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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 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**" and its subsidiaries, collectively referred to as the "**Group**") 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 announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the three and six months ended 31 March 2020 with comparative unaudited figures for the corresponding period in 2019 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 31 March 2020

	Notes	**Three months from 1 January 2020 to 31 March 2020** ***HK$'000***	Three months from 1 April 2019 to 30 June 2019 *HK$'000*	**Six months from 1 October 2019 to 31 March 2020** ***HK$'000***	Six months from 1 January 2019 to 30 June 2019 *HK$'000*
Revenue	*3*	**2,906**	134,105	**17,851**	224,091
Cost of sales		**(2,090)**	(132,245)	**(14,059)**	(219,909)
Gross profit		**816**	1,860	**3,792**	4,182
Other income		**664**	878	**1,458**	1,818
Other gains and losses		**1,435**	–	**1,433**	26
Gain/(loss) on fair value change on convertible bond designated at fair value through profit or loss ("**FVTPL**")		**(1,184)**	1,418	**(1,184)**	4,919
Selling and distribution costs		**(5,501)**	(5,143)	**(10,852)**	(10,250)
General and administrative expenses		**(7,908)**	(3,524)	**(15,658)**	(13,500)
Impairment loss on property, plant and equipment		**(22,507)**	–	**(22,507)**	–
Impairment loss on intangible assets		**(17,936)**	–	**(17,936)**	–
Finance costs	*4*	**(2,412)**	(2,570)	**(5,015)**	(4,963)
Loss before tax		**(54,533)**	(7,081)	**(66,469)**	(17,768)
Income tax credit	*5*	**4,933**	479	**5,408**	945
Loss for the period		**(49,600)**	(6,602)	**(61,061)**	(16,823)

	Notes	Three months from 1 January 2020 to 31 March 2020 HK$'000	Three months from 1 April 2019 to 30 June 2019 HK$'000	Six months from 1 October 2019 to 31 March 2020 HK$'000	Six months from 1 January 2019 to 30 June 2019 HK$'000
Other comprehensive income					
Item that may be reclassified to profit or loss:					
Exchange differences arising on translation of financial statements to presentation currency		**4,963**	(7,011)	**9,686**	3,449
Other comprehensive income for the period, net of tax		**4,963**	(7,011)	**9,686**	3,449
Total comprehensive income for the period		**(44,637)**	(13,613)	**(51,375)**	(13,374)
Loss for the period attributable to:					
Owners of the Company		**(20,321)**	(5,043)	**(26,007)**	(10,947)
Non-controlling interests		**(29,279)**	(1,559)	**(35,054)**	(5,876)
		(49,600)	(6,602)	**(61,061)**	(16,823)
Total comprehensive income for the period attributable to:					
Owners of the Company		**(16,740)**	(4,974)	**(20,005)**	(5,135)
Non-controlling interests		**(27,897)**	(8,639)	**(31,370)**	(8,239)
		(44,637)	(13,613)	**(51,375)**	(13,374)
Loss per share	*7*				
Basic *(HK cents per share)*		**(1.542)**	(0.387)	**(1.984)**	(0.840)
Diluted *(HK cents per share)*		**(1.542)**	(0.445)	**(1.984)**	(1.041)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	At 31 March 2020 HK$'000 (Unaudited)	At 30 September 2019 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**218,988**	242,422
Right-of-use assets		**2,863**	4,811
Goodwill	*11*	**2,512**	–
Intangible assets		**159,412**	178,685
Deposits for acquisition of subsidiaries	*8*	**5,525**	6,830
Deposit for acquisition of property, plant and equipment		**–**	3,764
		389,300	436,512
Current assets			
Inventories		**430**	370
Trade and other receivables	*8*	**24,856**	22,783
Loan receivables		**13,491**	12,799
Bond receivables		**10,252**	9,710
Value-added tax ("**VAT**") recoverable		**7,158**	6,940
Current tax assets		**164**	161
Bank and cash balances		**4,610**	3,325
		60,961	56,088
Assets classified as held for sale		**2,369**	2,721
		63,330	58,809
Current liabilities			
Trade and other payables	*9*	**49,081**	50,537
Contract liabilities		**1,638**	2,396
Lease liabilities		**1,617**	2,705
Due to a related company		**564**	554
Due to directors		**293**	347
Non-convertible bonds		**33,507**	31,885
Bank borrowings		**2,255**	2,216
Convertible bond designated at FVTPL		**21,304**	19,771
Current tax liabilities		**1**	1
		110,260	110,412

	At **31 March** **2020** ***HK$'000*** **(Unaudited)**	At 30 September 2019 *HK$'000* (Audited)
Net current liabilities	**(46,930)**	(51,603)
Total assets less current liabilities	**342,370**	384,909
Non-current liabilities		
Due to non-controlling shareholders of a subsidiary and its related parties	**46,601**	43,589
Lease liabilities	**–**	540
Non-convertible bonds	**2,500**	3,000
Bank borrowings	**14,658**	15,513
Deferred tax liabilities	**39,853**	44,484
	103,612	107,126
	238,758	277,783
CAPITAL AND RESERVES		
Share capital	**39,086**	32,586
Reserves	**20,243**	34,398
Equity attributable to owners of the Company	**59,329**	66,984
Non-controlling interests ("**NCI**")	**179,429**	210,799
Total equity	**238,758**	277,783

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 March 2020

1. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2019 annual financial statements. The accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the period from 1 January 2019 to 30 September 2019 except as stated below.

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$61,061,000 for the six months from 1 October 2019 to 31 March 2020, and, as of that date, the Group had net current liabilities of HK$46,930,000 and taking into account capital commitments as of that date.

Mr. Wu Guoming, a shareholder and a director of the Company as at 31 March 2020, 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 six months ended 31 March 2020.

On 5 May 2020, the Company issued 260,000,000 new shares at a price of HK$0.029 causing to a net proceed of approximately HK$7,163,000.

Taking into account the above factors, the Directors are of the opinion that, together with the internal financial resources and external borrowings 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 condensed consolidated financial statements. Hence, these condensed consolidated financial statements have been prepared on a going concern basis.

2. SEGMENT INFORMATION

The Group has five (2019: four) operating and reportable segments as follow:

Trading of petrochemical	Including income from trading of petrochemical
Trading of copper	Including income from trading of copper
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

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.

Information about operating segment profit or loss, assets and liabilities:

	Trading of petrochemical	Trading of copper	Natural gas operations	Leasing business	Independent financial advisory	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Six months from 1 October 2019 to 31 March 2020:						
Revenue from external customers	**–**	**–**	**16,471**	**1,007**	**373**	**17,851**
Segment loss	**(29)**	**(676)**	**(47,197)**	**(63)**	**(500)**	**(48,465)**
As at 31 March 2020:						
Segment assets	**3,073**	**10,484**	**376,463**	**18,532**	**56**	**408,608**
Segment liabilities	**(484)**	**(5,981)**	**(142,562)**	**(1,727)**	**(468)**	**(151,222)**
Six months from 1 January 2019 to 30 June 2019:						
Revenue from external customers	140,954	61,778	19,509	1,850	–	224,091
Segment profit/(loss)	336	(813)	(5,042)	(1,943)	–	(7,462)
As at 30 September 2019:	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Segment assets	10,406	3,022	421,901	17,931	–	453,260
Segment liabilities	(5,803)	(483)	(146,245)	(1,343)	–	(153,874)

	Unaudited	
	Six months from 1 October 2019 to 31 March 2020	Six months from 1 January 2019 to 30 June 2019
	HK$'000	*HK$'000*
Reconciliations of segment profit or loss:		
Total profit or loss of reportable segments	**(48,465)**	(7,462)
Unallocated amounts:		
Other income, other gains and other operating gain	**1,848**	6,621
General and administrative expenses	**(11,872)**	(13,742)
Finance costs	**(2,572)**	(2,240)
Consolidated loss for the period	**(61,061)**	(16,823)

3. REVENUE

Disaggregation of revenue

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

	Unaudited			
	Three months from 1 January 2020 to 31 March 2020	Three months from 1 April 2019 to 30 June 2019	**Six months from 1 October 2019 to 31 March 2020**	Six months from 1 January 2019 to 30 June 2019
	HK$'000	*HK$'000*	***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	**–**	121,585	**–**	202,732
– Sales of natural gas	**2,498**	11,627	**16,088**	18,637
– Rendering of services	**408**	426	**1,763**	1,726
	2,906	133,638	**17,851**	223,095
Revenue from other sources				
– Leasing income	**–**	467	**–**	996
	2,906	134,105	**17,851**	224,091

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

							Unaudited							
	Trading of copper		Trading of petrochemicals		Sales of natural gas		Pipeline installation services		Provision of technology support services		Independent financial advisory		Total	
	Six months from 1 October 2019 to 31 March 2020	Six months from 1 January 2019 to 30 June 2019	**Six months from 1 October 2019 to 31 March 2020**	Six months from 1 January 2019 to 30 June 2019	**Six months from 1 October 2019 to 31 March 2020**	Six months from 1 January 2019 to 30 June 2019	**Six months from 1 October 2019 to 31 March 2020**	Six months from 1 January 2019 to 30 June 2019	**Six months from 1 October 2019 to 31 March 2020**	Six months from 1 January 2019 to 30 June 2019	**Six months from 1 October 2019 to 31 March 2020**	Six months from 1 January 2019 to 30 June 2019	**Six months from 1 October 2019 to 31 March 2020**	Six months from 1 January 2019 to 30 June 2019
	HK$'000	*HK$'000*	***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	**–**	61,778	**–**	140,954	**16,088**	18,637	**383**	872	**1,007**	854	**–**	–	**17,478**	223,095
– Hong Kong	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**373**	–	**373**	–
Revenue from external customers	**–**	61,778	**–**	140,954	**16,088**	18,637	**383**	872	**1,007**	854	**373**	–	**17,851**	223,095
Timing of revenue recognition														
Products transferred at a point in time	**–**	61,778	**–**	140,954	**156**	–	**383**	872	**–**	–	**–**	–	**539**	203,604
Products and services transferred over time	**–**	–	**–**	–	**15,932**	18,637	**–**	–	**1,007**	854	**373**	–	**17,312**	19,491
Total	**–**	61,778	**–**	140,954	**16,088**	18,637	**383**	872	**1,007**	854	**373**	–	**17,851**	223,095

							Unaudited							
	Trading of copper		Trading of petrochemicals		Sales of natural gas		Pipeline installation services		Provision of technology support services		Independent financial advisory		Total	
	Three months from 1 January 2020 to 31 March 2020	Three months from 1 April 2019 to 30 June 2019	**Three months from 1 January 2020 to 31 March 2020**	Three months from 1 April 2019 to 30 June 2019	**Three months from 1 January 2020 to 31 March 2020**	Three months from 1 April 2019 to 30 June 2019	**Three months from 1 January 2020 to 31 March 2020**	Three months from 1 April 2019 to 30 June 2019	**Three months from 1 January 2020 to 31 March 2020**	Three months from 1 April 2019 to 30 June 2019	**Three months from 1 January 2020 to 31 March 2020**	Three months from 1 April 2019 to 30 June 2019	**Three months from 1 January 2020 to 31 March 2020**	Three months from 1 April 2019 to 30 June 2019
	HK$'000	*HK$'000*	***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	**–**	14,149	**–**	107,436	**2,498**	11,627	**–**	–	**269**	426	**–**	–	**2,767**	133,638
– Hong Kong	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**139**	–	**139**	–
Revenue from external customers	**–**	14,149	**–**	107,436	**2,498**	11,627	**–**	–	**269**	426	**139**	–	**2,906**	133,638
Timing of revenue recognition														
Products transferred at a point in time	**–**	14,149	**–**	107,436	**18**	–	**–**	–	**–**	–	**–**	–	**18**	121,585
Products and services transferred over time	**–**	–	**–**	–	**2,480**	11,627	**–**	–	**269**	426	**139**	–	**2,888**	12,053
Total	**–**	14,149	**–**	107,436	**2,498**	11,627	**–**	–	**269**	426	**139**	–	**2,906**	133,638

4. FINANCE COSTS

	Unaudited			
	Three months from 1 January 2020 to 31 March 2020	Three months from 1 April 2019 to 30 June 2019	**Six months from 1 October 2019 to 31 March 2020**	Six months from 1 January 2019 to 30 June 2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest on bank borrowings	**336**	407	**698**	812
Imputed interest on loan from non-controlling shareholders and its related parties	**863**	940	**1,739**	1,910
Interest on convertible bond	**497**	499	**997**	992
Interest on non-convertible bonds	**677**	631	**1,487**	1,078
Interest on lease liabilities	**39**	93	**94**	171
	2,412	2,570	**5,015**	4,963

5. INCOME TAX CREDIT

	Unaudited			
	Three months from 1 January 2020 to 31 March 2020	Three months from 1 April 2019 to 30 June 2019	**Six months from 1 October 2019 to 31 March 2020**	Six months from 1 January 2019 to 30 June 2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current tax				
Provision for the year	**–**	3	**–**	18
Deferred tax	**(4,933)**	(482)	**(5,408)**	(963)
	(4,933)	(479)	**(5,408)**	(945)

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% (2019: 25%). The tax rate of Hong Kong Profits Tax in respect of Hong Kong subsidiaries is 16.5% (2019: 16.5%).

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the six months from 1 October 2019 to 31 March 2020 (six months from 1 January 2019 to 30 June 2019: Nil).

No provision for EIT is required since the Group has no assessable profit for the six months from 1 October 2019 to 31 March 2020 (six months from 1 January 2019 to 30 June 2019: HK$18,000).

6. DIVIDENDS

The Directors do not recommend the payment of any dividend for the six months from 1 October 2019 to 31 March 2020 (six months from 1 January 2019 to 30 June 2019: Nil)

7. LOSS PER SHARE

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

	Unaudited			
	Three months from 1 January 2020 to 31 March 2020	Three months from 1 April 2019 to 30 June 2019	**Six months from 1 October 2019 to 31 March 2020**	Six months from 1 January 2019 to 30 June 2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the purpose of calculating basic earnings per share	**(20,321)**	(5,043)	**(26,007)**	(10,947)
Effect of fair value change on convertible bond designated at FVTPL	**1,184**	(1,418)	**1,184**	(4,919)
Effect of interest on convertible bond designated at FVTPL	**497**	499	**997**	1,910
Loss for the purpose of calculating diluted earnings per share	**(18,640)**	(5,962)	**(23,826)**	(13,956)
Number of shares	***'000***	*'000*	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,317,726**	1,303,440	**1,310,544**	1,303,440
Effect of deemed conversion of convertible bond designated at FVTPL	**37,037**	37,037	**37,037**	37,037
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,354,763**	1,340,477	**1,347,581**	1,340,477

The computation of diluted loss per share for the period from 1 October 2019 to 31 March 2020 and the period from 1 January 2020 to 31 March 2020 does not assume the exercise of the Company's outstanding share options and conversion of convertible bonds, as this 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 June 2019 and the period from 1 April 2019 to 30 June 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.

8. TRADE AND OTHER RECEIVABLES

	At 31 March 2020 HK$'000 (Unaudited)	At 30 September 2019 HK$'000 (Audited)
Current		
Trade receivables *(note)*	**12,036**	11,291
Less: impairment losses	**(48)**	(48)
	11,988	11,243
Deposits	**1,237**	1,279
Prepayments	**9,431**	9,805
Others	**2,200**	456
	12,868	11,540
	24,856	22,783
Non-current		
Deposits for acquisition of subsidiaries	**5,525**	6,830

Note:

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 30 September 2019: 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 30 September 2019: 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 30 September 2019: 180 days) upon completion of the transaction. For leasing business, the Group allows an average credit period of 30 days (year ended 30 September 2019: 30 days) upon recognition.

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

	At 31 March 2020 ***HK$'000*** **(Unaudited)**	At 30 September 2019 *HK$'000* (Audited)
0 to 30 days	**102**	2,849
31 to 60 days	**–**	–
61 to 90 days	**–**	–
91 to 180 days	**739**	7,284
Over 180 days	**11,195**	1,158
	12,036	11,291

9. TRADE AND OTHER PAYABLES

	At 31 March 2020 ***HK$'000*** **(Unaudited)**	At 30 September 2019 *HK$'000* (Audited)
Trade payables	**1,713**	1,670
Payable for construction in progress	**32,215**	32,859
Receipt in advance	**1,917**	2,884
Other payables and accruals	**13,236**	13,124
	49,081	50,537

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

	At 31 March 2020 ***HK$'000*** **(Unaudited)**	At 30 September 2019 *HK$'000* (Audited)
0 to 30 days	**78**	–
31 to 60 days	**–**	1,149
61 to 90 days	**–**	–
91 to 180 days	**–**	100
Over 180 days	**1,635**	421
	1,713	1,670

10. SHARE-BASED PAYMENT

On 30 November 2012, the Company adopted a share option scheme (the "**Scheme**"). The purpose of the Scheme is to attract and to retain quality personnel and other persons and to provide them with incentive to contribute to the business and operation of the Group. Under the Scheme, the Directors may grant options to any eligible person of the Group, including (i) any director, employee or consultant of the Company, a subsidiary or an affiliate; or (ii) any discretionary trust whose discretionary objects include any director, employee or consultant of the Company, a subsidiary or an affiliate; or (iii) a company beneficially owned by any director, employee or consultant of the Company, a subsidiary or an affiliate; or (iv) any person or entity whose service to the Group or business with the Group contribute or is expected to contribute to the business or operation of the Group as may be determined by the Directors from time to time, to subscribe for shares of the Company. Options granted are exercisable for a period of up to ten years from the date of grant of the option as decided by the board.

The exercise price (subject to adjustment as provided therein) of the option under the Scheme is equal to the highest of (i) the nominal value of share; (ii) the closing price per share as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option, which must be a business day and (iii) the average closing price per share as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant. The maximum number of shares in respect of which the options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company at the date of approval of the Scheme. However, the total maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 30% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any one grantee in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue on the last date of such 12-month period from time to time, without prior approval from the Company's shareholders.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by grantee.

On 31 March 2020, 24,600,000 shares of the Company available for issue under the Scheme adopted by the Company on 30 November 2012 (at 30 September 2019: 16,400,000 shares) of HK$0.025 each in the share capital of the Company, representing approximately 1.57% (at 30 September 2019: 1.26%) of the issued share capital of the Company. Unless otherwise determined by the Directors, there is no minimum period required under the Scheme for the holding of an option before it can be exercised. There is no consideration for the application or acceptance of an option under the Scheme. The remaining life of the Scheme is approximately 2.5 years and to be expired on 30 November 2022.

Details of specific categories of options are as follows:

Year	Date of grant	Vesting period	Exercise period	Exercise price
2017	21 December 2017	N/A	21 December 2017 – 21 December 2019	HK$0.556
2018 A	18 January 2018	N/A	18 January 2018 – 18 January 2020	HK$0.785
2018 B	9 October 2018	N/A	9 October 2018 – 9 October 2020	HK$0.466

The following table discloses movements of the Company's share options held by employees during the year:

Option type	**Outstanding at 1 October 2019**	**Lapsed during period**	**Outstanding at 31 March 2020**
2017	7,800,000	(7,800,000)	–
2018 A	400,000	(400,000)	–
2018 B	34,000,000	–	34,000,000
	42,200,000	(8,200,000)	34,400,000
Exercisable at the end of the period	42,200,000		34,000,000
Weighted average exercise price	0.486	0.567	0.466

Option type	**Outstanding at 1 January 2019**	**Forfeited during period**	**Outstanding at 30 September 2019**
2017	9,000,000	(1,200,000)	7,800,000
2018	49,600,000	(15,200,000)	34,400,000
	58,600,000	(16,400,000)	42,200,000
Exercisable at the end of the period	58,600,000		42,200,000
Weighted average exercise price	0.547	0.706	0.486

No share option have been exercised during the six months ended 31 March 2020. The options outstanding at the end of the period have a weighted average remaining contractual life of approximately 6 months.

11. ACQUISITION OF A SUBSIDIARY

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

The fair value of the identifiable assets and liabilities of LW Insurance acquired are as follows:

	HK$'000
Net assets acquired:	
Prepayments	7
Bank and cash balances	213
Trade and other payables	(358)
Current tax liabilities	(1)
	(139)
Goodwill	2,512
	2,373
Satisfied by:	
Cash	973
Deposit paid	1,400
	2,373
Net cash outflow arising on acquisition:	
Cash consideration paid	973
Cash and cash equivalents acquired	(213)
	760

12. DISPOSAL OF SUBSIDIARIES

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.

Net assets at the date of disposal were as follows:

	HK$'000
Net assets acquired:	
Intangible assets	750
Property, plant and equipment	98
Prepayments, deposits and other receivables	8
Bank and cash balances	73
Trade and other payables	(5)
Net assets disposed of	924
Gain on disposal of a subsidiary	1,576
Total consideration	2,500
Consideration satisfied by	
Cash	1,500
Deposit received	1,000
	2,500
Net cash inflow arising on disposal:	
Cash consideration received	1,500
Cash and cash equivalents disposed of	(73)
	1,427

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

Revenue

The Group's unaudited revenue was tremendously decreased to approximately HK$17,851,000 for the six months ended 31 March 2020 by approximately HK$206,240,000 or 92%, from approximately HK$224,091,000 for the six months ended 30 June 2019. It was mainly generated from the revenue from the segment of natural gas operations of approximately HK$16,088,000.

Due to the outbreak of the coronavirus, industrial operations in Hubei Province have been suspended causing to a huge drop in demand of natural gas. The revenue from the sales of natural gas was tremendously dropped to approximately HK$2,498,000 for the three months ended 31 March 2020.

The revenue generated from newly acquired insurance broker business of approximately HK$373,000 for the six months ended 31 March 2020.

Operating expenses

The Group's total operating expenses, which include selling and distribution costs and general and administrative expenses, for the six months ended 31 March 2020 slightly increased to approximately HK$26,510,000 from approximately HK$23,750,000 for the six months ended 30 June 2019.

Finance costs

Finance cost of the Group was approximately HK$5,015,000 for the six months period ended 31 March 2020 (six months ended 30 June 2019: HK$4,963,000), which represented the imputed interest expense on non-current interest free loan from the non-controlling shareholders of a subsidiary, interest on convertible bond and non-convertible bonds, and bank borrowing.

Loss for the six months ended 31 March 2020 was approximately HK$61,061,000, compared with loss of approximately HK$16,823,000 for the six months ended 30 June 2019. The tremendous increase in loss was attributable to impairment loss of HK$40,591,000 recognised for the period ended 31 March 2020 on non-current assets related to 宜昌市標典天然氣利用有限公司 (Yichang Biaodian Nature Gas Utilisation Co. Ltd.) ("**Yichang Biaodian**").

UPDATE ON NATURAL GAS BUSINESS

The Group acquired 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

An outbreak of the new coronavirus, further cast shadow over the weakened China economy. Although the management has confidence on the prospects of the natural gas division in the coming future, the negative impact of global coronavirus spread on China economy has already emerged, especially affects the location of the Group's natural gas operation, Hubei of China, and the management assessed that the Group's business performance may become sluggish in remaining of the year 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 46%. In 2019, the expected revenue growth rate estimated for the next five years was 54%; and

– In 2020, the expected average net profit margin estimated for the next five years was 14%. In 2019, the expected average 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 16% (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 2018 and 2019.

Based on the assessment, the recoverable amount of Yichang Biaodian was HK$401,350,000 and impairment losses on property, plant and equipment, intangible assets and right-of-use assets of HK$22,507,000, HK$17,936,000 and HK$148,000 were recognised respectively in the six months ended 31 March 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.

As at 31 March 2020, 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 and (v) convertible bond designated at fair value through profit or loss, (vi) lease liabilities, and (vii) due to a related company totaling approximately HK$123,299,000 (as at 30 September 2019: HK$120,120,000).

The Group's total gearing ratio was approximately 208% (as at 30 September 2019: 179%). The gearing ratio was calculated as the Group's total borrowings divided by total equity attributable to owners of the Company.

PLEDGE OF ASSETS

The Group pledged a property approximately amounted to HK$2,288,000 to an independent third party for obtaining an advance of HK$113,000 as at 31 March 2020 (as at 30 September 2019: approximately HK$111,000).

CONTINGENT LIABILITIES

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.

On 13 March 2019, the Court issued civil mediation agreement (the "**Agreement**") which set out that the Plaintiff and Yichang Biaodian agreed with the repayment terms in relation to the aforesaid amount. Yichang Biaodian repaid RMB200,000 on or before 30 April 2019 so as to unfreeze its bank accounts.

According to the Agreement, 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. And, the Plaintiff had 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 on or before 30 September 2019.

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 apart from the amount of RMB8,787,000 payable to the Plaintiff since 2018.

PROSPECT

An outbreak of the new coronavirus, further cast shadow over the weakened China economy. Although the management has confidence on the prospects of both the natural gas division and leasing division in the coming future, the negative impact of global coronavirus spread on global economy has already emerged, especially affects the location of the Group's natural gas operation, Hubei of China, and the management assessed that the Group's business performance may become sluggish in remaining of the year 2020.

The management of the Group will embrace those challenges and will continue to optimise the operation efficiency in all Group's current business segments, in particular emphasizing the development of the insurance broker business.

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.

FUND RAISING ACTIVITIES

Placing of new shares

1. On 16 March 2020, the Company entered into a placing agreement with Rifa Securities Limited. Pursuant to the placing agreement, the Company appointed the Placing Agent to procure not less than six placees who are independent third parties to subscribe for up to 260,000,000 placing shares at a price of HK$0.05 per placing share.

   The Placing was completed on 27 March 2020 where 260,000,000 placing shares were subscribed for in full pursuant to the terms and conditions of the placing agreement. The net proceeds arising from the Placing were approximately HK$12,350,000 had be applied in accordance with the plans as set out in the Company's announcement dated 27 March 2020.

2. On 9 April 2020, the Company entered into a placing agreement with Rifa Securities Limited. Pursuant to the placing agreement, the Company appointed the Placing Agent to procure not less than six placees who are independent third parties to subscribe for up to 260,000,000 placing shares at a price of HK$0.029 per placing share.

   The Placing was completed on 5 May 2020 where 260,000,000 placing shares were subscribed for in full pursuant to the terms and conditions of the placing agreement. The net proceeds arising from the Placing were approximately HK$7,163,000 had be applied in accordance with the plans as set out in the Company's announcement dated 5 May 2020.

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 OF THE GROUP

As at 31 March 2020, the Group employed 58 staff (as at 31 March 2019: 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 March 2020, the interests and short positions of each Director and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of GEM Listing Rules were as follows:

Interests in the Company

The table below sets out the aggregate long positions in the shares, underlying shares and debentures of the Company held by the Directors and the chief executive of the Company:

Director	Corporate interests	Number of underlying shares held under equity derivatives	Total interests	Long (L) or short (S) position	Percentage of interests
Mr. Wu Guoming	73,750,000	6,000,000 *(Note)*	79,750,000	L	5.1%

L: Long position

Note:

These interests represented the interests in underlying shares in respect of the share options granted by the Company to the directors.

Save as disclosed above, as at 31 March 2020, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of GEM Listing Rules.

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

As at 31 March 2020, other than the interests and short positions of the Directors disclosed above, the following person (not being a Director or the chief executive of the Company) had interests or short positions in the share or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

	Number of shares held, capacity and nature of interest			**Approximate percentage of the issued share capital**
Name of shareholder	**Directly beneficially owned**	**Through controlled corporation**	**Total**	
Hong Kong Hao Yue International Trading Co., Limited	220,110,000 (L) *(Note)*	–	220,110,000 (L)	14.08%
Mr. Zhang Hai Ping	–	220,110,000 (L) *(Note)*	220,110,000 (L)	14.08%

L: Long position

Note:

Hong Kong Hao Yue International Trading Co., Limited is wholly-owned by Mr. Zhang Hai Ping.

Save as disclosed above, none of the substantial shareholders or other (other than Directors and the chief executive of the Company) person had any interest or short position in the shares or underlying shares of the Company according to the register required to be kept by the Company under Section 336 of the SFO as at 31 March 2020.

COMPETING INTERESTS

None of the Directors, the controlling shareholders of the Company (as defined in the GEM Listing Rules) or their respective close associates had any business or interest which competed or might compete with the business of the Group nor had any other conflict of interests with the Group during the six months ended 31 March 2020.

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 for the six months ended 31 March 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 six months ended 31 March 2020 except for the following deviation:

Under code provision A.2.1 of the CG Code, the roles of chairman and the chief executive should be separate and should not be performed by the same individual. The Company has not appointed a chairman since 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 the 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 six months ended 31 March 2020.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company's annual reports and financial statements, interim reports, quarterly reports and risk management and internal control systems and to provide comments thereon to the Board.

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements and this interim report for the six months ended 31 March 2020 and has provided comments thereon.

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

The Company's interim report for the six months ended 31 March 2020 is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.globalstrategicgroup.com.hk.

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

Hong Kong, 14 May 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, Mr. Sun Zhi Jun and Ms. Huang Yu Jun.

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.*