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環球戰略集團有限公司

GLOBAL STRATEGIC GROUP LIMITED

環球戰略集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8007)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Global Strategic Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) announces the unaudited quarterly results of the Group for the three months ended 31 December 2020. This announcement, containing the full text of the 2020/2021 first quarterly report of the Company (the “**2020/2021 First Quarterly Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to the information to accompany preliminary announcement of quarterly results. Printed version of the 2020/2021 First Quarterly Report containing the information required by the GEM Listing Rules will be despatched to the shareholders of the Company in due course.

By order of the Board

Global Strategic Group Limited

Wang Wenzhou

Executive Director and Chief Executive Officer

Hong Kong, 8 February 2021

As at the date of this announcement, the Executive Directors are Mr. Wang Wenzhou (Chief Executive Officer), Mr. Wu Guoming 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.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Listed Company Information” page for at least 7 days from the day of its posting and the Company’s website at www.globalstrategicgroup.com.hk.

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, 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 report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

The board of Directors (the “**Board**”) of the Company announces the unaudited condensed consolidated results of the Group for the three months from 1 October 2020 to 31 December 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 months ended 31 December 2020

		Unaudited Three months ended 31 December	
	Notes	2020 HK\$'000	2019 HK\$'000 (Re-presented)
Continuing operations			
Revenue	2	15,739	14,945
Cost of sales		(13,580)	(11,969)
Gross profit		2,159	2,976
Other income	4(a)	1,346	794
Other gains and losses	4(b)	–	(2)
Selling and distribution costs		(1,975)	(5,351)
General and administrative expenses		(10,432)	(7,269)
Finance costs	4(c)	(1,387)	(2,599)
Loss before tax		(10,289)	(11,451)
Income tax credit	3	98	475
Loss for the period from continuing operations	4(d)	(10,191)	(10,976)
Discontinued operations			
Loss for the period from discontinued operations	5	–	(485)
Loss for the period		(10,191)	(11,461)
Other comprehensive income			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation of financial statements to presentation currency		7,643	4,723
Other comprehensive income for the period, net of tax		7,643	4,723
Total comprehensive income for the period		(2,548)	(6,738)

	Unaudited Three months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000 (Re-presented)
<i>Notes</i>		
Loss for the period attributable to:		
Owners of the Company		
– continuing operations	(8,883)	(5,207)
– discontinued operations	–	(479)
	<u>(8,883)</u>	<u>(5,686)</u>
Non-controlling interests (“NCI”)		
– continuing operations	(1,308)	(5,769)
– discontinued operations	–	(6)
	<u>(1,308)</u>	<u>(5,775)</u>
	<u>(10,191)</u>	<u>(11,461)</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	(2,900)	(3,265)
NCI	352	(3,473)
	<u>(2,548)</u>	<u>(6,738)</u>
Loss per share		
From continuing and discontinued operations		
Basic (HK cents per share)	<u>11.52</u>	<u>8.72</u>
Diluted (HK cents per share)	<u>11.52</u>	<u>7.74</u>
From continuing operations		
Basic (HK cents per share)	<u>11.52</u>	<u>7.99</u>
Diluted (HK cents per share)	<u>11.52</u>	<u>7.01</u>

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 December 2020

	Share capital HK\$'000	Capital reserve HK\$'000 (note)	Share premium HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Share options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	NCI HK\$'000	Total equity HK\$'000
At 1 October 2019 (audited)	32,586	7,540	287,434	12,255	(9,532)	5,966	(269,265)	66,984	210,799	277,783
Total comprehensive income for the period	-	-	-	-	2,421	-	(5,686)	(3,265)	(3,473)	(6,738)
Forfeiture of share options granted	-	-	-	-	-	(1,434)	1,434	-	-	-
At 31 December 2019 (unaudited)	<u>32,586</u>	<u>7,540</u>	<u>287,434</u>	<u>12,255</u>	<u>(7,111)</u>	<u>4,532</u>	<u>(273,517)</u>	<u>63,719</u>	<u>207,326</u>	<u>271,045</u>
	Share capital HK\$'000	Capital reserve HK\$'000 (note)	Share premium HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Share options reserve HK\$'000 (note 9)	Accumulated losses HK\$'000	Total HK\$'000	NCI HK\$'000	Total equity HK\$'000
At 1 October 2020 (audited)	45,586	7,540	293,640	12,255	(4,087)	-	(365,135)	(10,201)	43,948	33,747
Total comprehensive income for the period	-	-	-	-	5,983	-	(8,883)	(2,900)	352	(2,548)
At 31 December 2020 (unaudited)	<u>45,586</u>	<u>7,540</u>	<u>293,640</u>	<u>12,255</u>	<u>1,896</u>	<u>-</u>	<u>(374,018)</u>	<u>(13,101)</u>	<u>44,300</u>	<u>31,199</u>

Note:

The capital reserve represents the difference between the nominal value of the share capital issued by the Company and the fair value allocated to the separable net assets of the subsidiaries at the date of acquisition arisen from a group reorganisation in March 2000.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 December 2020

1. BASIS OF PREPARATION

The unaudited condensed financial information for the three months ended 31 December 2020 ("**Financial Information**") has been prepared by the Directors of the Company in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The amounts included in the Financial Information have been computed in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") applicable to the periods. However, it does not contain sufficient information to constitute an interim financial report as defined in HKFRSs.

This Financial Information should be read in conjunction with the 2020 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 this Financial Information are consistent with those used in the annual financial statements for the year ended 30 September 2020 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\$10,191,000 for the three months ended 31 December 2020, and, as of that date, the Group had net current liabilities and taking into account of capital commitments as of that date.

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

- (a) Mr. Wu Guoming, a shareholder and a director of the Company, and Mr. Wang Wenzhou, a director of the Company, 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.
- (b) During the period, holders of non-convertible bonds with principal amounts of approximately HK\$33,186,000 have signed letters of intent with the Company agreeing to extend the maturity date by one year once the bonds mature.

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

(d) The Group has been taking various cost control measures to tighten the costs of operations.

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 Financial Information. Hence, these Financial Information have been prepared on a going concern basis.

2. 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 ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sales of natural gas	14,925	13,590
– Rendering of services	736	1,121
– Commission income	78	234
	15,739	14,945

3. INCOME TAX CREDIT

	Unaudited Three months ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Current tax – People's Republic of China ("PRC")		
PRC Enterprises Income Tax	45	–
Deferred tax	(143)	(475)
	<u>(98)</u>	<u>(475)</u>

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 three months ended 31 December 2020 (2019: Nil).

No provision for EIT is required since the Group has no assessable profit for the three months ended 31 December 2019.

4. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

The Group's loss for the period from continuing operations is arrived at after charging/(crediting):

	Unaudited Three months ended 31 December 2020 2019 HK\$'000 HK\$'000 (Re-presented)	
(a) Other income		
Interest income from bond receivables	(221)	(290)
Interest income from loan to third parties	(538)	(504)
Government grants (<i>Note</i>)	(509)	–
Others	(78)	–
	<u>(1,346)</u>	<u>(794)</u>
(b) Other gains and losses		
Others	–	2
	<u>–</u>	<u>2</u>
(c) Finance costs		
Interest on bank borrowings	445	362
Imputed interest on loan from non-controlling shareholders and its related parties	158	876
Interest on convertible bond designated at fair value through profit or loss ("FVTPL")	–	500
Interest on non-convertible bonds	748	810
Interest on lease liabilities	36	51
	<u>1,387</u>	<u>2,599</u>
(d) Other items		
Amortisation of intangible assets (included in selling and distribution cost)	572	1,848
Employee benefits expenses (including directors' remuneration)		
– Salaries, bonus and allowance	2,678	2,289
– Retirement benefit scheme contributions	95	108
	<u>2,773</u>	<u>2,397</u>
Cost of inventories sold	12,556	10,570
Depreciation of property, plant and equipment	2,152	4,601
Depreciation of right-of-use assets (included in general and administrative expenses)	502	755
Expenses related to short-term lease (included in general and administrative expenses)	25	21
	<u>25</u>	<u>21</u>

Note: During the period, the Group recognised government grants of HK\$509,000 relating to Employment Support Scheme provided by the Government of Hong Kong in respect of COVID-19.

5. DISCONTINUED OPERATIONS

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

	Unaudited	
	Three months ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
Loss for the period from discontinued operations:		
Revenue	–	–
Cost of sales	–	–
Gross profit	–	–
General and administrative expenses	–	(481)
Finance costs	–	(4)
Loss before tax	–	(485)
Income tax expense	–	–
Loss for the period from discontinued operations	–	(485)
Loss for the period from discontinued operations attributable to:		
Owners of the Company	–	(479)
NCI	–	(6)
	–	(485)

Loss for the period from discontinued operations include the following:

	Unaudited	
	Three months ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
Depreciation on property, plant and equipment	–	2
Depreciation on right-of-use assets	–	49
Employee benefits expenses		
(including directors' remuneration)		
– Salaries, bonus and allowance	–	95
– Retirement benefit scheme contributions	–	9
	–	104

6. DIVIDENDS

The Directors do not recommend the payment of any dividend for the three months ended 31 December 2020 (2019: Nil).

7. LOSS PER SHARE

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

	Unaudited Three months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
		(Re-presented)
Loss from continuing and discontinued operations		
Loss for the purpose of calculating basic earnings per share from continuing and discontinued operations	(8,883)	(5,686)
Effect of interest on convertible bond designated at FVTPL	—	499
	<u>(8,883)</u>	<u>(5,187)</u>
Loss for the purpose of calculating diluted earnings per share from continuing and discontinued operations	(8,883)	(5,187)
Loss from continuing operations		
Loss for the purpose of calculating basic earnings per share from continuing operations	(8,883)	(5,207)
Effect of interest on convertible bond designated at FVTPL	—	499
	<u>(8,883)</u>	<u>(4,708)</u>
Loss for the purpose of calculating diluted earnings per share from continuing operations	(8,883)	(4,708)
Number of shares	2020	2019
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	91,172	65,172
Effect of deemed conversion of convertible bond designated at FVTPL	—	1,852
	<u>91,172</u>	<u>67,024</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	91,172	67,024

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the three months ended 31 December 2019 presented have been adjusted due to the share consolidation on 24 August 2020.

The computation of diluted loss per share for the three months ended 31 December 2019 does not assume the exercise of the Company's outstanding share options, as this would result in the decrease in the loss per share.

From discontinued operations

Basic and diluted loss per share from the discontinued operations for the three months ended 31 December 2019 was HK0.73 cents per share, based on the loss for the year from discontinued operations attributable to the owners of the Company of approximately HK\$479,000 and the denominators used are the same as those detailed above for both basic and diluted loss per share.

8. SHARE CAPITAL

	As at 31 December			
	2020		2019	
	Number of shares '000 (Unaudited)	Amount HK\$'000 (Unaudited)	Number of shares '000 (Unaudited)	Amount HK\$'000 (Unaudited)
<i>Authorised:</i>				
Ordinary shares of HK\$0.5 (2019: HK\$0.025) each (note)	<u>160,000</u>	<u>80,000</u>	<u>3,200,000</u>	<u>80,000</u>
<i>Issued and fully paid:</i>				
At beginning and end of period	<u>91,172</u>	<u>45,586</u>	<u>1,303,440</u>	<u>32,586</u>

Note:

On 24 August 2020, every twenty issued and unissued shares of HK\$0.025 each in the Company were consolidated into one consolidated share of HK\$0.5 each.

On 20 November 2020, the Company proposed to implement the capital reorganisation (the “**Capital Reorganisation**”) involving (a) the reduction of the issued share capital of the Company by cancelling the paid up capital to the extent of HK\$0.49 on each of the then issued existing shares such that the par value of each of the then issued adjusted shares will be reduced from HK\$0.50 to HK\$0.01 (the “**Capital Reduction**”); and (b) immediately following the Capital Reduction, each of the authorised but unissued existing shares of par value HK\$0.50 each be sub-divided into fifty (50) ordinary shares of par value of HK\$0.01 each. At the same time, the Company proposed, subject to the Capital Reorganisation becoming effective, to implement the Rights Issue on the basis of four (4) rights shares for every one (1) adjusted share held on the record date at the subscription price of HK\$0.16 per rights share, to raise approximately HK\$58.35 million by issuing 364,688,000 rights shares to the qualifying shareholders. Details of the Capital Reorganisation and Rights Issue are set out in the Company’s announcement dated 20 November 2020.

9. SHARE-BASED PAYMENT

On 30 November 2012, the Company adopted a share option scheme (the “**Old 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.

Pursuant to the resolution passed by the shareholders of the Company in the extraordinary general meeting held on 30 July 2020, the Old Scheme was terminated such that no further options could thereafter be offered under the Old Scheme but in all other respects and provisions of the Old Scheme shall remain in full force and effect, while a new share option scheme (the "**New Scheme**") was approved and adopted on 20 August 2020 and, the board of directors may, at its discretion, grant options to the eligible persons as defined in the New Scheme.

On 31 December 2019, 1,210,000 shares (note (a)) of the Company available for issue under the Old Scheme adopted by the Company on 30 November 2012 of HK\$0.5 (note (a)) each in the share capital of the Company, representing approximately 1.86% of the issued share capital of the Company. Unless otherwise determined by the Directors, there is no minimum period required under the Old 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 Old Scheme.

On 20 August 2020, all remaining share options under the Old Scheme were cancelled upon the adoption of the New Scheme.

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\$11.12 (note (a))
2018	18 January 2018	N/A	18 January 2018 – 18 January 2020	HK\$15.7 (note (a))
2018	9 October 2018	N/A	9 October 2018 – 9 October 2020	HK\$9.32 (note (a))

The following table discloses movements of the Company's share options held by employees during the three months ended 31 December 2019:

Option type	Outstanding at 1 October 2019	Forfeited during period (note (b))	Outstanding at 31 December 2019
2017	390,000	(390,000)	–
2018	1,720,000	–	1,720,000
	<u>2,110,000</u>	<u>(390,000)</u>	<u>1,720,000</u>
Exercisable at the end of the period (note (a))	<u>2,110,000</u>		<u>1,720,000</u>
Weighted average exercise price (note (a))	<u>9.72</u>	<u>11.34</u>	<u>9.30</u>

Notes:

- (a) The number of share options and the exercise price have been adjusted pursuant to the share consolidation effective on 24 August 2020.
- (b) The forfeiture represented the share options granted to the eligible participants of the Group, which were forfeited upon their resignations during the period.

10. CONTINGENT LIABILITIES

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

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

On 20 November 2019, the Yichang Plaintiff has exercised its rights to apply for a court order to enforce Yichang Biaodian for settlement of amount overdue. Yichang Biaodian only repaid RMB200,000 up to 31 December 2020. The management of the Group was assessing the possible outcome that bringing to Yichang Biaodian. The directors of the Company considered that as the full amount of the debts of RMB8,587,000 (equivalent to HK\$10,227,000) claimed by Yichang Plaintiff are fully provided as liability of the Group as at 31 December 2020, no further liability will be incurred.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

Revenue

The Group's unaudited revenue was slightly increased to approximately HK\$15,739,000 for the three months ended 31 December 2020 from approximately HK\$14,945,000 for the three months ended 31 December 2019. It was mainly generated from the revenue from the segment of natural gas operations of approximately HK\$14,925,000, while revenue generated from leasing business and independent financial advisory segments contributed approximately HK\$736,000 and HK\$78,000 respectively for the three months ended 31 December 2020.

Operating expenses

The Group's total operating expenses, which include selling and distribution costs and general and administrative expenses, for the three months ended 31 December 2020 slightly decreased to approximately HK\$12,407,000 from approximately HK\$12,620,000 for the three months ended 31 December 2019. The change was attributable to a significant exchange difference of approximately HK\$3,627,000 recognised for the three months ended 31 December 2020 and decrease in amortisation and depreciation recognised due to significant impairment made during 2020 causing to reduce the carrying amounts of intangible assets and property, plant and equipment.

Finance costs

Finance cost of the Group was approximately HK\$1,387,000 for the three months ended 31 December 2020 (three months ended 31 December 2019: HK\$2,599,000), which mainly 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. The decrease was mainly come from the decrease in imputed interest on loan from non-controlling shareholders and interest on convertible bond, which has been re-assigned as non-convertible bond upon maturity as well as repayment of non-convertible bond during the period.

Loss for the three months ended 31 December 2020 was approximately HK\$10,191,000, compared with loss of approximately HK\$11,461,000 for the three months ended 31 December 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's operation is being financed by internally generated cash flow, 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 December 2020, the Group's total borrowings comprised of (i) amounts due to non-controlling shareholders of a subsidiary and its related parties, (ii) bank borrowings, (iii) due to directors, (iv) non-convertible, (v) lease liabilities, and (vi) due to related parties totaling approximately HK\$127,261,000 (as at 30 September 2020: HK\$127,657,000).

The Group's total gearing ratio was approximately 405% (as at 30 September 2020: 374%). The gearing ratio was calculated as the Group's total borrowings divided by total equity attributable to owners of the Company.

UPDATE ON NATURAL GAS BUSINESS

From October to December each year is the peak period of natural gas consumption for industrial customers. For the three months ended 31 December 2020, the sales volume of natural gas was increased by approximately 17% compared with the same period in 2019 to approximately 5,001,000 M³ (three months ended 31 December 2019: 4,278,000 M³). However, the selling price needs to be in line with the local government's policy for the natural gas's peak consumption period in winter, so sales revenue cannot benefit from the increase in gas sales.

The recoverable amount of Yichang Biaodian as at 30 September 2020 was approximately HK\$156,184,000, which has been fully considered the factors such as business conditions, government policies and economic environment from October to mid-December 2020. From mid-December 2020 to the present, Yichang Biaodian's business conditions, government policies and economic environment have not undergone major changes. By considering the reasons as aforesaid, the management of the Group believes that there is no significant need for Yichang Biaodian to recognize the impairment of the recoverable amount for the three months ended 31 December 2020.

LITIGATION

Yichang Biaodian Natural Gas Utilisation Co., Ltd

During the year ended 31 December 2018, Yichang Biaodian entered into disputes with one of its suppliers regarding the quality of work performed by such supplier. Legal proceedings were initiated by the supplier (the “**Yichang Plaintiff**”) and on 14 December 2018, pursuant to the application from the Yichang Plaintiff, the Court in Yichang granted an order to preserve the bank deposits of Yichang Biaodian amounted to approximately RMB478,000 (equivalent to approximately HK\$569,000).

On 13 March 2019, the Court issued civil mediation agreement which set out that the Yichang Plaintiff and Yichang Biaodian agreed with the repayment terms in relation to the aforesaid amount. Yichang Biaodian is required to repay RMB200,000 on or before 30 April 2019 and an order could be applied to unfreeze the bank accounts; and Yichang Biaodian was required to settle RMB2,000,000 on or before 30 September 2019 and the remaining outstanding amount on or before 30 March 2020. The Yichang Plaintiff has the rights to apply for a court order to enforce Yichang Biaodian to settle all its debts if it fails to repay RMB2,200,000 to the Yichang Plaintiff on or before 30 September 2019. Amount of RMB8,787,000 (equivalent to HK\$10,457,000) are fully provided as liabilities of the Group at 31 December 2018. The restricted bank balance was released on 11 April 2019 upon agreement between the Yichang Plaintiff and Yichang Biaodian.

On 20 November 2019, the Yichang Plaintiff has exercised its rights to apply for a court order to enforce Yichang Biaodian for settlement of amount overdue. Yichang Biaodian only repaid RMB200,000 up to 31 December 2020. The management of the Group was assessing the possible outcome that bringing to Yichang Biaodian. The directors of the Company considered that as the full amount of the debts of RMB8,587,000 (equivalent to HK\$10,219,000) claimed by Yichang Plaintiff are fully provided as liability of the Group as at 31 December 2020, no further liability will be incurred.

Global Billion Trading (Shenzhen) Limited

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

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

PLEDGE OF ASSETS

The Group pledged a property approximately amounted to HK\$2,291,000 to an independent third party for obtaining an advance of HK\$119,000 as at 31 December 2020 (as at 30 September 2020: approximately HK\$114,000).

DIVIDENDS

The Board does not recommend the payment of any dividend for the three months from 1 October 2020 to 31 December 2020 (three months from 1 October 2019 to 31 December 2019: Nil).

CONTINGENT LIABILITIES

The Group did not have any other significant contingent liabilities as at 31 December 2020 (as at 30 September 2020: Nil).

PROSPECT

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

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

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 December 2020, the Group employed 59 staff (as at 31 December 2019: 57 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 December 2020, the interests and short positions of each Director and chief executive 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 chief executives of the Company:

Directors/chief executive	Corporate interests	Long (L) or short (S) position	Percentage of interests
Mr. Wu Guoming	3,687,500	L	4.04%

L: Long position

Save as disclosed above, as at 31 December 2020, none of the Directors or 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 December 2020, other than the interests and short positions of the Directors disclosed above, the following person (not being a Director or 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:

Name of shareholder	Number of shares held, capacity and nature of interest			Approximate percentage of the issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Hong Kong Hao Yue International Trading Co., Limited (Note 2)	11,005,500 (L) (Note 1)	–	11,005,500 (L)	12.07%
Mr. Zhang Hai Ping	–	11,005,500 (L) (Note 1)	11,005,500 (L)	12.07%

L: Long position

Notes:

- 1 Hong Kong Hao Yue International Trading Co., Limited is wholly-owned by Mr. Zhang Hai Ping.
2. On 25 November 2020, the Company was informed that a hearing for a winding up petition against Hong Kong Hao Yue International Trading Co., Limited, the substantial shareholder of the Company (the “**Substantial Shareholder**”), has been convened and the High Court of Hong Kong ordered that the Substantial Shareholder be wound up. For details, please refer to the Company’s announcement dated 25 November 2020.

Save as disclosed above, none of the substantial shareholders or other (other than Directors and 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 December 2020.

COMPETING INTERESTS

None of the Directors, the controlling shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) 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 three months from 1 October 2020 to 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months from 1 October 2020 to 31 December 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 three months from 1 October 2020 to 31 December 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 three months from 1 October 2020 to 31 December 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 quarterly report for the three months from 1 October 2020 to 31 December 2020 and has provided comments thereon.

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

The Company's quarterly report for the three months from 1 October 2020 to 31 December 2020 will be published on 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, 8 February 2021

As at the date of this report, the executive Directors are Mr. Wang Wenzhou (Chief Executive Officer), Mr. Wu Guoming, 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.

* *For reference purposes only, the Chinese names of the PRC entities and terms have been translated into English in this report. 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.*