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環球戰略集團有限公司

GLOBAL STRATEGIC GROUP LIMITED

環球戰略集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8007)

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of Global Strategic Group 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. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.

The board of Directors (the “Board”) of the Company is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively as the “Group”), which is audited by RSM Hong Kong, for the year ended 30 September 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2020

		Year ended 30 September 2020	Period from 1 January 2019 to 30 September 2019 <i>(Re-presented)</i>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations			
Revenue	3	42,734	35,925
Cost of sales		<u>(29,747)</u>	<u>(24,183)</u>
Gross profit		12,987	11,742
Other income	4	3,939	6,199
Other gains and losses	5	827	(117)
(Loss)/gain on fair value change on convertible bond designated at fair value through profit or loss (“FVTPL”)		(399)	3,940
Selling and distribution costs		(19,389)	(16,706)
General and administrative expenses		(32,191)	(24,332)
Impairment loss on property, plant and equipment		(132,902)	(18,127)
Impairment loss on intangible assets		(106,934)	(15,057)
Allowance for trade receivables		(4,304)	(29)
Reversals of allowance/(allowance) for loan receivables		3,097	(4,115)
Allowance for bond receivables		(10,758)	(177)
Allowance for other receivables		(700)	–
Finance costs	7	<u>(8,440)</u>	<u>(8,184)</u>
Loss before tax		(295,167)	(64,963)
Income tax credit	8	<u>28,349</u>	<u>5,000</u>

		Year ended 30 September 2020	Period from 1 January 2019 to 30 September 2019
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i> (Re-presented)
Loss for the year/period from continuing operations	9	<u>(266,818)</u>	<u>(59,963)</u>
Discontinued operations			
Loss for the year/period from discontinued operations	11	<u>(7,345)</u>	<u>(3,699)</u>
Loss for the year/period		(274,163)	(63,662)
Other comprehensive income after tax			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation of financial statements to presentation currency		11,639	(16,303)
Exchange differences reclassified to profit or loss on disposal of discontinued operations		<u>(731)</u>	<u>–</u>
Other comprehensive income for the year/period, net of tax		<u>10,908</u>	<u>(16,303)</u>
Total comprehensive income for the year/period		<u>(263,255)</u>	<u>(79,965)</u>
Loss for the year/period attributable to:			
Owners of the Company			
– continuing operations		(94,502)	(27,889)
– discontinued operations		<u>(7,334)</u>	<u>(3,696)</u>
		<u>(101,836)</u>	<u>(31,585)</u>
Non-controlling interests			
– continuing operations		(172,316)	(32,074)
– discontinued operations		<u>(11)</u>	<u>(3)</u>
		<u>(172,327)</u>	<u>(32,077)</u>

	Year ended 30 September 2020	Period from 1 January 2019 to 30 September 2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Re-presented)
Total comprehensive income		
for the year/period attributable to:		
Owners of the Company	(96,391)	(38,745)
Non-controlling interests	<u>(166,864)</u>	<u>(41,220)</u>
	<u>(263,255)</u>	<u>(79,965)</u>
Loss per share	<i>13</i>	
From continuing and discontinued operations		
Basic (<i>HK cents per share</i>)	<u>(132.01)</u>	<u>(48.46)</u>
Diluted (<i>HK cents per share</i>)	<u>(132.01)</u>	<u>(50.77)</u>
From continuing operations		
Basic (<i>HK cents per share</i>)	<u>(122.50)</u>	<u>(42.79)</u>
Diluted (<i>HK cents per share</i>)	<u>(122.50)</u>	<u>(45.26)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		108,168	242,422
Right-of-use assets		1,948	4,811
Goodwill		580	–
Intangible assets		69,507	178,685
Deposits for acquisition of subsidiaries	<i>14</i>	–	6,830
Deposits for acquisition of property, plant and equipment		4,412	3,764
		184,615	436,512
Current assets			
Inventories		766	370
Trade and other receivables	<i>14</i>	9,849	22,783
Loan receivables	<i>15</i>	21,944	12,799
Bond receivables	<i>16</i>	–	9,710
Value-added tax recoverable		6,516	6,940
Current tax assets		–	161
Bank and cash balances		1,978	3,325
		41,053	56,088
Assets classified as held for sale		–	2,721
		41,053	58,809

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current liabilities			
Trade and other payables	<i>17</i>	43,155	50,537
Contract liabilities		3,732	2,396
Lease liabilities		1,103	2,705
Due to related parties		2,254	554
Due to directors		3,969	347
Non-convertible bonds		56,190	31,885
Bank borrowings		8,012	2,216
Convertible bond designated at FVTPL		–	19,771
Current tax liabilities		–	1
		<u>118,415</u>	<u>110,412</u>
Net current liabilities		<u>(77,362)</u>	<u>(51,603)</u>
Total assets less current liabilities		<u>107,253</u>	<u>384,909</u>
Non-current liabilities			
Due to non-controlling shareholders of a subsidiary and its related parties		40,441	43,589
Lease liabilities		393	540
Non-convertible bonds		2,706	3,000
Bank borrowings		12,589	15,513
Deferred tax liabilities		17,377	44,484
		<u>73,506</u>	<u>107,126</u>
		<u>33,747</u>	<u>277,783</u>
CAPITAL AND RESERVES			
Share capital		45,586	32,586
Reserves		<u>(55,787)</u>	<u>34,398</u>
(Capital deficiency)/equity attributable to owners of the Company		(10,201)	66,984
Non-controlling interests		<u>43,948</u>	<u>210,799</u>
Total equity		<u>33,747</u>	<u>277,783</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2020

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

The Directors have given careful consideration to the use of the going concern basis in the preparation of the financial statements of the Group in light of the fact that the Group incurred a net loss of HK\$274,163,000 for the year ended 30 September 2020, and, as of that date, the Group had net current liabilities of HK\$77,362,000. In addition, as at 30 September 2020, the Group had capital commitments amounting to HK\$9,567,000 as disclosed in note 18. Besides, the Group was in default of non-convertible bonds of approximately HK\$13,046,000 which were overdue as of 30 September 2020.

These events and conditions indicate the existence of material uncertainties which may cast significant doubt about the Group’s ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business. In view of these circumstances, the directors have estimated the Group’s cash requirements by the preparation of a Group cashflow forecast for the coming 12 months and have, during the year and up to the date of the approval of these consolidated financial statements, instituted the following plans and measures to mitigate the liquidity pressure, to improve the financial position of the Group and to restructure its financial obligations:

- (a) Mr. Wu Guoming, a shareholder and a director of the Company, and Mr. Wang Wenzhou, a director of the Company, as at 30 September 2020, agreed to provide sufficient funds to the Group so that the Group will be able to meet all current obligations as they fall due in the coming twelve months after 30 September 2020.
- (b) Subsequent to the end of the reporting period, holders of non-convertible bonds with principal amounts of approximately HK\$33,186,000 have signed letters of intent with the Company agreeing to extend the maturity date by one year once the bonds mature.

- (c) On 20 November 2020, the Company announced that it will implement a rights issue fund raising exercise to raise net proceeds, after deducting the estimated expenses, of approximately HK\$55.32 million (the “Rights Issue”). The Company intends to apply the net proceeds from the proposed Rights Issue as to (i) approximately HK\$48 million for redemption of outstanding bonds issued by the Company; (ii) approximately HK\$3 million for payment of outstanding professional fees; and (iii) approximately HK\$4.32 million as general working capital of the Group. On 20 November 2020, the Company entered into an underwriting agreement, pursuant to which the underwriter has conditionally agreed to underwrite 50% of the total Rights Issue, subject to the terms and conditions of the underwriting agreement. The Rights Issue is required to be approved by the shareholders in the Company’s extraordinary general meeting to be convened. Details of the Rights Issue are set out in the Company’s announcement dated 20 November 2020.
- (d) The Group has been taking various cost control measures to tighten the costs of operations.

The Directors of the Company therefore consider it appropriate to adopt the going concern basis in preparing these consolidated financial statements. Should the Group be unable to operate as a going concern in the foreseeable future, adjustments would have to be made to write down the carrying value of the Group’s assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments have not been reflected in these consolidated financial statements.

In the prior period, the Group changed its financial year end date from 31 December to 30 September in order to avoid competition of resources with other listed companies during the peak reporting season and remove uncertainty from the variation in the dates of the Chinese New Year Holiday which put pressure on the workflow. The Board considered that the change of financial year end date facilitated the preparation of the consolidated financial statements of the Group. The current period of consolidated financial statements covers the year ended 30 September 2020 and the comparative financial statements cover a nine-month period from 1 January 2019 to 30 September 2019. The comparative amounts are therefore not entirely comparable.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

None of the developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 October 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020
Amendments to HKFRS 16 COVID-19-Related Rent Concessions	1 June 2020
HKFRS 17 Insurance Contracts	1 January 2021
Annual Improvements to HKFRSs 2018-2020	1 January 2022
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous contracts – cost of fulfilling a contract	1 January 2022
Amendments to HKAS 1 Classification of Liabilities as Current or Non-Current	1 January 2023
HKFRS 10 and HKAS 28 (Amendment) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Directors of the Company, no significant impact on the financial performance and position of the Group is expected when they become effective except for HKFRS 3. Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 October 2020.

3. REVENUE

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service line for the year/period from continuing operations is as follows:

	Year ended 30 September 2020 HK\$'000	Period from 1 January 2019 to 30 September 2019 HK\$'000 (Re-presented)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sales of natural gas	37,438	29,833
– Rendering of services	<u>2,966</u>	<u>2,353</u>
	40,404	32,186
Revenue from other sources		
– Leasing income	<u>2,330</u>	<u>3,739</u>
	<u>42,734</u>	<u>35,925</u>

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

	Sales of natural gas		Pipeline installation services		Provision of technology support services		Independent financial advisory		Total	
	Period from 1 January 2019 to 30 September 2019		Period from 1 January 2019 to 30 September 2019		Period from 1 January 2019 to 30 September 2019		Period from 1 January 2019 to 30 September 2019		Period from 1 January 2019 to 30 September 2019	
	Year ended 30 September 2020	Year ended 30 September 2019	Year ended 30 September 2020	Year ended 30 September 2019	Year ended 30 September 2020	Year ended 30 September 2019	Year ended 30 September 2020	Year ended 30 September 2019	Year ended 30 September 2020	Year ended 30 September 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Primary geographical markets										
- The People's Republic of China ("PRC") except Hong Kong	37,438	29,833	563	1,090	1,904	1,263	-	-	39,905	32,186
- Hong Kong	-	-	-	-	-	-	499	-	499	-
Revenue from external customers	<u>37,438</u>	<u>29,833</u>	<u>563</u>	<u>1,090</u>	<u>1,904</u>	<u>1,263</u>	<u>499</u>	<u>-</u>	<u>40,404</u>	<u>32,186</u>
Timing of revenue recognition										
Products transferred at a point in time	157	738	563	1,090	-	-	499	-	1,219	1,828
Products and services transferred over time	<u>37,281</u>	<u>29,095</u>	<u>-</u>	<u>-</u>	<u>1,904</u>	<u>1,263</u>	<u>-</u>	<u>-</u>	<u>39,185</u>	<u>30,358</u>
Total	<u>37,438</u>	<u>29,833</u>	<u>563</u>	<u>1,090</u>	<u>1,904</u>	<u>1,263</u>	<u>499</u>	<u>-</u>	<u>40,404</u>	<u>32,186</u>

4. OTHER INCOME

	Year ended 30 September 2020	Period from 1 January 2019 to 30 September 2019
	HK\$'000	HK\$'000
Bank interest income	1	2
Interest income from bond receivables	968	863
Interest income from loan to third parties	2,419	1,429
Net exchange gain	-	3,624
Government grants (note)	512	-
Others	39	281
	<u>3,939</u>	<u>6,199</u>

Note: Government grants mainly comprised the first tranche of financial support provided to the Group under the Employment Support Scheme, for retaining employees who may otherwise be made redundant in Hong Kong.

5. OTHER GAINS AND LOSSES

	Year ended 30 September 2020 HK\$'000	Period from 1 January 2019 to 30 September 2019 HK\$'000 (Re-presented)
Continuing operations		
Gain on disposal of a subsidiary	1,576	–
Gain on disposal of property, plant and equipment	4	–
Loss on written off of property, plant and equipment	(16)	–
Impairment loss on right-of-use assets	(887)	(117)
Others	150	–
	<u>827</u>	<u>(117)</u>

6. SEGMENT INFORMATION

The Group has three (period from 1 January 2019 to 30 September 2019: two) operating segments as follows:

Natural gas operations – including investment in natural gas projects, sales of natural gas, natural gas cooking appliance and accessories and pipeline installation

Leasing business – including services rendered from leasing of steel support axial force servo system and technology support

Independent financial advisory – including services rendered from independent financial advisory and insurance brokerage business

Two operating segments (trading of copper and trading of petrochemicals) were discontinued in current year. The segment information reported does not include any amounts for these discontinued operations.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include amounts for discontinued operations, unallocated corporate expenses, certain other income, finance cost and income tax. Segment assets do not include assets of discontinued operations or held for sales, bank and cash balances and unallocated assets. Segment liabilities do not include liabilities of discontinued operations, convertible bond designated at FVTPL, non-convertible bonds, some other borrowings and unallocated liabilities. Segment non-current assets do not include deposits for acquisitions.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

(a) Information about operating segment profit or loss, assets and liabilities from continuing operations:

	Natural gas operations HK\$'000	Leasing business HK\$'000	Independent financial advisory HK\$'000	Total HK\$'000
Year ended 30 September 2020				
Revenue from external customers	38,001	4,234	499	42,734
Segment loss	(257,072)	(2,539)	(2,857)	(262,468)
Interest revenue	–	1	–	1
Interest expense	(3,210)	–	–	(3,210)
Depreciation and amortisation	(20,199)	(1,086)	–	(21,285)
Gain on disposal of fixed assets	4	–	–	4
Net foreign exchange loss	(41)	–	–	(41)
Income tax credit	28,348	–	1	28,349
Other material non-cash items:				
Impairment loss on goodwill	–	–	(1,958)	(1,958)
Impairment loss on property, plant and equipment	(132,902)	–	–	(132,902)
Impairment loss on intangible assets	(106,934)	–	–	(106,934)
Allowance for trade receivables	(6)	(4,297)	(1)	(4,304)
Allowance for other receivables	(8)	–	–	(8)
Additions to segment non-current assets	<u>635</u>	<u>4,612</u>	<u>–</u>	<u>5,247</u>
As at 30 September 2020				
Segment assets	176,382	20,108	616	197,106
Segment liabilities	<u>(119,808)</u>	<u>(6,095)</u>	<u>(710)</u>	<u>(126,613)</u>

	Natural gas operations <i>HK\$'000</i>	Leasing business <i>HK\$'000</i>	Total <i>HK\$'000</i> (Re-presented)
Period from 1 January 2019 to 30 September 2019			
Revenue from external customers	30,923	5,002	35,925
Segment (loss)/profit	(53,965)	3,390	(50,575)
Interest revenue	1	1	2
Interest expense	(4,597)	–	(4,597)
Depreciation and amortisation	(17,396)	(587)	(17,983)
Net foreign exchange gain	138	–	138
Income tax credit	5,000	–	5,000
Other material non-cash items:			
Impairment loss on goodwill	(4,207)	–	(4,207)
Impairment loss on property, plant and equipment	(18,127)	–	(18,127)
Impairment loss on intangible assets	(14,287)	–	(14,287)
Allowance for trade receivables	–	(29)	(29)
Additions to segment non-current assets	<u>4,425</u>	<u>410</u>	<u>4,835</u>
As at 30 September 2019			
Segment assets	421,901	17,931	439,832
Segment liabilities	<u>(146,245)</u>	<u>(1,343)</u>	<u>(147,588)</u>

(b) Reconciliations of segment revenue and profit or loss from continuing operations:

	Year ended 30 September 2020 <i>HK\$'000</i>	Period from 1 January 2019 to 30 September 2019 <i>HK\$'000</i> (Re-presented)
Revenue		
Consolidated revenue from continuing operations	<u>42,734</u>	<u>35,925</u>
Profit or loss		
Total profit or loss of reportable segments	(262,468)	(50,575)
Unallocated amounts:		
General and administrative expenses	(24,130)	(16,031)
Impairment loss on intangible assets	–	(770)
Reversals of allowance/(allowance) for loan receivables	3,097	(4,115)
Allowance for bond receivables	(10,758)	(177)
Allowance for other receivables	(692)	–
Finance costs	(5,230)	(3,587)
Other income	3,845	6,352
Other gains and losses	1,568	–
(Loss)/gain on fair value change on convertible bond designated at FVTPL	<u>(399)</u>	<u>3,940</u>
Consolidated loss before tax from continuing operations	<u>(295,167)</u>	<u>(64,963)</u>
Reconciliations of segment assets and liabilities:		
Assets		
Total assets of reportable segments	197,106	439,832
Assets relating to discontinued operations	–	13,428
Assets held for sales	–	2,721
Unallocated	<u>28,562</u>	<u>39,340</u>
Consolidated total assets	<u>225,668</u>	<u>495,321</u>
Liabilities		
Total liabilities of reportable segments	126,613	147,588
Liabilities relating to discontinued operations	–	6,286
Unallocated	<u>65,308</u>	<u>63,664</u>
Consolidated total liabilities	<u>191,921</u>	<u>217,538</u>

Geographical information

All of the Group's revenue and non-current assets by location of customers or by location of assets are within the PRC, including Hong Kong.

(c) Revenue from major customers:

An analysis of revenue from major customers which account for 10 percent or more of the Group's revenue is as follows:

	Year ended 30 September 2020 HK\$'000	Period from 1 January 2019 to 30 September 2019 HK\$'000 (Re-presented)
Customer A	9,029	8,504
Customer B	8,164	6,693
Customer C	5,185	–
Customer D	–	4,833
	=====	=====

Each of the major customers represents a single external customer whose transaction is generated from natural gas operations segment (period from 1 January 2019 to 30 September 2019: natural gas operations and leasing business segment).

7. FINANCE COSTS

	Year ended 30 September 2020 HK\$'000	Period from 1 January 2019 to 30 September 2019 HK\$'000 (Re-presented)
Continuing operations		
Interest on bank borrowings	1,450	1,176
Imputed interest on loan from non-controlling shareholders and its related parties	1,760	3,421
Interest on convertible bond designated at FVTPL	1,348	1,497
Interest on non-convertible bonds	3,681	1,881
Interest on lease liabilities	201	209
	=====	=====
	8,440	8,184

8. INCOME TAX CREDIT

Income tax relating to continuing operations has been recognised in profit or loss as following:

	Year ended 30 September 2020 HK\$'000	Period from 1 January 2019 to 30 September 2019 HK\$'000
Current tax – Hong Kong		
Over-provision in prior years	<u>(1)</u>	<u>–</u>
Deferred tax	<u>(28,348)</u>	<u>(5,000)</u>
	<u>(28,349)</u>	<u>(5,000)</u>

Pursuant to the rules and regulations of the Cayman Islands, Samoa, Seychelles and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in these regions.

Under the Law of the PRC on Enterprise Income Tax (the “EIT”) and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% (period from 1 January 2019 to 30 September 2019: 25%). The tax rate of Hong Kong Profits Tax in respect of Hong Kong subsidiaries is 16.5% (period from 1 January 2019 to 30 September 2019: 16.5%).

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year ended 30 September 2020 (period from 1 January 2019 to 30 September 2019: Nil).

9. LOSS FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS

The Group's loss for the year/period from continuing operations is stated after charging/(crediting) the followings:

	Year ended 30 September 2020 HK\$'000	Period from 1 January 2019 to 30 September 2019 HK\$'000 (Re-presented)
Amortisation of intangible assets (included in selling and distribution costs)	6,458	5,711
Other receivables written off	–	10
Auditor's remuneration		
– Audit service		
– Current	1,000	1,100
– Under-provision in prior year/period	–	105
– Other services	442	282
	1,442	1,487
Cost of inventories sold	27,350	22,849
Depreciation of property, plant and equipment	16,010	13,526
Depreciation of right-of-use assets (included in general and administrative expenses)	2,928	1,922
Gain on disposal of property, plant and equipment	(4)	–
Loss on written off of property, plant and equipment	16	–
Impairment loss on goodwill (included in general and administrative expenses)	1,958	4,207
Net exchange loss/(gain)	3,627	(3,243)

10. EMPLOYEE BENEFITS EXPENSE

	Year ended 30 September 2020 HK\$'000	Period from 1 January 2019 to 30 September 2019 HK\$'000 (Re-presented)
Continuing operations		
Employee benefits expense (including directors' emoluments):		
Salaries, bonuses and allowances	8,895	5,491
Retirement benefit scheme contributions	363	302
	9,258	5,793

11. DISCONTINUED OPERATIONS

On 29 September 2020, the Group entered into a sale and purchase agreement with an independent third party to dispose its subsidiaries engaging in trading of copper and petrochemicals.

	Year ended 30 September 2020 HK\$'000	Period from 1 January 2019 to 30 September 2019 HK\$'000
Loss for the year/period from discontinued operations:		
Revenue	–	295,070
Cost of sales	–	(294,402)
Gross profit	–	668
Other income	2	382
Other losses	(553)	(94)
General and administrative expenses	(878)	(1,573)
Allowance for trade receivables	–	(21)
Allowance for loan receivables	–	(3,023)
Finance costs	(6)	(19)
Loss before tax	(1,435)	(3,680)
Income tax expense	(4,869)	(19)
	<u>(6,304)</u>	<u>(3,699)</u>
Loss on disposal of operations	<u>(1,041)</u>	–
Loss for the year/period from discontinued operations	<u>(7,345)</u>	<u>(3,699)</u>
Loss for the year/period from discontinued operations attributable to:		
Owners of the Company	(7,334)	(3,696)
Non-controlling interests	(11)	(3)
	<u>(7,345)</u>	<u>(3,699)</u>

12. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 30 September 2020 (period from 1 January 2019 to 30 September 2019: Nil).

13. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following:

	Year ended 30 September 2020 HK\$'000	Period from 1 January 2019 to 30 September 2019 HK\$'000 (Re-presented)
Loss from continuing and discontinued operations		
Loss for the purpose of calculating basic loss per share from continuing and discontinued operations	(101,836)	(31,585)
Effect of fair value change on convertible bond designated at FVTPL	399	(3,940)
Effect of interest on convertible bond designated at FVTPL	<u>1,348</u>	<u>1,497</u>
Loss for the purpose of calculating diluted loss per share from continuing and discontinued operations	<u><u>(100,089)</u></u>	<u><u>(34,028)</u></u>
Loss from continuing operations		
Loss for the purpose of calculating basic loss per share from continuing operations	(94,502)	(27,889)
Effect of fair value change on convertible bond designated at FVTPL	399	(3,940)
Effect of interest on convertible bond designated at FVTPL	<u>1,348</u>	<u>1,497</u>
Loss for the purpose of calculating diluted loss per share from continuing operations	<u><u>(92,755)</u></u>	<u><u>(30,332)</u></u>

	Year ended 30 September 2020 '000	Period from 1 January 2019 to 30 September 2019 '000 (Re-presented)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	77,142	65,172
Effect of deemed conversion of convertible bond designated at FVTPL	<u>1,255</u>	<u>1,852</u>
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	<u>78,397</u>	<u>67,024</u>

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for both periods presented have been adjusted for the share consolidation. Basic and diluted loss per share for the period from 1 January 2019 to 30 September 2019 has been re-presented.

The computation of diluted loss per share for the year ended 30 September 2020 does not assume the exercise of the Company's outstanding share options and conversion of convertible bond, as these would result in the decrease in the loss per share.

The computation of diluted loss per share for the period from 1 January 2019 to 30 September 2019 does not assume the exercise of the Company's outstanding share options, as this would result in the decrease in the loss per share.

From discontinued operations

Basic and diluted loss per share from the discontinued operations is HK9.51 cents per share (period from 1 January 2019 to 30 September 2019: basic and diluted loss per share was HK5.67 cents per share), based on the loss for the year from discontinued operations attributable to the owners of the Company of approximately HK\$7,334,000 (period from 1 January 2019 to 30 September 2019: HK\$3,696,000) and the denominators used are the same as those detailed above for both basic and diluted loss per share.

14. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current		
Trade receivables (<i>note (a)</i>)	8,246	11,291
Less: impairment losses	<u>(4,424)</u>	<u>(48)</u>
	3,822	11,243
Deposits	925	1,279
Prepayments	3,245	9,805
Others	<u>1,857</u>	<u>456</u>
	<u>6,027</u>	<u>11,540</u>
	<u>9,849</u>	<u>22,783</u>
Non-current		
Deposits for acquisition of subsidiaries (<i>note (b)</i>)	<u>–</u>	<u>6,830</u>

Notes:

- (a) Generally there is no credit period for customers of sales of natural gas as the customers need to prepay before the usage of the natural gas. For a few specific customers they can use the gas on credit and the Group allows an average credit period of 60 days. The Group recognises revenue for natural gas pipeline installation service when the installation is completed and the Group allows an average credit period of 30 days upon completion. For trading of copper and petrochemicals, deposits were usually required and the remaining balance was usually receivable approximately within 180 days upon completion of the transaction. For leasing business, the Group allows an average credit period of 30 days upon service rendered. For independent financial advisory, the Group allows an average credit period of 30 days upon service rendered.

The ageing analysis of trade receivables at the end of the reporting period based on the goods or services delivered is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 90 days	1,656	2,837
91 to 180 days	–	7,253
181 to 366 days	2,166	1,153
Over 366 days	<u>–</u>	<u>–</u>
	<u>3,822</u>	<u>11,243</u>

Before accepting any new customer, the Group's finance and sales management team would assess the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly with reference to past settlement history. The Group's finance and sales management team considers trade receivables that are neither past due nor impaired to be of good credit quality as continuous repayments have been received.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
HK\$	26	–
RMB	<u>3,796</u>	<u>11,243</u>
	<u>3,822</u>	<u>11,243</u>

- (b) The amount represented deposits paid to two vendors during the period ended 30 September 2019 for acquiring two subsidiaries.

On 25 July 2019, the Group entered into a share transfer agreement with a vendor, who was independent from the Group, to acquire 100% equity interest in an insurance broker company incorporated in Hong Kong with limited liabilities at a consideration of HK\$2,373,000. A deposit of HK\$1,400,000 was paid to the vendor as a deposit for acquiring the shares from the vendor. The acquisition had been completed on 31 October 2019.

On 20 September 2019, the Group signed a letter of intent with a private company (the "investee") established in the PRC, engaging in development and distribution of healthcare technologies and products, to invest in the investee. A deposit of RMB4,900,000 (equivalent to HK\$5,430,000) was paid to the investee as a deposit for capital contribution.

As the acquisition was not completed before 31 March 2020, the deposit of RMB3,240,000 (equivalent to HK\$3,708,000) was refunded to the Group during the year, the remaining balance of RMB1,660,000 (equivalent to HK\$1,900,000) was still outstanding and was included in other receivables as at 30 September 2020.

The carrying amounts of the Group's deposits, prepayments and other receivables are mainly denominated in RMB.

15. LOAN RECEIVABLES

	2020	2019
	HK\$'000	HK\$'000
Loan receivables, unsecured	22,961	19,802
<i>Less: impairment losses</i>	(1,017)	(7,003)
	21,944	12,799

The Group granted loans to certain independent third parties during the year ended 30 September 2020, which will be mature between 3 October 2020 to 2 July 2021. Loan receivables are unsecured and are charged on effective interest rate mutually agreed with the contracting parties, at a fixed rate ranging from 12% to 20% (period from 1 January 2019 to 30 September 2019: 0% to 12%) per annum. The borrowers are obliged to settle the amounts according to the terms set out in the relevant agreements.

The Group seeks to maintain strict control over its outstanding loan receivables so as to minimise credit risk. The granting of loans is subject to approval by the management, whilst overdue balances are reviewed regularly by the management.

The carrying amounts of the Group's loan receivables are denominated in the following currencies:

	2020	2019
	HK\$'000	HK\$'000
HK\$	21,944	12,253
RMB	–	546
	21,944	12,799

16. BOND RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Unlisted debt instruments, at amortised cost, issued by a listed company	10,280	3,000
Accrued interest receivables	<u>655</u>	<u>150</u>
	<u>10,935</u>	<u>3,150</u>
Unlisted debt instruments, at amortised cost, issued by an unlisted company	–	6,500
Accrued interest receivables	<u>–</u>	<u>237</u>
	<u>–</u>	<u>6,737</u>
<i>Less: impairment losses</i>	<u>(10,935)</u>	<u>(177)</u>
	<u>–</u>	<u>9,710</u>

Notes:

On 2 April 2019, the Group subscribed bonds from a listed company (“Bond Issuer 1”) with principal amount of HK\$3,000,000. The bonds were unsecured and interest-bearing at fixed rates of 10% per annum. The carrying amount of HK\$3,300,000 was receivable on 2 April 2020. The bonds could be redeemed by Bond Issuer 1 at 100% of the outstanding principal amount, together with accrued interest up to settlement date. Upon the maturity date, Bond Issuer 1 did not repay the interest and principal.

On 4 May 2019, the Group subscribed bonds from an unlisted company (“Bond Issuer 2”), which is a subsidiary of Bond Issuer 1, with a principal amount of HK\$6,500,000. The bonds were unsecured and interest-bearing at fixed rates of 12% per annum. The carrying amount of HK\$7,280,000 was receivable on 3 May 2020. The bonds could be redeemed by Bond Issuer 2 at 100% of the outstanding principal amount, together with accrued interest up to settlement date.

Upon maturity date, Bond Issuer 2 did not repay the interest and principal. Bond Issuer 1, being the holding company of Bond Issuer 2, had taken up the obligation by issuing bonds with principal amount of HK\$7,280,000 at fixed interest rate of 12% per annum to the Group on 4 May 2020. The carrying amount of HK\$8,153,600 will be receivable on 3 May 2021. The bonds can be redeemed by Bond Issuer 1 at 100% of the outstanding principal amount, together with accrued interest up to settlement date.

On 5 June 2020, Bond Issuer 1 announced that it has entered into liquidation process, the management of the Company considered the recoverability of these bonds was remote and full impairment was made accordingly.

The carrying amounts of the Group’s bond receivables are denominated in HK\$.

17. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables (<i>note (a)</i>)	855	1,670
Payable for construction in progress	32,352	32,859
Receipt in advance (<i>note (b)</i>)	1,946	2,884
Other payables and accruals	<u>8,002</u>	<u>13,124</u>
	<u>43,155</u>	<u>50,537</u>

Notes:

- (a) Generally, there is no credit period for suppliers of natural gas as the Group need to prepay before the purchase of the natural gas. For liquefied natural gas, the credit period granted by supplier to the Group was 30 days. For other business, the credit period granted by supplier to the Group ranged from 60 to 180 days.

The ageing analysis of trade payables, based on date of receipt of goods, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 30 days	38	–
31 to 60 days	115	1,149
Over 60 days	<u>702</u>	<u>521</u>
	<u>855</u>	<u>1,670</u>

The trade payables are non-interest bearing and normally settled on 30 to 180 days terms.

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	113	15
RMB	742	1,655
	<u>855</u>	<u>1,670</u>

- (b) The amounts represented deposits received for disposal of building (2019: building and motor vehicle) of the Group from an independent third party.

18. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment, development of systems and networks – contracted but not accounted for	<u>9,567</u>	<u>7,102</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

For the year under review, the Group regarded the trade of copper and petrochemicals (“Trading of Goods”) as discontinued operation. No revenue contributed from trading of Goods for the year ended 30 September 2020 (“YE2020”) as compared with approximately HK\$295,070,000 for the period from 1 January 2019 to 30 September 2019 (“9M2019”). In addition, as set out in note 1 to this result announcement, the Group changed its financial year end date from 31 December to 30 September in 2019. The comparative amounts may not be entirely comparable.

As a result of the above changes, the continuing operations of the Group recorded revenue of approximately HK\$42,734,000 for YE2020 as compared with approximately HK\$35,925,000 for 9M2019, gross profit of approximately HK\$12,987,000 for YE2020 against approximately HK\$11,742,000 for 9M2019 and net loss of approximately HK\$266,818,000 for YE2020 as compared to approximately HK\$59,963,000 for 9M2019. The discontinued operation recorded a net loss of approximately HK\$7,345,000 for YE2020 as compared with approximately HK\$3,699,000 for 9M2019.

Analysis on the performance of the Group including revenue and results of natural gas operations, leasing business and independent financial advisory before allocation of the corporate overheads is set out in note 6 “Segment Information” to this result announcement.

The Group generated revenue from sales of natural gas and pipeline installation services of approximately HK\$37,438,000 and HK\$563,000 respectively for YE2020 as compared to approximately HK\$29,833,000 and HK\$1,090,000 respectively for 9M2019. Revenue generated from leasing business and independent financial advisory business were in aggregate of HK\$4,234,000 and HK\$499,000 for YE2020 respectively as compared to 9M2019, it recorded HK\$5,002,000, in aggregate, from leasing business. No revenue from independent financial advisory business generated in 9M2019 as it was acquired in YE2020.

The total operating expenses, including selling and distribution costs, general and administrative expenses and finances costs, for YE2020 was approximately HK\$60,020,000 as compared to approximately HK\$49,222,000 for 9M2019, representing a increase of 22% which was resulting from the change of reporting period end date from 31 December to 30 September in 2019.

Finance costs of the Group were approximately HK\$8,440,000 for YE2020 (9M2019: approximately HK\$8,184,000), which consisted of the imputed interest expense on non-current interest free loan from non-controlling shareholders of a subsidiary and its related parties, interests on bank borrowings, non-convertible bonds and convertible bond designed at FVTPL.

Loss for YE2020 was increased by 331% to approximately HK\$274,163,000, compared with loss of approximately HK\$63,662,000 for 9M2019. The significant increase in loss for YE2020 was mainly due to the net effect of impairment losses made on both current and non-current assets (i.e. property, plant and equipment, intangible assets, right-of-use assets, goodwill as well as trade receivables and loan receivables) and the reason as aforesaid.

UPDATE ON NATURAL GAS BUSINESS

The Group acquired 宜昌市標典天然氣利用有限公司 (Yichang Biaodian Natural Gas Utilization Co., Ltd.*) (“Yichang Biaodian”), which is engaged in natural gas supply operation, in 2016. However, Yichang Biaodian has suffered losses since acquisition resulting from the following reasons:

- (i) the pipeline installation in Yaojiagang Chemical Zone has been substantially completed in 2018, which covered most area of the zone to supply natural gas to factories operating in the zone. However, due to the slow progress of the chemical enterprises’ removals and construction of new factories in the zone, some potential customers did not engage with Yichang Biaodian for natural gas supply;
- (ii) some customers delayed the transformation from coal-boiler to natural gas boiler as they concerned that the unstable supply of industrial natural gas happened in 2018, will continue in 2020; and worry that due to the peak period of winter gas consumption in recent years, the government’s policy of restricting natural gas to civilian use will affect business.
- (iii) Impact of the novel coronavirus (“COVID-19”)

Due to the outbreak of the COVID-19 at the beginning of 2020, Hubei Province’s industrial operations were suspended until the full return to normal in April. In order to alleviate the impact of the epidemic on the industry, the local government reduced the sales price per m³ of non-residential natural gas from RMB3.18 to RMB2.8 from 1 April 2020.

By considering the reasons as aforesaid, the management of the Group performed impairment testing in accordance with Hong Kong Accounting Standard 36 “Impairment of Assets” (“HKAS 36”) on the assets belongs to Yichang Biaodian.

The key assumptions used in the value in use (“VIU”) calculation for impairment assessment based on a valuation prepared by an independent valuer are those regarding the expected average revenue growth rate, expected average net profit margin and discount rate for the next five years:

- Expected average revenue growth rate and expected average profit margin for the next five years were based on past practices and management’s expectations on market development; and
- Discount rate was estimated using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating unit (“CGU”), i.e. Yichang Biaodian.

The key assumptions used in the impairment assessment in 2020 changed from that of 2019:

- In 2020, the expected revenue growth rate estimated for the next five years was 22%. In 2019, the expected revenue growth rate estimated for the next five years was 54%; and
- In 2020, the expected average negative net profit margin estimated for the next five years was 4%. In 2019, the expected average positive net profit margin estimated for the next five years was 13%.

The valuation method of discounted cash flow was adopted for the calculation of the VIU of the CGU. In accordance with HKAS 36, the recoverable amount should be the higher of (i) the fair value less costs of disposal, and (ii) the VIU. After assessing both the VIU and the fair value, the valuation opted for the VIU because it was the higher between the two figures. VIU is based on the estimated future cash flows expected to be derived from the CGU discounted to their present value using a pre-tax discount rate of 12.05% (2019: 16.44%) that reflects current market assessments of the time value of money and the risks specific to the CGU. There is no change to the valuation method adopted in 2019 and 2020.

Based on the assessment, the recoverable amount of Yichang Biaodian was approximately HK\$156,184,000 and impairment losses on property, plant and equipment, intangible assets and right-of-use assets of approximately HK\$132,902,000, HK\$106,934,000 and HK\$887,000 were recognised respectively in 2020.

UPDATE ON INDEPENDENT FINANCIAL ADVISORY BUSINESS

The Group acquired LW Insurance Brokers Limited (“LW Insurance”), which is engaged in insurance brokerage, in 2019. However, LW Insurance has suffered losses since acquisition resulting from the following reasons:

- (i) keen competition from the competitors in the industry;
- (ii) the worsened local economy as a result of political unrest in Hong Kong;
- (iii) the impact from the outbreak of COVID-19 pandemic,

that less potential customers seek professional advice from the Group.

By considering the reasons above, the management of the Group performed impairment testing in accordance with HKAS 36 on LW Insurance.

The fair value calculation based on the valuation prepared by an independent valuer is mainly determined by the fair value calculation according to the market method. The main assumptions of fair value calculation are the assumptions about multiples of enterprise value, control premium and discounts that lack of marketability.

Based on the assessment, the recoverable amount of LW Insurance was HK\$516,000 and impairment loss on goodwill, of HK\$1,958,000 was recognised for the year ended 30 September 2020.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's operation is being financed by internally generated cashflow, bank borrowings and external financing. The Group follows a policy of prudence in managing its working capital. The management will continue to closely monitor the financial position of the Group to maintain its financial capacity.

Amounts due to non-controlling shareholders of a subsidiary and its related parties

As at 30 September 2020, the amounts due to Hubei Biaodian Natural Gas Co., Ltd* ("Hubei Biaodian") and its subsidiary and Mr. Xiong Songgan ("Mr. Xiong") and his controlled entities were approximately HK\$26,160,000 and HK\$14,281,000 respectively, when comparing approximately HK\$25,439,000 and HK\$18,150,000 at 30 September 2019 respectively. Hubei Biaodian owns 20.92% of Yichang Biaodian and Mr. Xiong is the controlling shareholder of Hubei Biaodian.

The advance made by the above non-controlling shareholders of the Group during the year was used for Yichang Biaodian's capital expenditure purpose.

Bank and other borrowings

The bank borrowings assigned RMB18,000,000 (equivalent to HK\$20,601,000) carry an interest at a variable rate, with an effective interest rate of 7.10% to 8.01% per annum. The bank borrowings are guaranteed and pledged with several properties owned by Mr. Xiong, his spouse and a company held and controlled by him.

As at 30 September 2020,

- (a) the Group's aggregate amount of bank and cash balances was approximately HK\$1,978,000 (as at 30 September 2019: approximately HK\$3,325,000).
- (b) the Group's total borrowings comprised (i) amounts due to non-controlling shareholders of a subsidiary and its related parties; (ii) bank borrowings; (iii) due to directors; (iv) non-convertible bonds; (v) convertible bond designated at fair value through profit or loss; (vi) lease liabilities; and (vii) due to related parties totalling approximately HK\$127,657,000 (as at 30 September 2019: HK\$120,120,000).
- (c) the Group's total gearing ratio was approximately 374% (as at 30 September 2019: 42%). The gearing ratio was calculated as the Group's borrowings net of cash available divided by total equity of the Group.
- (d) the current ratio of the Group was approximately 0.35 (as at 30 September 2019: 0.5). The management will continue to closely monitor the financial position of the Group to maintain its financial capacity.

Placing of shares under general mandate

On 16 March 2020, the Company entered into a placing agreement with Rifa Securities Limited (the "Placing Agent") under which the Placing Agent agreed to place up to a total of 13,000,000 new ordinary shares of HK\$0.50 each (with a total nominal value of HK\$6,500,000) in the Company (the "Placing Shares") to independent third parties on a best effort basis at a price of HK\$1 per Placing Share. The closing price as quoted on the Stock Exchange on 16 March 2020, being the date of the placing agreement was HK\$1.04 per share. The placing of all 13,000,000 Placing Shares to not less than six independent placees was completed on 27 March 2020 and raised net proceeds, after deducting related placing commission, professional fees and all related expenses, of approximately HK\$12,180,000 which were intended to be used for redemption of bonds of the Group and as the Group's general working capital.

On 9 April 2020, the Company entered into a placing agreement with Rifa Securities Limited (the "Placing Agent") under which the Placing Agent agreed to place up to a total of 13,000,000 new ordinary shares of HK\$0.50 each (with a total nominal value of HK\$6,500,000) in the Company (the "Placing Shares") to independent third parties on a best effort basis at a price of HK\$0.58 per Placing Share. The closing price as quoted on the Stock Exchange on 9 April 2020, being the date of the placing agreement was HK\$0.68 per share. The placing of all 13,000,000 Placing Shares to not less than six independent placees was completed on 5 May 2020 and raised net proceeds, after deducting related placing commission, professional fees and all related expenses, of approximately HK\$7,026,000 which were intended to be used for redemption of bonds of the Group and as the Group's general working capital.

Further details of the above placing were set out in the announcements of the Company dated 16 March 2020, 27 March 2020, 9 April 2020, 23 April 2020 and 5 May 2020.

Note: The number of share and share price have been adjusted pursuant to the share consolidation effective on 24 August 2020.

ACQUISITION OF A SUBSIDIARY

On 31 October 2019, a wholly-owned subsidiary of the Company acquired 100% equity interest of LW Insurance at a consideration of HK\$2,373,000. LW Insurance was engaged in insurance broker business.

DISPOSAL OF SUBSIDIARIES

Digital Commerce Limited

On 7 January 2020, the Company entered into a share transfer agreement with an independent third party to dispose its 100% equity interest in a wholly-owned subsidiary for a cash consideration of HK\$2,500,000. The disposal was completed on 14 January 2020.

Hong Kong King Sailing Limited

On 29 September 2020, the Company entered into a share transfer agreement with an independent third party to dispose its 100% equity interest in a wholly-owned subsidiary for a cash consideration of HK\$100,000. The disposal was completed on 29 September 2020.

LITIGATION

Yichang Biaodian Natural Gas Utilisation Co., Ltd

During the year ended 31 December 2018, Yichang Biaodian entered into disputes with one of its suppliers regarding the quality of work performed by such supplier. Legal proceedings were initiated by the supplier (the “Yichang Plaintiff”) and on 14 December 2018, pursuant to the application from the Yichang Plaintiff, the Court in Yichang granted an order to preserve the bank deposits of Yichang Biaodian amounted to approximately RMB478,000 (equivalent to approximately HK\$544,000).

On 13 March 2019, the Court issued civil mediation agreement which set out that the Yichang Plaintiff and Yichang Biaodian agreed with the repayment terms in relation to the aforesaid amount. Yichang Biaodian is required to repay RMB200,000 on or before 30 April 2019 and an order could be applied to unfreeze the bank accounts; and Yichang Biaodian was required to settle RMB2,000,000 on or before 30 September 2019 and the remaining outstanding amount on or before 30 March 2020. The Yichang Plaintiff has the rights to apply for a court order to enforce Yichang Biaodian to settle all its debts if it fails to repay RMB2,200,000 to the Yichang Plaintiff on or before 30 September 2019. Amount of RMB8,787,000 (equivalent to HK\$10,006,000) are fully provided as liabilities of the Group at 31 December 2018. The restricted bank balance was released on 11 April 2019 upon agreement between the Yichang Plaintiff and Yichang Biaodian.

On 20 November 2019, the Yichang Plaintiff has exercised its rights to apply for a court order to enforce Yichang Biaodian for settlement of amount overdue. Yichang Biaodian only repaid RMB200,000 up to 30 September 2020. The management of the Group was assessing the possible outcome that bringing to Yichang Biaodian. The directors of the Company considered that as the full amount of the debts of RMB8,587,000 (equivalent to HK\$9,828,000) claimed by Yichang Plaintiff are fully provided as liability of the Group as at 30 September 2020, no further liability will be incurred.

Global Billion Trading (Shenzhen) Limited

During the year ended 30 September 2020, 環球進億貿易(深圳)有限公司 (Global Billion Trading (Shenzhen) Limited*) (“Shenzhen Global”) has been in dispute with a former director of the Group regarding the ownership of the building located in the PRC classified as held for sale. Legal proceedings were initiated by the former director (the “Shenzhen Plaintiff”) and on 8 July 2020, pursuant to the application from the Shenzhen Plaintiff, the Court in Shenzhen granted an order to preserve the building classified as held for sale of Shenzhen Global from being sold by the Group during the period from 9 July 2020 to 8 July 2023.

Since the case was at preliminary stage, the management of the Group was assessing the possible outcome that bringing to Shenzhen Global.

PLEDGE OF ASSETS

The Group pledged a property approximately amounted to HK\$2,237,000 to an independent third party for obtaining an advance of HK\$114,000 as at 30 September 2020 (2019: HK\$2,304,000).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 30 September 2020 (period from 1 January 2019 to 30 September 2019: Nil).

CONTINGENT LIABILITIES

The Group did not have any other significant contingent liabilities at 30 September 2020 (2019: Nil).

PROSPECT

Looking forward, the business and operation environments of the Group will remain challenging due to the global outbreak of coronavirus disease, and the dramatic escalation in tensions between the PRC and the US, the overall market is expected to be volatile. The Directors expect that there are still uncertainties and adverse effects on the overall business of our Group with the weak economic conditions, both in Hong Kong and worldwide. As a result of the above, in particular the outbreak of the coronavirus pandemic which continues to affect the business operations as well as the corporate transaction of our clients, the performance of our Group in the coming year will be very challenging.

Given the challenges mentioned above, the Directors will be more cautious and conservative in seeking new potential merger and acquisition, business integration and expansion in order to sustain the growth and profitability of the Group.

EVENTS AFTER REPORTING PERIOD

Proposed Capital Reorganisation and Rights Issue

On 20 November 2020, the Company proposed to implement the following capital reorganisation (the “Capital Reorganisation”) involving (a) the reduction of the issued share capital of the Company by cancelling the paid up capital to the extent of HK\$0.49 on each of the then issued Existing Shares such that the par value of each of the then issued Adjusted Shares will be reduced from HK\$0.50 to HK\$0.01 (the “Capital Reduction”); and (b) immediately following the Capital Reduction, each of the authorised but unissued Existing Shares of par value HK\$0.50 each be sub-divided into fifty (50) ordinary shares of par value of HK\$0.01 each. At the same time, the Company proposed, subject to the Capital Reorganisation becoming effective, to implement the Rights Issue on the basis of four (4) Rights Shares for every one (1) Adjusted Share held on the Record Date at the Subscription Price of HK\$0.16 per Rights Share, to raise approximately HK\$58.35 million by issuing 364,688,000 Rights Shares to the Qualifying Shareholders. Details of the Capital Reorganisation are disclosed in the Company’s announcement dated 20 November 2020. The Capital Reorganisation has not been effective as at the date of this announcement.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

The Group's foreign currency exposure is limited as most of its transactions, assets and liabilities are denominated in Hong Kong dollars and Renminbi.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 September 2020, the Group employed 50 staff members (at 30 September 2019: 56 staff). Remuneration is determined with reference to market terms and the performance, qualifications and experience of the individual employee. Remuneration includes monthly salaries, performance-linked bonuses, retirement benefits schemes and other benefits such as medical scheme and share option scheme. The Group's remuneration policies and packages are reviewed by management on regular basis. The Company has established a Human Resources and Remuneration Committee. The Directors' emoluments are determined with reference to Directors' duties, responsibilities and the operating performance of the Group.

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 year ended 30 September 2020.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices. It met all the code provisions of the Corporate Governance Code ("CG Code") set out in Appendix 15 of GEM Listing Rules in the year ended 30 September 2020 except for the following deviation:

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company did not appoint a chairman from 19 April 2018. The Board will keep reviewing the current structure from time to time and appoint candidate with suitable knowledge, skill and experience as chairman of the Company, if identified.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealing set out in Rules 5.48 to 5.67 of GEM Listing Rules (the "Required Standard") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the Required Standard during the year ended 30 September 2020.

AUDIT COMMITTEE

The terms of reference of the Audit Committee, with the inclusion of the corporate governance functions, follow the guidelines set out in the Code. The Audit Committee is responsible for, among other things, having relationship with the Company's auditors, reviewing the Group's financial information and its financial reporting, financial reporting system, risk management and internal control systems and corporate governance, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function. The Audit Committee reports to the Board any significant issues relating to its terms of reference.

During the year ended 30 September 2020, the Audit Committee held four meetings and work performed included reviewing the Group's quarterly, half-yearly and annual results, its risk management and internal control systems, and corporate governance matters for inclusion in the Company's Annual Report.

The audit committee has reviewed the consolidated financial statements for the year ended 30 September 2020 and this annual results announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 30 September 2020. The report includes paragraphs of an emphasis of matter, without qualification.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 September 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw your attention to note 2* to the consolidated financial statements, which indicates the Group incurred a net loss of approximately HK\$274,163,000 for the year ended 30 September 2020, and, as of the date, the Group has net current liabilities of HK\$77,362,000. In addition, as at 30 September 2020, the Group had capital commitments amounting to HK\$9,567,000. Besides, the Group was in default of non-convertible bonds of approximately HK\$13,046,000 which were overdue as of 30 September 2020. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

OTHER INFORMATION

Scope of work of RSM Hong Kong

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 September 2020 as set out in this annual results announcement have been agreed by RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on this annual results announcement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A separate environmental, social and governance report is expected to be published on the Stock Exchange's website and the Company's website no later than three months after the annual report has been published.

* *referring to note 1 of this announcement*

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.globalstrategicgroup.com.hk. The Company's annual report for the year ended 30 September 2020 will be published on the above websites in due course.

By order of the Board
Global Strategic Group Limited
Wang Wenzhou
Executive Director and Chief Executive Officer

Hong Kong, 22 December 2020

As at the date of this announcement, the executive Directors are Mr. Wang Wenzhou (Chief Executive Officer), Mr. Wu Guoming, Mr. Duan Fanfan; and the independent non-executive Directors are Mr. Leung Oh Man, Martin and Mr. Sun Zhi Jun and Ms. Huang Yu Jun.

This announcement, for which the Directors 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 of Hong Kong Limited 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 announcement 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 announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the day of its posting and the Company's website at www.globalstrategicgroup.com.hk.

* *For reference purposes only, the Chinese names of the PRC entities and terms have been translated into English in this announcement. In the event of any discrepancies between the Chinese names of the PRC entities and terms and their English translation, the Chinese version shall prevail.*