	(68)	3	1,220	1

7. Finance Costs

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations:				
Interest expenses on lease liabilities	15	–	112	–
	15	–	112	–

8. Loss before Taxation

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

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Continuing operations:				
Directors' emoluments	481	482	1,415	1,545
Employee benefit expenses (excluding directors' emoluments)				
– Salaries, bonus and allowances	5,862	7,478	17,235	22,273
– Share-based payments	–	–	–	12,200
– Retirement benefits scheme contribution	257	799	1,172	1,176
Depreciation				
– Owned assets	1,944	2,598	6,364	8,704
– Right-of-use assets	813	–	3,047	–
Loss/(gain) on disposal of property, plant and equipment	9	60	(914)	71
Cost of inventories recognised as an expense	51,528	50,757	131,484	129,360
Impairment loss on cryptocurrencies	3,489	1,259	18,688	9,270

Note:

- (a) Depreciation of property, plant and equipment of approximately HK\$4,786,000 (30 September 2018: approximately HK\$6,060,000) for the nine months ended 30 September 2019 is included in the costs of sales.

9. Taxation

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Continuing operations:				
Current tax:				
Hong Kong profits tax	18	131	36	262
	18	131	36	262

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% for the nine months ended 30 September 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 gazette 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 nine months ended 30 September 2019. Accordingly, the Hong Kong Profits Tax for the nine months ended 30 September 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.

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% (2018: 25%). No provision for taxation has been provided for in the unaudited condensed consolidated financial statements for the nine months ended 30 September 2019 and 2018 as the subsidiaries of the Company in the PRC had accumulated tax losses brought forward which exceeded the estimated assessable profits for the period.

10. Discontinued Operation

On 21 June 2019, the Group ceased to carry on the business relating to the provision of a non-mainstream cryptocurrency trading platform under the segment of blockchain technology related business. The comparative unaudited condensed consolidated profit or loss and related notes have been represented as if the operation had been discontinued at the beginning of the comparative period.

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

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	-	3,796	66	3,917
Costs of sales	-	-	-	-
Gross profit	-	3,796	66	3,917
Other losses, net	-	-	(69)	-
Impairment loss on cryptocurrencies	-	(655)	-	(703)
Selling and distribution expenses	(29)	(689)	(172)	(690)
Administrative and other operating expenses	(238)	(3,100)	(5,564)	(10,564)
Loss before taxation	(267)	(648)	(5,739)	(8,040)
Taxation	-	-	-	-
Loss for the period from discontinued operation	(267)	(648)	(5,739)	(8,040)
Loss for the period attributable to				
Owners of the Company	(136)	(330)	(2,927)	(4,100)
Non-controlling interests	(131)	(318)	(2,812)	(3,940)
	(267)	(648)	(5,739)	(8,040)

11. Loss per Share

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
Loss for the period attributable to the owners of the Company (<i>HK\$</i>)				
– for continuing and discontinued operations	(11,865,000)	(13,353,000)	(48,531,000)	(58,185,000)
– for continuing operations	(11,729,000)	(13,023,000)	(45,604,000)	(54,085,000)
– for discontinued operation	(136,000)	(330,000)	(2,927,000)	(4,100,000)
Weighted average number of ordinary shares in issue	1,036,379,025	1,036,379,025	1,036,379,025	1,036,379,025
Basic loss per share (<i>HK cents</i>)				
– for continuing and discontinued operations	(1.14)	(1.29)	(4.68)	(5.61)
– for continuing operations	(1.13)	(1.26)	(4.40)	(5.21)
– for discontinued operation	(0.01)	(0.03)	(0.28)	(0.40)

Basic loss per share is calculated by dividing the loss for the period attributable to the 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 nine months ended 30 September 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.

12. Dividend

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2019 (30 September 2018: Nil).

13. Contingent Liabilities

As at 30 September 2019, the Group did not have any significant contingent liabilities (31 December 2018: Nil).

14. Events after the Reporting Period

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.

15. Comparative Figures

The Group has initially applied HKFRS 16 at 1 January 2019. Under the transition methods, comparative information is not restated in terms of the application of HKFRS 16.

The comparative unaudited condensed consolidated statement of profit or loss and other comprehensive income has been re-presented as the operation related to the provision of non-mainstream cryptocurrency trading was discontinued during the period. Certain comparative amounts have been reclassified to conform to the current period's presentation. In the opinion of the Company's directors, such reclassification provides a more appropriate presentation of the Group's business segments.

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.

BUSINESS REVIEW AND PROSPECT

Rental of Energy-Saving Air-conditioners

The Group recorded approximately HK\$2,071,000 of revenue from the rental of energy-saving air-conditioners business for the nine months ended 30 September 2019, representing a decrease of 34.8% compared to the last corresponding period of approximately HK\$3,176,000. The fall in air-conditioning usage hours was caused by the economic slowdown of the mainland China, which led to the closedown of many of the Group's major customers, small and medium-sized enterprises. The Group will continue to expand the customer base.

Loss of this segment decreased by 26.5% from approximately HK\$6,353,000 for nine months ended 30 September 2018 to approximately HK\$4,672,000 for nine months ended 30 September 2019. The improvement has attributed to the implementation of budget control on staff costs and other operating expenses. The Group will continue to tighten the operating cost in order to maximise the profit margin.

Trading Business

The Group's trading business is mainly engaged in trading of electronic products in the PRC. During the nine months ended 30 September 2019, the Group recorded approximately HK\$136,755,000 (30 September 2018: approximately HK\$135,848,000) of revenue from the trading business, representing a slight increase of 0.7% compared with the last corresponding period.

Profit of this segment increased by 18.4% from approximately HK\$2,680,000 for the nine months ended 30 September 2018 to approximately HK\$3,172,000 for the nine months ended 30 September 2019 in line with the increase of sales volume. 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 the U.S. and PRC.

Money Lending Business

The Group recorded loans interest income of approximately HK\$1,125,000 from the money lending business for the nine months ended 30 September 2019, representing a decline of 58.7% compared to the last corresponding period of approximately HK\$2,727,000. The loan interest income decreased was due to the shrink of loan portfolio size.

As a result of the decrease in the loan interest income, the segment profit of the money lending business dropped by 76.0% from approximately HK\$1,924,000 for the nine months ended 30 September 2018 to approximately HK\$461,000 for the nine months ended 30 September 2019.

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 and the recent social incidents in Hong Kong, which affect the value of the loan collateral. A prudent attitude to the money lending business will be adopted for better risk management.

Securities Trading Business

The revenue from securities trading business mainly comprised of the brokerage income. The Group recorded approximately HK\$1,491,000 of revenue from securities trading business for the nine months ended 30 September 2019, representing a decrease of 36.6% compared to the last corresponding period of approximately HK\$2,351,000 in line with the reduction in the total turnover. As a result of the adverse Hong Kong stock market performance, the total turnover decreased to approximately HK\$567.8 million for the nine months ended 30 September 2019 (30 September 2018: approximately HK\$921.3 million). The Hong Kong stock market is expected to continue to be dragged down by recent social incidents in Hong Kong, which will continue to weaken the securities trading business in the fourth quarter.

Loss of this segment increased by 2.5% from approximately HK\$1,230,000 for the nine months ended 30 September 2018 to approximately HK\$1,261,000 for the nine months ended 30 September 2019 in line with the decrease of brokerage income.

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 nine months ended 30 September 2019, the Group recorded approximately HK\$142,000 (30 September 2018: approximately HK\$632,000) of revenue from the business. The decrease was caused by the slowdown of the cryptocurrencies market.

The segment loss of approximately HK\$9,437,000 (30 September 2018: gain of approximately HK\$612,000) is caused by the investment in the research and development cost on the enterprise solution for blockchain technology and the decrease on trading volume in both mainstream and non-mainstream cryptocurrencies trading as a result of the decline of the crypto economy.

On 21 June 2019, the Group ceased the business related to the provision of non-mainstream cryptocurrencies trading platform. Details of cessation of the operation are set out in the Company's announcement dated on 21 June 2019.

Discontinued Operation

On 21 June 2019, the Group has ceased its operation relating to the provision of non-mainstream cryptocurrency trading under the blockchain technology related business. The Directors of the Company is of the opinion that the business did not generate enough revenue to cover its operating expenses since its launch from second quarter of 2018. It's not feasible to continue the operation based on the cost and benefit analysis. During the period under review, the Group had generated revenue of approximately HK\$66,000 (30 September 2018: approximately HK\$3,917,000), representing a decrease of 98.3% compared to the last corresponding period. Loss of this operation decreased by 28.6% from approximately HK\$8,040,000 for the nine months ended 30 September 2018 to approximately HK\$5,738,000 for the nine months ended 30 September 2019.

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 nine months ended 30 September 2019, the Group unaudited consolidated revenue was approximately HK\$141,584,000 (30 September 2018: approximately HK\$144,734,000), representing a decrease of 2.2% comparing to the corresponding period of last year. The decrease was mainly attributed to the economic recession.

Other Gains and Losses

The other gains and losses was increased significantly from a net gain of approximately HK\$1,000 for the nine months ended 30 September 2018 to approximately HK\$1,220,000 for the nine months ended 30 September 2019. The substantial increase was mainly attributed to the gain on disposal of property, plant and equipment and the recognition of reversal of loss allowance on the expected credit losses of the trade receivables, other receivables, deposits and prepayments after adoption of Hong Kong Financial Reporting Standard 9 “Financial Instruments” that has changed the Group’s impairment model by replacing the Hong Kong Accounting Standard 39 “incurred loss model” to expected credit losses model.

Selling and Distribution Expenses

The selling and distribution expenses of the Group was approximately HK\$1,490,000 for the nine months ended 30 September 2019 (30 September 2018: approximately HK\$946,000), representing an increase of 57.5% comparing to 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 on air-conditioners recalled from those customers who cannot meet the minimum top-up credits. The refurbished air-conditioners will be leased out to new customers.

Administrative and Other Operating Expenses

The administrative and other operating expenses for the nine months ended 30 September 2019 amounted to approximately HK\$34,536,000 (30 September 2018: approximately HK\$56,083,000), representing a decrease of 38.4% compared to 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 was not incurred in the current period.

Finance Costs

The Group recorded approximately HK\$112,000 (30 September 2018: HK\$Nil) of finance costs for the nine months ended 30 September 2019. The finance costs are the interest expenses of lease liabilities from the new adoption of HKFRS 16 effective from 1 January 2019.

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 111.92 million units of XPA as at 30 September 2019 suffered from a price sink in the period, leading to an impairment loss of cryptocurrencies approximately HK\$18,688,000 (30 September 2018: approximately HK\$9,270,000).

Loss for the Period

The loss of the Group decreased from approximately HK\$65,279,000 for the nine months ended 30 September 2018 to approximately HK\$53,724,000 for the nine months ended 30 September 2019 as no equity-settled share-based payments was incurred and the strict cost cutting measures implemented on the administrative and operating costs in the current period.

Liquidity and Financial Resources

As at 30 September 2019, the Group had total assets of approximately HK\$169,241,000 (31 December 2018: approximately HK\$225,265,000), including net cash and bank balances of approximately HK\$23,949,000 (31 December 2018: HK\$48,982,000).

As at 30 September 2019, current ratio (defined as total current assets divided by total current liabilities) was approximately 6.4 (31 December 2018: approximately 8.3). There is no amount due to a related party as at 30 September 2019 (31 December 2018: approximately HK\$5,640,000).

For the nine months ended 30 September 2019, the Group financed its operations with fund raising.

Capital Structure

As at 30 September 2019, the Group had shareholders' capital of approximately HK\$41,455,000 (31 December 2018: approximately HK\$41,455,000). The shareholders' capital of the Company is constituted of 1,036,379,025 shares (31 December 2018: 1,036,379,025 shares).

Treasury Policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce its exposure to credit risks by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Charges on Group Assets

None of the assets of the Group has been pledged to secure any loan granted to the Group as at 30 September 2019 (31 December 2018: Nil).

Foreign Exchange Exposure

The Group's income and expenditure during the nine months ended 30 September 2019 were principally denominated either in Hong Kong dollars ("HK\$") or Renminbi ("RMB"), and most of the assets and liabilities as at 30 September 2019 were denominated either in HK\$ or RMB. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the period under review.

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.

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, reallocation and utilisation up to 30 September 2019 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 and utilisation of the net proceeds as at 30 September 2019:

	Intended use of net proceeds	Utilisation up to 30 September 2019	Amount to be utilised for the year ending 31 December 2019
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Repayment of short-term loan	21.00	(21.00)	–
Expansion of securities trading business	8.00	(3.72)	4.28
General working capital	8.75	(8.75)	–
Total	37.75	(33.47)	4.28

(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 18 January 2018, the Board 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 as a view to enhancing the value of the Group as a whole.

And as disclosed in the Company's announcement dated 13 August 2019, the Board resolved to re-allocate approximately HK\$8.88 million of the unutilised net proceeds from investment business sector to general working capital after careful consideration of the global economic environment and detailed evaluation of the Group's operation.

The below table sets out the intended use of net proceeds, reallocation adjustments and utilisation up to 30 September 2019:

	Intended use of net proceeds <i>HK\$ million</i>	Reallocations <i>HK\$ million</i>	Utilisation after reallocations and up to 30 September 2019 <i>HK\$ million</i>	Amount to be utilised for the year ending 31 December 2019 <i>HK\$ million</i>
Development of securities trading business	50.00	(35.00)	(15.00)	-
Development of money lending business	25.00	(15.00)	(10.00)	-
Operations of carbon emission trading platform	3.00	-	(3.00)	-
Investment business sector	-	41.12	(41.12)	-
General working capital	21.69	8.88	(26.21)	4.36
Total	99.69	-	(95.33)	4.36

MAJOR EVENTS DURING THE REPORTING PERIOD

On 6 September 2019, United Property Finance Limited (the “Lender”), an indirectly wholly owned subsidiary of the Company, entered into the Fourth Extension Agreement with Infinity Wealth International Limited (the “Borrower”), an independent third party, whereby, among other matters, (i) United Property Finance Limited agreed to extend the Third Extended Maturity Date to 8 September 2020, bearing same interest rate of 15% per annum and (ii) the parties agreed that the Borrower would pay the principal amount of the Loan and the interest accrued on the loan from the date of the Second Extended Maturity Date (i.e. 8 March 2019) to the date of the Fourth Maturity Date to the Lender on the Fourth Extended Maturity Date (i.e. 8 September 2020).

DIVIDENDS

The Board does not recommend the payment of dividend for the nine months ended 30 September 2019 (30 September 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 nine months ended 30 September 2019.

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

As at 30 September 2019, the interests or short positions of Directors and the chief executives 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

(i) 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
Mr. Chen Ping	10,356,000	-	-	-	10,356,000	10,356,000	1.00%
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 30 September 2019, none of the directors and chief executives 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 30 September 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 nine months ended 30 September 2019:

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	19,668,000	-	-	(4,140,000)	15,528,000	0.370	11 January 2018 – 9 May 2022
			<u>57,897,500</u>	<u>-</u>	<u>-</u>	<u>(4,140,000)</u>	<u>53,757,500</u>		

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 nine months ended 30 September 2019 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/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2019, 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 Position 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 (<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: 80,880,000 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 30 September 2019, the Company had not been notified by any persons (other than directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which 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 nine months ended 30 September 2019, 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 nine months ended 30 September 2019, 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. Qin Hui, 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 third quarterly results for the nine months ended 30 September 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.

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 period ended 30 September 2019.

MAJOR EVENTS AFTER THE REPORTING PERIOD

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.

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, 13 November 2019