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)

RESULTS ANNOUNCEMENT FOR THE PERIOD FROM 1 JANUARY 2019 TO 30 SEPTEMBER 2019

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 period from 1 January 2019 to 30 September 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period from 1 January 2019 to 30 September 2019

	Notes	**Period from 1 January 2019 to 30 September 2019**	Year ended 31 December 2018
		HK$'000	*HK$'000*
Continuing operations			
Revenue	*3*	**330,995**	108,716
Cost of sales		**(318,585)**	(102,668)
Gross profit		**12,410**	6,048
Other income	*4*	**6,581**	2,241
Other losses	*5*	**(211)**	(148)
Gain/(loss) on fair value change on convertible bond designated at fair value through profit or loss ("FVTPL")		**3,940**	(4,186)
Selling and distribution costs		**(16,706)**	(18,917)
General and administrative expenses		**(25,905)**	(44,225)
Impairment loss on property, plant and equipment		**(18,127)**	–
Impairment loss on intangible assets		**(15,057)**	–
Allowance for trade receivables		**(50)**	–
Allowance for loan receivables		**(7,138)**	–
Allowance for bond receivables		**(177)**	–
Finance costs	*7*	**(8,203)**	(25,697)
Loss before tax		**(68,643)**	(84,884)
Income tax credit	*8*	**4,981**	1,973
Loss for the period/year from continuing operations	*9*	**(63,662)**	(82,911)
Discontinued operations			
Loss for the period/year from discontinued operations		**–**	(5,520)
Loss for the period/year		**(63,662)**	(88,431)

	Notes	Period from 1 January 2019 to 30 September 2019 HK$'000	Year ended 31 December 2018 HK$'000
Other comprehensive income			
Item that may be reclassified to profit or loss:			
Exchange differences arising on translation of financial statements to presentation currency		**(16,303)**	(6,208)
Other comprehensive income for the period/year, net of tax		**(16,303)**	(6,208)
Total comprehensive income for the period/year		**(79,965)**	(94,639)
Loss for the period/year attributable to:			
Owners of the Company		**(31,585)**	(70,595)
Non-controlling interests		**(32,077)**	(17,836)
		(63,662)	(88,431)
Total comprehensive income for the period/year attributable to:			
Owners of the Company		**(38,745)**	(73,799)
Non-controlling interests		**(41,220)**	(20,840)
		(79,965)	(94,639)
Loss per share	*12*		
From continuing and discontinued operations			
Basic *(HK cents per share)*		**(2.42)**	(5.89)
Diluted *(HK cents per share)*		**(2.54)**	(5.89)
From continuing operations			
Basic *(HK cents per share)*		**(2.42)**	(5.43)
Diluted *(HK cents per share)*		**(2.54)**	(5.43)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	At 30 September 2019 HK$'000	At 31 December 2018 HK$'000
Non-current assets			
Property, plant and equipment		**242,422**	277,688
Right-of-use assets		**4,811**	–
Prepaid land lease payments		**–**	1,606
Goodwill		**–**	4,323
Intangible assets		**178,685**	204,658
Deposits for acquisition of subsidiaries	13	**6,830**	–
Deposit for acquisition of property, plant and equipment		**3,764**	–
Long term deposit	13	**–**	37
		436,512	488,312
Current assets			
Prepaid land lease payments		**–**	33
Inventories		**370**	492
Trade and other receivables	13	**22,783**	11,662
Loan receivables	14	**12,799**	29,504
Bond receivables	15	**9,710**	13,125
Value-added tax recoverable		**6,940**	7,783
Current tax assets		**161**	165
Restricted bank deposits		**–**	544
Bank and cash balances		**3,325**	2,297
		56,088	65,605
Assets classified as held for sale		**2,721**	–
		58,809	65,605

	Notes	At 30 September 2019 HK$'000	At 31 December 2018 HK$'000
Current liabilities			
Trade and other payables	*16*	**50,537**	44,922
Contract liabilities		**2,396**	2,852
Lease liabilities		**2,705**	–
Due to a related company		**554**	–
Due to directors		**347**	2,105
Non-convertible bonds		**31,885**	9,747
Bank borrowings		**2,216**	2,277
Convertible bond designated at FVTPL		**19,771**	–
Current tax liabilities		**1**	–
		110,412	61,903
Net current (liabilities)/assets		**(51,603)**	3,702
Total assets less current liabilities		**384,909**	492,014
Non-current liabilities			
Due to non-controlling shareholders of a subsidiary and its related parties		**43,589**	39,650
Lease liabilities		**540**	–
Non-convertible bonds		**3,000**	3,000
Bank borrowings		**15,513**	17,081
Convertible bond designated at FVTPL		**–**	24,186
Deferred tax liabilities		**44,484**	50,682
		107,126	134,599
		277,783	357,415
CAPITAL AND RESERVES			
Share capital		**32,586**	32,586
Reserves		**34,398**	231,347
Equity attributable to owners of the Company		**66,984**	263,933
Non-controlling interests		**210,799**	93,482
Total equity		**277,783**	357,415

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 January 2019 to 30 September 2019

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 the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The Directors have given careful consideration to the going concern of the Group in light of the fact that the Group incurred a net loss of HK$63,662,000 for the period from 1 January 2019 to 30 September 2019, and, as of that date, the Group had net current liabilities of HK$51,603,000. In addition, as at 30 September 2019, the Group had capital commitments and other commitment amounting to HK$7,102,000 and HK$973,000 respectively.

Mr. Wu Guoming ("Mr. Wu"), a substantial shareholder of the Company as at 30 September 2019, has 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 the period ended 30 September 2019.

In addition, approximately HK$7,500,000 non-convertible bonds subsequently at the maturity have been renewed.

Taking into account the above factors, the Directors are of the opinion that, together with the internal financial resources of the Group, the Group has sufficient working capital for its present requirements, that is for at least the next twelve months commencing from the date of the consolidated financial statements. Hence, the consolidated financial statements have been prepared on a going concern basis.

During the 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 a nine-month period ended 30 September 2019 and the comparative financial statements cover a twelve-month period ended 31 December 2018. 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 new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2019. Of these, the following developments are relevant to the Group's consolidated financial statements:

HKFRS 16	Leases
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

The Group has initially adopted HKFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease", HKSIC-15 "Operating Leases-Incentives" and HKSIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". HKFRS 16 introduced a single, accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and lease of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged under HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in opening balance of equity at 1 January 2019. Accordingly, the comparative information has not been restated and continues to be reported under HKAS 17 and related interpretations.

Apart from the change of the accounting policies of the Group, below are the transitional impact and impacts on the financial results and the cash flows of the Group upon the adoption of HKFRS 16.

(i) Impact on transition

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. To ease the transition to HKFRS 16, the Group applied the recognition exemption and practical expedients, as permitted by HKFRS 16, at the date of initial application of HKFRS 16.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at date of initial application. The weighted-average rate applied is 7.07%.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019.

	HK$'000
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	2,247
Discounted using the incremental borrowing rate at 1 January 2019	(45)
Lease liability recognised as at 1 January 2019	2,202
Of which are:	
Current lease liabilities	1,172
Non-current lease liabilities	1,030
	2,202

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 31 December 2018.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	Carrying amount as at 31 December 2018	Effects of adoption of HKFRS 16		Carrying amount as at 1 January 2019
		Re-classification	Recognition of leases	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Right-of-use assets	–	1,639	2,202	3,841
Prepaid land lease payments *(note)*	1,639	(1,639)	–	–
Liabilities				
Lease liabilities	–	–	2,202	2,202

Note: Upfront payments for leasehold lands in the People's Republic of China (the "PRC") own used properties were classified as prepaid land lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid land lease payments amounting to HK$33,000 and HK$1,606,000 respectively were classified to right-of-use assets.

(ii) Impact of the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss and other comprehensive income, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest. These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the period from 1 January 2019 to 30 September 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	Period from 1 January 2019 to 30 September 2019				Year ended 31 December 2018
	Amounts reported under HKFRS 16	**Add back: HKFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating lease as if under HKAS 17** *(note 1)*	**Hypothetical amounts for the period from 1 January 2019 to 30 September 2019 as if under HKAS 17**	**Compared to amounts reported for the year ended 31 December 2018 under HKAS 17**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial result for the period from 1 January 2019 to 30 September 2019 impacted by the adoption of HKFRS 16:					
Loss from operation	(60,440)	2,074	(2,389)	(60,755)	(59,187)
Finance costs	(8,203)	228	–	(7,975)	(25,697)
Loss before taxation	(68,643)	2,302	(2,389)	(68,730)	(84,884)
Loss for the year	(63,662)	2,302	(2,389)	(63,749)	(82,911)

	Period from 1 January 2019 to 30 September 2019			Year ended 31 December 2018
	Amounts reported under HKFRS 16	**Estimated amounts related to operating leases as if under HKAS 17** *(notes 1 & 2)*	**Hypothetical amounts for the period from 1 January 2019 to 30 September 2019 as if under HKAS 17**	**Compared to amounts reported for the year ended 31 December 2018 under HKAS 17**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Line items in the consolidated cash flow statement for the period from 1 January 2019 to 30 September 2019 impacted by the adoption of HKFRS 16:				
Cash used in operations	(8,938)	(2,389)	(11,327)	(34,778)
Net cash used in operating activities	(8,956)	(2,389)	(11,345)	(34,815)
Capital element of lease rentals paid	(2,161)	2,161	–	–
Interest element of lease rentals paid	(228)	228	–	–
Net cash generated from financing activities	12,372	2,389	14,761	81,293

Notes:

(1) The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

(2) In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

(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 January 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
HKFRS 17 Insurance Contracts	1 January 2021
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020
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 period/year from continuing operations is as follows:

	Period from 1 January 2019 to 30 September 2019	Year ended 31 December 2018
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sales of goods	**295,070**	64,529
– Sales of natural gas	**29,833**	40,342
– Rendering of services	**2,353**	2,800
	327,256	107,671
Revenue from other sources		
– Leasing income	**3,739**	1,045
	330,995	108,716

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:

	Trading of copper		Trading of petrochemicals		Sales of natural gas		Pipeline installation services		Provision of technology support services		Total	
	Period from 1 January 2019 to 30 September 2019	Year ended 31 December 2018	**Period from 1 January 2019 to 30 September 2019**	Year ended 31 December 2018	**Period from 1 January 2019 to 30 September 2019**	Year ended 31 December 2018	**Period from 1 January 2019 to 30 September 2019**	Year ended 31 December 2018	**Period from 1 January 2019 to 30 September 2019**	Year ended 31 December 2018	**Period from 1 January 2019 to 30 September 2019**	Year ended 31 December 2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Primary geographical markets												
– The PRC except Hong Kong	**68,691**	64,529	**226,379**	–	**29,833**	40,342	**1,090**	1,805	**1,263**	995	**327,256**	107,671
Revenue from external customers	**68,691**	64,529	**226,379**	–	**29,833**	40,342	**1,090**	1,805	**1,263**	995	**327,256**	107,671
Timing of revenue recognition												
Products transferred at a point in time	**68,691**	64,529	**226,379**	–	**738**	4,826	**1,090**	1,805	**–**	–	**296,898**	71,160
Products and services transferred over time	**–**	–	**–**	–	**29,095**	35,516	**–**	–	**1,263**	995	**30,358**	36,511
Total	**68,691**	64,529	**226,379**	–	**29,833**	40,342	**1,090**	1,805	**1,263**	995	**327,256**	107,671

4. OTHER INCOME

	Period from 1 January 2019 to 30 September 2019	Year ended 31 December 2018
	HK$'000	*HK$'000*
Continuing operations		
Bank interest income	**3**	4
Interest income from bond receivables	**863**	457
Interest income from loan to third parties	**1,429**	606
Net exchange gain	**4,005**	–
Government grant	**–**	1,166
Others	**281**	8
	6,581	2,241

5. OTHER LOSSES

	Period from 1 January 2019 to 30 September 2019	Year ended 31 December 2018
	HK$'000	*HK$'000*
Continuing operations		
Loss on disposal of property, plant and equipment	**–**	(100)
Loss on de-registration of subsidiaries	**(94)**	(48)
Impairment loss on right-of-use assets	**(117)**	–
	(211)	(148)

6. SEGMENT INFORMATION

The Group has four (year ended 31 December 2018: three) operating segments as follows:

Trading of copper	–	including income from trading of copper
Trading of petrochemicals	–	including income from trading of petrochemical
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

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:

	Trading of copper *HK$'000*	Trading of petrochemicals *HK$'000*	Natural gas operations *HK$'000*	Leasing business *HK$'000*	Total *HK$'000*
Period from 1 January 2019 to 30 September 2019					
Revenue from external customers	**68,691**	**226,379**	**30,923**	**5,002**	**330,995**
Segment (loss)/profit	**(4,000)**	**320**	**(53,965)**	**3,390**	**(54,255)**
Interest revenue	**–**	**1**	**1**	**1**	**3**
Interest expense	**(19)**	**–**	**(4,597)**	**–**	**(4,616)**
Depreciation and amortisation	**(156)**	**–**	**(17,396)**	**(587)**	**(18,139)**
Net foreign exchange gain	**381**	**–**	**138**	**–**	**519**
Income tax (expense)/credit	**–**	**(19)**	**5,000**	**–**	**4,981**
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 loan receivables	**(3,023)**	**–**	**–**	**–**	**(3,023)**
Allowance for trade receivables	**(21)**	**–**	**–**	**(29)**	**(50)**
Additions to segment non-current assets	**18**	**–**	**4,425**	**410**	**4,853**
As at 30 September 2019					
Segment assets	**10,406**	**3,022**	**421,901**	**17,931**	**453,260**
Segment liabilities	**(5,803)**	**(483)**	**(146,245)**	**(1,343)**	**(153,874)**

	Trading of copper *HK$'000*	Trading of petrochemicals *HK$'000*	Natural gas operations *HK$'000*	Leasing business *HK$'000*	Total *HK$'000*
Year ended 31 December 2018					
Revenue from external customers	64,529	–	42,147	2,040	108,716
Segment (loss)/profit	(2,131)	–	(38,307)	1,775	(38,663)
Interest revenue	1	–	1	1	3
Interest expense	–	–	(19,483)	–	(19,483)
Depreciation and amortisation	(97)	–	(19,707)	(60)	(19,864)
Loss on disposal of fixed assets	(55)	–	–	–	(55)
Net foreign exchange loss	(23)	–	–	–	(23)
Income tax credit	–	–	1,973	–	1,973
Additions to segment non-current assets	1,963	–	14,898	7,187	24,048
As at 31 December 2018					
Segment assets	5,451	–	480,842	12,268	498,561
Segment liabilities	(6,991)	–	(146,116)	(24)	(153,131)

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

	Period from 1 January 2019 to 30 September 2019 *HK$'000*	Year ended 31 December 2018 *HK$'000*
Revenue		
Consolidated revenue from continuing operations	**330,995**	108,716
Profit or loss		
Total profit or loss of reportable segments	**(54,255)**	(38,663)
Unallocated amounts:		
General and administrative expenses	**(16,031)**	(36,791)
Impairment loss on intangible assets	**(770)**	–
Allowance for loan receivables	**(4,115)**	–
Allowance for bond receivables	**(177)**	–
Finance costs	**(3,587)**	(6,214)
Other income	**6,352**	1,063
Other losses	**–**	(93)
Fair value change of convertible bond designated at FVTPL	**3,940**	(4,186)
Consolidated loss before tax from continuing operations	**(68,643)**	(84,884)
Reconciliations of segment assets and liabilities:		
Assets		
Total assets of reportable segments	**453,260**	498,561
Assets relating to discontinued operations	**–**	133
Assets held for sales	**2,721**	–
Unallocated	**39,340**	55,223
Consolidated total assets	**495,321**	553,917
Liabilities		
Total liabilities of reportable segments	**153,874**	153,131
Liabilities relating to discontinued operations	**–**	75
Unallocated	**63,664**	43,296
Consolidated total liabilities	**217,538**	196,502

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:

	Period from 1 January 2019 to 30 September 2019	Year ended 31 December 2018
	HK$'000	*HK$'000*
Customer A	**177,251**	–
Customer B	**55,312**	39,704
Customer C	**10,877**	24,542
Customer D	**8,801**	10,815

Each of the major customers represents a single external customer whose transaction is generated from trading of petrochemicals and copper segment (year ended 31 December 2018: solely trading of copper segment).

7. FINANCE COSTS

	Period from 1 January 2019 to 30 September 2019	Year ended 31 December 2018
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank borrowings	**1,176**	1,757
Imputed interest on loan from a former shareholder	**–**	4,811
Imputed interest on loan from non-controlling shareholders and its related parties	**3,421**	31,893
Interest on convertible bond designated at FVTPL	**1,497**	1,156
Interest on non-convertible bonds	**1,881**	247
Interest on lease liabilities	**228**	–
	8,203	39,864
Less: amounts capitalised in construction in progress	**–**	(14,167)
	8,203	25,697

The weighted average capitalisation rate was 9.75% for the year ended 31 December 2018.

8. INCOME TAX CREDIT

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

	Period from 1 January 2019 to 30 September 2019	Year ended 31 December 2018
	HK$'000	*HK$'000*
Current tax – PRC		
Provision for the year	**19**	–
Deferred tax	**(5,000)**	(1,973)
	(4,981)	(1,973)

Pursuant to the rules and regulations of the Cayman Islands, Samoa, Seychelles and the British Virgin Islands, 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% (year ended 31 December 2018: 25%). The tax rate of Hong Kong Profits Tax in respect of Hong Kong subsidiaries is 16.5% (year ended 31 December 2018: 16.5%).

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the period from 1 January 2019 to 30 September 2019 (year ended 31 December 2018: Nil).

9. LOSS FOR THE PERIOD/YEAR FROM CONTINUING OPERATIONS

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

	Period from 1 January 2019 to 30 September 2019	Year ended 31 December 2018
	HK$'000	*HK$'000*
Amortisation of intangible assets (included in selling and distribution cost)	**5,711**	7,892
Amortisation of prepaid lease payments	**–**	39
Other receivables written off	**10**	–
Auditor's remuneration		
– Audit service		
– Current	**1,100**	1,080
– Under-provision in prior year	**115**	–
– Other services	**282**	–
	1,497	1,080
Cost of inventories sold	**317,251**	102,329
Depreciation of property, plant and equipment	**13,530**	13,490
Depreciation of right-of-use assets (included in general and administrative expenses)	**2,074**	–
Loss on disposal of property, plant and equipment	**–**	100
Impairment loss on goodwill (included in general and administrative expenses)	**4,207**	8,005
Net exchange gain	**(4,005)**	(330)
Operating lease charges	**10**	1,915

10. EMPLOYEE BENEFITS EXPENSE

	Period from 1 January 2019 to 30 September 2019	Year ended 31 December 2018
	HK$'000	*HK$'000*
Employee benefits expense (including directors' emoluments):		
Salaries, bonuses and allowances	**5,895**	6,065
Equity-settled share option expense	**–**	7,804
Retirement benefit scheme contributions	**330**	286
	6,225	14,155

11. DIVIDENDS

The directors do not recommend the payment of any dividend for the period from 1 January 2019 to 30 September 2019 (year ended 31 December 2018: Nil).

12. LOSS PER SHARE

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

	Period from 1 January 2019 to 30 September 2019	Year ended 31 December 2018
	HK$'000	*HK$'000*
Loss from continuing and discontinued operations		
Loss for the purpose of calculating basic earnings per share from continuing and discontinued operations	**(31,585)**	(70,595)
Effect of fair value change on convertible bond designated at FVTPL	**(3,940)**	4,186
Effect of interest on convertible bond designated at FVTPL	**1,497**	1,156
Loss for the purpose of calculating diluted earnings per share from continuing and discontinued operations	**(34,028)**	(65,253)
Loss from continuing operations		
Loss for the purpose of calculating basic earnings per share from continuing operations	**(31,585)**	(65,075)
Effect of fair value change on convertible bond designated at FVTPL	**(3,940)**	4,186
Effect of interest on convertible bond designated at FVTPL	**1,497**	1,156
Loss for the purpose of calculating diluted earnings per share from continuing operations	**(34,028)**	(59,733)

	Period from 1 January 2019 to 30 September 2019	Year ended 31 December 2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,303,440**	1,198,986
Effect of deemed conversion of convertible bond designated at FVTPL	**37,037**	37,037
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,340,477**	1,236,023

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.

The computation of diluted loss per share for the year ended 31 December 2018 does not assume the exercise of the Company's outstanding share options and conversion of convertible bond designated at FVTPL, 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 for year ended 31 December 2018 was 0.46 HK cents per share, based on the loss for the year ended 31 December 2018 from discontinued operations attributable to the owners of the Company of approximately HK$5,520,000 and the denominators used are the same as those detailed above for both basic and diluted loss per share in 2018.

13. TRADE AND OTHER RECEIVABLES

	At 30 September 2019 HK$'000	At 31 December 2018 HK$'000
Current		
Trade receivables *(note (a))*	**11,291**	2,871
Less: impairment losses	**(48)**	–
	11,243	2,871
Deposits	**1,279**	826
Prepayments	**9,805**	7,612
Others	**456**	353
	11,540	8,791
	22,783	11,662
Non-current		
Deposits for acquisition of subsidiaries *(note (b))*	**6,830**	–
Other deposit	**–**	37
	6,830	37

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 (year ended 31 December 2018: 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 (year ended 31 December 2018: 30 days) upon completion. For trading of copper and petrochemicals, deposits are usually required and the remaining balance is usually receivable approximately within 180 days (year ended 31 December 2018: 180 days) upon completion of the transaction. For leasing business, the Group allows an average credit period of 30 days (year ended 31 December 2018: 30 days) upon recognition.

The ageing analysis of trade receivables at the end of the reporting period based on the invoice date is as follows:

	At 30 September 2019	At 31 December 2018
	HK$'000	*HK$'000*
0 to 30 days	**2,849**	2,718
31 to 60 days	**–**	1
61 to 90 days	**–**	4
91 to 180 days	**7,284**	135
Over 180 days	**1,158**	13
	11,291	2,871

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. 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 RMB.

(b) The amount represented deposits paid to two vendors for acquiring two subsidiaries during the period.

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 has been completed on 31 October 2019.

On 20 September 2019, the Group signed a letter of intent with a private company established in the PRC (the "investee"), 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. The deposit will be refunded to the Group on or before 10 April 2020, if the acquisition fails before 31 March 2020.

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

14. LOAN RECEIVABLES

	At 30 September 2019 HK$'000	At 31 December 2018 HK$'000
Loan receivables, unsecured	**19,802**	29,504
Less: impairment losses	**(7,003)**	–
	12,799	29,504

The Group granted loans to certain independent third parties during the period from 1 January 2019 to 30 September 2019, which will be mature between 24 March 2020 to 26 September 2020. Loan receivables are unsecured and are charged on effective interest rate mutually agreed with the contracting parties, at a fixed rate ranging from 0% to 12% (year ended 31 December 2018: 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:

	At 30 September 2019 HK$'000	At 31 December 2018 HK$'000
HK$	**12,253**	17,661
RMB	**546**	11,843
	12,799	29,504

15. BOND RECEIVABLES

	Notes	At 30 September 2019 HK$'000	At 31 December 2018 HK$'000
Unlisted debt instruments, at amortised cost, issued by a listed company		**3,000**	6,000
Accrued interest receivables		**150**	61
	(a)	**3,150**	6,061
Unlisted debt instruments, at amortised cost, issued by an unlisted company		**6,500**	7,000
Accrued interest receivables		**237**	64
	(b)	**6,737**	7,064
Less: impairment losses		**(177)**	–
		9,710	13,125

Notes:

(a) On 2 April 2019, the Group subscribed bonds from a listed company with principal amount of HK$3,000,000. The bonds are unsecured and interest-bearing at fixed rates of 10% per annum. The carrying amount of HK$3,150,000 will be receivable on 2 April 2020. The bonds can be redeemed by the bond issuer at 100% of the outstanding principal amount, together with accrued interest up to settlement date.

On 19 October 2018, 29 November 2018 and 13 December 2018, the Group subscribed bonds from a listed company with principal amount of HK$2,000,000, HK$1,000,000 and HK$3,000,000 respectively. The bonds were unsecured and interest-bearing at fixed rates of 10% per annum. The carrying amount of HK$2,037,000, HK$1,009,000 and HK$3,015,000 were settled on 25 January 2019, 1 March 2019 and 13 March 2019 respectively.

(b) On 4 May 2019, the Group subscribed bonds from an unlisted company with a principal amount of HK$6,500,000. The bonds are unsecured and interest-bearing at fixed rates of 12% per annum. The carrying amount of HK$6,737,000 will be receivable on 3 May 2020. The bonds can be redeemed by the bond issuer at 100% of the outstanding principal amount, together with accrued interest up to settlement date.

On 4 November 2018, the Group subscribed bonds from an unlisted company with a principal amount of HK$7,000,000. The bonds were unsecured and interest-bearing at fixed rates of 12% per annum. The carrying amount of HK$564,000 was received on 25 March 2019 and remaining amount of HK$6,500,000 was further extended on 4 May 2019.

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

16. TRADE AND OTHER PAYABLES

	At 30 September 2019	At 31 December 2018
	HK$'000	*HK$'000*
Trade payables *(note (a))*	**1,670**	28
Payable for construction in progress	**32,859**	31,637
Receipt in advance *(note (b))*	**2,884**	–
Other payables and accruals	**13,124**	13,257
	50,537	44,922

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 (year ended 31 December 2018: 30 days). For other business, the credit period granted by supplier to the Group ranged from 60 to 180 days (year ended 31 December 2018: 30 to 180 days).

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

	At 30 September 2019	At 31 December 2018
	HK$'000	*HK$'000*
0 to 30 days	**–**	13
31 to 60 days	**1,149**	–
Over 60 days	**521**	15
	1,670	28

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:

	At 30 September 2019 *HK$'000*	At 31 December 2018 *HK$'000*
HK$	**15**	15
RMB	**1,655**	13
	1,670	28

(b) The amounts represented deposits received for disposal of building and motor vehicle of the Group, from independent third parties.

17. CAPITAL COMMITMENTS

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

	At 30 September 2019 *HK$'000*	At 31 December 2018 *HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment, development of systems and networks – contracted but not accounted for	**7,102**	9,281

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

During the 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 a nine-month period from 1 January 2019 to 30 September 2019 and the comparative financial statements cover a twelve-month period from 1 January 2018 to 31 December 2018. The comparative amounts are therefore not entirely comparable.

The Group recorded revenue of approximately HK$330,995,000 for the period from 1 January 2019 to 30 September 2019 as compared with approximately HK$108,716,000 for the year ended 31 December 2018, gross profit of approximately HK$12,410,000 for the period from 1 January 2019 to 30 September 2019 against approximately HK$6,048,000 for the year ended 31 December 2018 and net loss of approximately HK$63,662,000 for the period from 1 January 2019 to 30 September 2019 as compared to loss of approximately HK$82,911,000 from continuing operations for the year ended 31 December 2018.

Analysis on the performance of the Group including revenue and results of commodities trading business of both copper and petrochemicals, natural gas operations and leasing business before allocation of the corporate overheads is set out in note 6 "Segment Information" in this announcement.

The trading of copper in commodities trading business generated revenue of approximately HK$68,691,000 for the period from 1 January 2019 to 30 September 2019 as compared to approximately HK$64,529,000 for the year ended 31 December 2018. The trading of petrochemicals in commodities trading business, which was commenced in 2019, generated revenue of approximately HK$226,379,000 for the period from 1 January 2019 to 30 September 2019.

The Group generated revenue from sales of natural gas and pipeline installation services of approximately HK$30,923,000 for the period from 1 January 2019 to 30 September 2019 as compared to approximately HK$42,147,000 for the year ended 31 December 2018.

The total operating expenses, including selling and distribution costs, general and administrative expenses and finances costs, for the period from 1 January 2019 to 30 September 2019 was approximately HK$50,814,000 as compared to approximately HK$88,839,000 for the year ended 31 December 2018, representing a decrease of 43% which was resulting from the decrease in finance costs of approximately HK$17,494,000 attributable to a drastic decrease in loan from non-controlling shareholders of a subsidiary and its related parties upon repayment near the late 2018 and share option expenses of approximately HK$7,804,000.

Finance costs of the Group were approximately HK$8,203,000 for the period from 1 January 2019 to 30 September 2019 (year ended 31 December 2018: approximately HK$25,697,000), 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 designated at FVTPL.

Loss for the period from 1 January 2019 to 30 September 2019 was decreased by 28% to approximately HK$63,662,000, compared with loss of approximately HK$88,431,000 for the year ended 31 December 2018. The decrease in loss for the period from 1 January 2019 to 30 September 2019 was mainly due to the net effect of impairment losses made on both current and non-current assets (i.e. goodwill, property, plant and equipment, intangible assets as well as loan receivables) and the reasons 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"), 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) the slowdown of the PRC economic growth impacted on the existing customers' operation resulting in reduction in the natural gas consumption as estimated; and

(iii) 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 2019.

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 2019 changed from that of 2018:

– In 2019, the expected revenue growth rate estimated for the next five years was 54%. In 2018, the expected revenue growth rate estimated for the next five years was 79%; and

– In 2019, the expected average net profit margin estimated for the next five years was 13%. In 2018, the expected average net profit margin estimated for the next five years was 11%.

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 16.44% (2018: 14.41%) 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 2018 and 2019.

Based on the assessment, the recoverable amount of Yichang Biaodian was HK$404,734,000 and impairment losses on goodwill, property, plant and equipment, intangible assets and right-of-use assets of HK$4,207,000, HK$18,127,000, HK$14,287,000 and HK$117,000 were recognised respectively in 2019.

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 2019, 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$25,439,000 and HK$18,150,000 respectively, when comparing approximately HK$20,397,000 and HK$19,253,000 at 31 December 2018 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 period was used for Yichang Biaodian's capital expenditure purpose.

Bank Borrowings

The bank borrowings assigned RMB16,000,000 (equivalent to HK$17,729,000) carry an interest at a variable rate, with an effective interest rate of 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 2019,

(a) the Group's aggregate amount of bank and cash balances was approximately HK$3,325,000 (as at 31 December 2018: approximately HK$2,297,000).

(b) the Group's total borrowings comprised (i) amounts due to non-controlling shareholders of a subsidiary and its related parties; and (ii) bank borrowings; (iii) due to directors; (iv) non-convertible bonds; and (v) convertible bond designated at fair value thought profit or loss; (vi) lease liabilities; and (vii) due to a related company totalling approximately HK$120,120,000 (as at 31 December 2018: HK$98,046,000).

(c) the Group's total gearing ratio was approximately 42% (at 31 December 2018: 27%). The gearing ratio was calculated as the Group's total borrowings divided by total equity of the Group.

(d) the current ratio of the Group was approximately 0.5 (at 31 December 2018: 1.1). The management will continue to closely monitor the financial position of the Group to maintain its financial capacity.

PLEDGE OF ASSETS

The Group pledged a property approximately amounted to HK$2,304,000 to an independent third party for obtaining an advance of HK$111,000 as at 30 September 2019 (at 31 December 2018: Nil).

CONTINGENT LIABILITIES

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 suppliers. Legal proceedings were initiated by the supplier (the "Plaintiff") and on 14 December 2018, pursuant to the application from the 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 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 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 Plaintiff on or before 30 September 2019. Amount of RMB8,787,000 (equivalent to approximately HK$10,006,000) were 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 Plaintiff and Yichang Biaodian.

On 20 November 2019, the Plaintiff has exercised its rights to apply for a court order to enforce Yichang Biaodian for settlement of amount overdue as Yichang Biaodian only repaid RMB200,000 up to 30 September 2019. Since the case was at preliminary stage, the management of the Group was assessing the possible outcome that bringing to Yichang Biaodian.

PROSPECT

The prospect of 2020 might be clouded by the uncertainties of the lingering Sino-US trade tension, exchange rate of Renminbi, the nationwide deleveraging situation, even the slowdown of property market in China will possibly impede economic growth. The management of the Group will embrace those challenges and will continue to optimise the operation efficiency in all the Group's current business segments, in particular emphasizing the development of the insurance broker business and the petrochemicals commodity trading business for developing the services of commodities network step by step.

Meanwhile, the Group will look for new potential growth opportunities in a very diligent manner through merger & acquisition, business integration and expansion in order to sustain the growth and profitability of the Group.

EVENTS AFTER REPORTING PERIOD

Completion of acquisition of a subsidiary

On 25 July 2019, LW Capital Group Limited ("Purchaser"), a wholly-owned subsidiary of the Company, entered into an agreement with Mr. Poon Kwan Shu ("Vendor"), pursuant to which the Purchaser agreed to acquire the entire equity interests in the LW Insurance Brokers Limited ("Target Company") at a consideration HK$2,373,000.

The Target Company is principally acting as insurance broker business.

On 31 October 2019, all the conditions precedents under Agreement have been fulfilled and the completion of the Acquisition took place on 31 October 2019. The Target Company had become a wholly-owned subsidiary of the Company and financial result of the Target Company will be consolidated into the Company's consolidated financial statements.

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 2019, the Group employed 56 staff members (at 31 December 2018: 50 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 period from 1 January 2019 to 30 September 2019.

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 set out in Appendix 15 of GEM Listing Rules in the period from 1 January 2019 to 30 September 2019 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.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the period from 1 January 2019 to 30 September 2019 (year ended 31 December 2018: Nil).

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 period from 1 January 2019 to 30 September 2019.

AUDIT COMMITTEE

As at 30 September 2019, the audit committee of the Company (the “Audit Committee”) has 3 members and are the independent non-executive Directors, namely, Mr. Leung Oh Man, Martin, Mr. Sun Zhi Jun and Ms. Huang Yu Jun. The chairman of the Audit Committee is Mr. Leung Oh Man, Martin. The Audit Committee is accountable to the Board and the principal duties of the Audit Committee are, among other things, to assist the Board to review of the Group’s financial information, its financial and corporate governance reporting process and to supervise over the Group’s internal controls and risk management matters. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and has discussed auditing, internal controls, risk management and financial reporting matters, including the review of the annual results and annual report of the Company for the period from 1 January 2019 to 30 September 2019.

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 period from 1 January 2019 to 30 September 2019 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.

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 period from 1 January 2019 to 30 September 2019 will be published on the above websites in due course.

By order of the Board
Global Strategic Group Limited
Cheung Tuen Ting
Executive Director and Chief Executive Officer

Hong Kong, 16 December 2019

As at the date of this announcement, the Executive Directors are Mr. Cheung Tuen Ting (Chief Executive Officer), Mr. Wu Guoming, Mr. Li Wentao and Mr. Duan Fanfan; and the Independent Non-executive Directors are Mr. Leung Oh Man, Martin, 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.

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