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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 2021

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 consolidated quarterly results of the Group for the three months ended 31 December 2021. This announcement, containing the full text of the 2021/2022 first quarterly report of the Company (the “**2021/2022 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 2021/2022 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, 14 February 2022

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 Dr. Chung Ling Cheong Dicky.

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.

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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 2021 to 31 December 2021 with comparative unaudited figures for the corresponding period in 2020 as follows:

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

FOR THE THREE MONTHS ENDED 31 DECEMBER 2021

		Unaudited Three months ended 31 December 2021 HK\$'000	2020 HK\$'000
	Notes		
Revenue	2	29,680	15,739
Cost of sales		(27,028)	(13,580)
Gross profit		2,652	2,159
Other income	4(a)	93	1,346
Selling and distribution costs		(2,188)	(1,975)
General and administrative expenses		(8,546)	(10,432)
Loss from operations		(7,989)	(8,902)
Finance costs	4(b)	(825)	(1,387)
Loss before tax		(8,814)	(10,289)
Income tax credit	3	177	98
Loss for the period	4(c)	(8,637)	(10,191)
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		705	7,643
Other comprehensive income for the period, net of tax		705	7,643

		Unaudited Three months ended 31 December 2021 HK\$'000	2020 HK\$'000
	Notes		
Total comprehensive income for the period		(7,932)	(2,548)
Loss for the period attributable to:			
Owners of the Company		(8,007)	(8,883)
Non-controlling interests ("NCI")		(630)	(1,308)
		(8,637)	(10,191)
Total comprehensive income for the period attributable to:			
Owners of the Company		(7,982)	(2,900)
NCI		50	352
		(7,932)	(2,548)
Loss per share	6		(Re-stated)
Basic (HK cents per share)		(1.76)	(8.18)
Diluted (HK cents per share)		(1.76)	(8.18)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 DECEMBER 2021

	Share capital HK\$'000	Capital reserve HK\$'000 (note)	Share premium HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	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)	45,586	7,540	293,640	12,255	1,896	(374,018)	(13,101)	44,300	31,199
At 1 October 2021 (audited)	4,559	7,540	346,252	12,255	(1,308)	(341,443)	27,855	44,777	72,632
Total comprehensive income for the period	-	-	-	-	25	(8,007)	(7,982)	50	(7,932)
At 31 December 2021 (unaudited)	4,559	7,540	346,252	12,255	(1,283)	(349,450)	19,873	44,827	64,700

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 INFORMATION

FOR THE THREE MONTHS ENDED 31 DECEMBER 2021

1. BASIS OF PREPARATION

The unaudited condensed financial information for the three months ended 31 December 2021 ("**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 2021 annual report. 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 2021.

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\$8,637,000 for the three months ended 31 December 2021, 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.

During the period, holders of non-convertible bonds with principal amounts in aggregate of HK\$11,912,000, have signed letters of intent with the Company agreeing to extend the maturity date by one year once the bonds mature.



In order to address the uncertainties which may cast doubt regarding the Group's ability to continue as a going concern, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance to continue as going concern. In the opinion of the Directors, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future, based on the cashflow forecast of the Group for the twelve-month period ending 31 December 2022 prepared and after taking into consideration the following:

- (i) Mr. Wu Guoming ("**Mr. Wu**"), a shareholder and a director of the Company, and Mr. Wang Wenzhou ("**Mr. Wang**"), a director of the Company, have agreed to provide continuous financial support to the Group for the foreseeable future;
- (ii) the Company will consider certain ways to raise funds from the markets; and
- (iii) having regard to measures to tighten controls over expenses and to better manage the Group's working capital.

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

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	
	2021	2020
	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	27,458	14,925
– Sales of steel support axial force servo system	1,088	–
– Rendering of services	779	736
– Commission income	15	78
	29,340	15,739
Revenue from other sources		
– Leasing income	340	–
	29,680	15,739

3. INCOME TAX CREDIT

	Unaudited	
	Three months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Current tax – People's Republic of China ("PRC")		
PRC Enterprises Income Tax	7	45
Deferred tax	(184)	(143)
	(177)	(98)

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% (2020: 25%). The tax rate of Hong Kong Profits Tax in respect of Hong Kong subsidiaries is 16.5% (2020: 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 2021 (2020: Nil).

4. LOSS FOR THE PERIOD

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

	Unaudited	
	Three months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
(a) Other income		
Interest income from bond receivables	–	(221)
Interest income from loan to third parties	(92)	(538)
Government grants (Note)	–	(509)
Others	(1)	(78)
	(93)	(1,346)

Note: During the period ended 31 December 2020, 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.

Unaudited
Three months ended 31 December

	2021	2020
	HK\$'000	HK\$'000
(b) Finance costs		
Interest on bank borrowings	383	445
Imputed interest on loan from non-controlling shareholders and its related parties	–	158
Interest on non-convertible bonds	370	748
Interest on lease liabilities	72	36
	825	1,387
(c) Other items		
Amortisation of intangible assets (included in selling and distribution cost)	734	572
Employee benefits expenses (including directors' remuneration)		
– Salaries, bonus and allowance	2,806	2,678
– Retirement benefit scheme contributions	131	95
	2,937	2,773
Cost of inventories sold	23,032	12,556
Depreciation of property, plant and equipment	1,720	2,152
Depreciation of right-of-use assets (included in general and administrative expenses)	341	502
Expenses related to short-term lease (included in general and administrative expenses)	38	25

5. DIVIDENDS

The Directors do not recommend the payment of any dividend for the three months ended 31 December 2021 (2020: Nil).

6. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of HK\$8,007,000 (2020:HK\$8,883,000) and the weighted average number of ordinary shares of 455,860,000 (2020:108,538,000(restated)) in issue during the period. The weighted average number of ordinary shares for prior period has been adjusted retrospectively to reflect the effect of rights issue during the year ended 30 September 2021.

(b) Diluted loss per share

No diluted loss per share for the three months ended 31 December 2021 and 2020 are presented as the Company had no potential ordinary shares outstanding.

7. SHARE CAPITAL

	As at 31 December			
	2021		2020	
	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\$0.01 (2020: HK\$0.5 (note)) each	<u>8,000,000</u>	<u>80,000</u>	<u>160,000</u>	<u>80,000</u>
<i>Issued and fully paid:</i>				
At beginning and end of period (note)	<u>455,860</u>	<u>4,559</u>	<u>91,172</u>	<u>45,586</u>

Note:

On 4 August 2021, the Company announced that an order confirming the capital reduction granted by the court from Cayman Islands on 3 August 2021 (Cayman Islands time), the nominal value of each of the Company's issued share was reduced from HK\$0.5 to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$0.49 on each issued share with effect from 4 August 2021. Upon the completion of capital reduction effective on 4 August 2021, the number of authorised shares of the Company was increased from 160,000,000 ordinary shares of HK\$0.5 each to 8,000,000,000 ordinary shares of HK\$0.01 each. Each share ranks pari passu in all respects.



8. 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.

No share options have been granted since the adoption of the New Scheme and there were no outstanding share options at end of the reporting period.

9. CONTINGENT LIABILITIES

- (a) During the year ended 31 December 2018, Yichang Biaodian Natural Gas Utilisation Co., Ltd (**“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 1”**) and on 14 December 2018, pursuant to the application from the Yichang Plaintiff 1, the Court in Yichang granted an order to preserve the bank deposits of Yichang Biaodian amounted to approximately RMB478,000 (equivalent to approximately HK\$591,000).

On 13 March 2019, the Court issued civil mediation agreement which set out that the Yichang Plaintiff 1 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 1 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\$10,871,000) 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 1 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 2021. As at the date of approval of the Financial Information, the Yichang Plaintiff 1 has not taken any further action against Yichang Biaodian for the outstanding balance. The directors of the Company considered that as the full amount of the debts of RMB8,587,000 (equivalent to HK\$10,624,000) claimed by Yichang Plaintiff 1 are fully provided as liability of the Group as at 31 December 2021, no further liability will be incurred.

- (b) During the year ended 30 September 2019, there was a dispute between Yichang Biaodian and one of its suppliers regarding the settlement of outstanding amounts for construction work performed by the supplier. Legal proceedings were initiated by the supplier (the **“Yichang Plaintiff 2”**). The Court of Sanxia Ba District denied the application of Yichang Plaintiff 2 for the settlement amount. Yichang Plaintiff 2 appealed to Intermediate People’s Court of Yichang City.

On 29 October 2020, the Court issued civil ruling paper which set out the repayment of RMB1,036,000 (equivalent to HK\$1,281,000) from Yichang Biaodian to Yichang Plaintiff 2 within 15 days of the issuance of the civil ruling paper. Yichang Biaodian is required to pay double of the interest expenses for late payment (the **“Default Interest”**). Yichang Plaintiff 2 has the rights to apply for a court order to enforce Yichang Biaodian to settle all its debts if it fails to repay within 15 days of the issuance of the civil ruling paper.



On 7 January 2021, Yichang Plaintiff 2 has exercised its rights to apply for a court order to enforce Yichang Biaodian for settlement of the amount overdue. On 10 June 2021, the Court issued a consumption restriction order, to restrict Yichang Biaodian (including its legal representative, main person in charge, directly responsible personnel affecting the liability enforcement and the actual controller) and a senior management personnel from certain specified consumption activities. Yichang Biaodian was required to apply for permission from the court before carrying out those restricted consumption activities. For any acts violating the consumption restriction order, the Court has the rights to issue penalty or detention. Yichang Biaodian had not repaid any of the outstanding amounts as at 31 December 2021.

The director of the Group assessed that the Default Interest would have insignificant impact to the Financial Information. The directors also considered that as the full amount of the debts claimed by Yichang Plaintiff 2 are fully provided as liability of the Group, no additional liabilities are required as at 31 December 2021.

- (c) 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. Legal proceedings were initiated by the former director (the “**Shenzhen Plaintiff**”). On 8 July 2020, pursuant to the application from the Shenzhen Plaintiff, the Court in Shenzhen granted an order to preserve the building of Shenzhen Global from being sold by the Group during the period from 9 July 2020 to 8 July 2023.

On 6 May 2021, the Court in Shenzhen concluded that the ownership of the building belongs to the Group. On 24 May 2021, the former director lodged an appeal against the decision made by the Court. On 16 December 2021, the Court in Shenzhen rejected the appeal from the former director.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

Revenue

The Group's unaudited revenue was increased to approximately HK\$29,680,000 for the three months ended 31 December 2021 from approximately HK\$15,739,000 for the three months ended 31 December 2020. It was mainly generated from the revenue from the segment of natural gas operations of approximately HK\$27,458,000, while revenue generated from leasing business and independent financial advisory segments contributed approximately HK\$2,207,000 and HK\$15,000 respectively for the three months ended 31 December 2021.

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 2021 slightly decreased to approximately HK\$10,734,000 from approximately HK\$12,407,000 for the three months ended 31 December 2020. The change was attributable to a significant exchange difference recognised for the three months ended 31 December 2020.

Finance costs

Finance cost of the Group was approximately HK\$825,000 for the three months ended 31 December 2021 (three months ended 31 December 2020: HK\$1,387,000), which mainly represented interest on bank borrowings and non-convertible bonds. The decrease was mainly came from no imputed interest on loan from non-controlling shareholders and decrease in interest on non-convertible bonds due to repayment of non-convertible bond during the period.

Loss for the three months ended 31 December 2021 was approximately HK\$8,637,000, compared with loss of approximately HK\$10,191,000 for the three months ended 31 December 2020.



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 2021, the Group's total borrowings comprised of (i) amounts due to non-controlling shareholders of a subsidiary and its related parties, (ii) bank and other borrowings, (iii) due to directors, (iv) non-convertible bonds, (v) lease liabilities, and (vi) due to related parties totaling approximately HK\$80,686,000 (as at 30 September 2021: HK\$95,735,000).

The Group's total gearing ratio was approximately 120% (as at 30 September 2021: 99%). The gearing ratio was calculated as the Group's total borrowings net of cash available divided by total equity of the Group.

Capital Reorganisation and Rights Issue

On 20 November 2020, the Company proposed to implement the following capital reorganisation (the "**Capital Reorganisation**") involving (a) the reduction of the issued share capital of the Company by cancelling the paid up capital to the extent of HK\$0.49 on each of the then issued existing shares such that the par value of each of the then issued adjusted shares will be reduced from HK\$0.50 to HK\$0.01 (the "**Capital Reduction**"); and (b) immediately following the Capital Reduction, each of the authorised but unissued existing shares of par value HK\$0.50 each be sub-divided into fifty 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 rights shares for every one adjusted share held on the record date at the subscription price of HK\$0.16 per rights share (the "**Rights Issue**"), to raise approximately HK\$58,350,000 by issuing 364,688,000 rights shares to the qualifying shareholders. Details of the Capital Reorganisation are disclosed in the Company's announcement dated 20 November 2020 and 3 August 2021 and circular dated 26 March 2021.

On 21 April 2021, the Capital Reorganisation and Rights Issue have been approved by the shareholders in the Company's extraordinary general meeting.

On 4 August 2021, the Company announced that an order confirming the capital reduction granted by the court from Cayman Islands on 3 August 2021 (Cayman Islands time), the nominal value of each of the Company's issued share was reduced from HK\$0.5 to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$0.49 on each issued share and the existing issued share capital of HK\$45,586,000 was reduced by HK\$44,674,280 to HK\$911,720 comprising 91,172,000 shares of HK\$0.01 each with effect from 4 August 2021. As a result, an amount of HK\$44,674,280 will be credited to accumulated losses on 4 August 2021. Upon the completion of capital reduction effective on 4 August 2021, the number of authorised shares of the Company will be increased from 160,000,000 ordinary shares of HK\$0.5 each to 8,000,000,000 ordinary shares of HK\$0.01 each. Each share ranks pari passu in all respects.

The Rights Issue was completed on 9 September 2021, and an aggregate of 364,688,000 Rights Shares were allotted and issued to the qualifying shareholders accordingly, which carried the aggregate nominal value of HK\$3,646,880. The gross proceeds raised from the Rights Issue were approximately HK\$58,350,000 and the net proceeds from the Rights Issue after deducting the expenses were approximately HK\$56,259,000. The net price per Rights Share was approximately HK\$0.15.

The Company intended to apply the net proceeds from the Rights Issue for the redemption of outstanding bonds issued by the Company, the payment of outstanding professional fees, and the general working capital of the Group as previously disclosed in the Capital Reorganisation Announcements and Circular and the Rights Issue Announcements and Prospectus. As at the date of this report, the Company had partially utilised the net proceeds in accordance with the said intention.

The breakdown of the Company's proposed use of the Rights Issue Proceeds as disclosed in the Prospectus and its actual use of the Rights Issue Proceeds from the date of completion of the Rights Issue to 31 December 2021 were as follows:

Intended use	Unutilised balance as at 30 September 2021 HK\$'000	Actual use of the Rights Issue Proceeds to 31 December 2021 HK\$'000	Balance of the unutilised Rights Issue Proceeds as of 31 December 2021 HK\$'000	Expected timeline for utilising the remaining net proceeds as of 31 December 2021
Legal and professional fee	1,684	1,645	39	On or before 31 March 2022
Staff cost		449		
Rental		27		
Other operating expenses		1,279		
General working capital	1,755	1,755	–	On or before 31 March 2022
Finance cost		929		
Settlement of bonds		20,918		
Redemption of outstanding bonds	21,847	21,847	–	On or before 31 March 2022
	<u>25,286</u>	<u>25,247</u>	<u>39</u>	

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 2021, the sales volume of natural gas was increased by approximately 62% compared with the same period in 2020 to approximately 8,113,000 M³ (three months ended 31 December 2020: 5,001,000 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 Natural Gas Utilisation Co., Ltd (**"Yichang Biaodian"**) as at 30 September 2021 was approximate to its carrying amounts which has been fully considered the factors such as business conditions, government policies and economic environment from October to mid-December 2021. From mid-December 2021 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 2021.

LITIGATION

Yichang Biaodian Natural Gas Utilisation Co., Ltd

- (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 1"**) and on 14 December 2018, pursuant to the application from the Yichang Plaintiff 1, the Court in Yichang granted an order to preserve the bank deposits of Yichang Biaodian amounted to approximately RMB478,000 (equivalent to approximately HK\$591,000).

On 13 March 2019, the Court issued civil mediation agreement which set out that the Yichang Plaintiff 1 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 1 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 1 on or before 30 September 2019. Amount of RMB8,787,000 (equivalent to HK\$10,871,000) 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 1 and Yichang Biaodian.



On 20 November 2019, the Yichang Plaintiff 1 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 2021. As at the date of approval of the Financial Information, the Yichang Plaintiff 1 has not taken any further action against Yichang Biaodian for the outstanding balance. The directors of the Company considered that as the full amount of the debts of RMB8,587,000 (equivalent to HK\$10,624,000) claimed by Yichang Plaintiff 1 are fully provided as liability of the Group as at 31 December 2021, no further liability will be incurred.

- (b) During the year ended 30 September 2019, there was a dispute between Yichang Biaodian and one of its suppliers regarding the settlement of outstanding amounts for construction work performed by the supplier. Legal proceedings were initiated by the supplier (the “**Yichang Plaintiff 2**”). The Court of Sanxia Ba District denied the application of Yichang Plaintiff 2 for the settlement amount. Yichang Plaintiff 2 appealed to Intermediate People’s Court of Yichang City.

On 29 October 2020, the Court issued civil ruling paper which set out the repayment of RMB1,036,000 (equivalent to HK\$1,281,000) from Yichang Biaodian to Yichang Plaintiff 2 within 15 days of the issuance of the civil ruling paper. Yichang Biaodian is required to pay default interest equivalent to a balance which is double of the interest expenses for late payment (the “**Default Interest**”). Yichang Plaintiff 2 has the rights to apply for a court order to enforce Yichang Biaodian to settle all its debts if it fails to repay within 15 days of the issuance of the civil ruling paper.

On 7 January 2021, Yichang Plaintiff 2 has exercised its rights to apply for a court order to enforce Yichang Biaodian for settlement of the amount overdue. On 10 June 2021, the Court issued a consumption restriction order, to restrict Yichang Biaodian (including its legal representative, main person in charge, directly responsible personnel affecting the liability enforcement and the actual controller) and a senior management personnel from certain specified consumption activities. Yichang Biaodian was required to apply for permission from the court before carrying out those restricted consumption activities. For any acts violating the consumption restriction order, the Court has the rights to issue penalty or detention. Yichang Biaodian had not repaid any of the outstanding amounts as at 31 December 2021.

The Directors of the Group assessed that the Default Interest would have insignificant impact to the Financial Information. The Directors also considered that as the full amount of the debts claimed by Yichang Plaintiff 2 are fully provided as liability of the Group, no additional liabilities are required as at 31 December 2021.

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. 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 of Shenzhen Global from being sold by the Group during the period from 9 July 2020 to 8 July 2023.

On 6 May 2021, the Court in Shenzhen concluded that the ownership of the building belongs to the Group. On 24 May 2021, the former director lodged an appeal against the decision made by the Court. On 16 December 2021, the Court in Shenzhen rejected the appeal from the former director.

PLEDGE OF ASSETS

The Group pledged a property approximately amounted to HK\$2,216,000 (as at 30 September 2021: approximately HK\$2,221,000) to an independent third party for obtaining an advance of HK\$124,000 as at 31 December 2021 (as at 30 September 2021: approximately HK\$122,000).



DIVIDENDS

The Board does not recommend the payment of any interim dividend for the three months from 1 October 2021 to 31 December 2021 (three months from 1 October 2020 to 31 December 2020: Nil).

CONTINGENT LIABILITIES

The Group did not have any other significant contingent liabilities as at 31 December 2021 (as at 30 September 2021: Nil).

PROSPECT

Looking forwards, the Board is optimistic that the Group will perform much better with the result of the natural gas segment. Currently, the natural gas segment mainly consists of the natural gas pipeline business. The Group has developed a natural gas sales network of certain scale. The network is still expanding and with the clean energy policy carried out by the PRC government, the management believes the natural gas business will grow steadily under the current economic environment and significant revenue will be contributed by the natural gas business. The natural gas segment will expand and continue to be the core business segment of the Group.

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 2021, the Group employed 55 staff (as at 31 December 2020: 59 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 2021, 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	18,437,500	L	4.04%

L: Long position

Save as disclosed above, as at 31 December 2021, 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 2021, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, no person (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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 2021 to 31 December 2021.

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 2021 to 31 December 2021.

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 2021 to 31 December 2021 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 2021 to 31 December 2021.



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 2021 to 31 December 2021 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 2021 to 31 December 2021 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, 14 February 2022

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 Dr. Chung Ling Cheong Dicky.

* *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.*