



GLOBAL STRATEGIC GROUP LIMITED
環球戰略集團有限公司

(Incorporated in the Cayman Islands with limited liability)

環球戰略集團有限公司

(Stock Code : 8007)

2022/2023

Interim Report



CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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 and six months ended 31 March 2023 with comparative unaudited figures for the corresponding period in 2022 as follows:

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

FOR THE THREE AND SIX MONTHS ENDED 31 MARCH 2023

		Three months ended 31 March 2023 HK\$'000 Unaudited	Three months ended 31 March 2022 HK\$'000 Unaudited	Six months ended 31 March 2023 HK\$'000 Unaudited	Six months ended 31 March 2022 HK\$'000 Unaudited
	Notes				
Revenue	4	41,203	40,943	83,551	70,623
Cost of sales		(37,492)	(28,820)	(75,305)	(55,848)
Gross profit		3,711	12,123	8,246	14,775
Other income	6(a)	373	1,653	505	1,746
Other gains and losses	6(b)	9	–	(5)	–
Selling and distribution costs		(2,645)	(2,213)	(5,097)	(4,401)
General and administrative expenses		(11,963)	(6,079)	(18,008)	(14,625)
Reversal of/(allowance) on trade receivables		241	(1,148)	241	(1,148)
Reversal of allowance on bills receivables		149	–	149	–
Allowance on loan receivables		–	(1,362)	–	(1,362)
(Loss)/profit from operations		(10,125)	2,974	(13,969)	(5,015)
Finance costs	6(c)	(956)	(633)	(1,848)	(1,458)
(Loss)/profit before tax		(11,081)	2,341	(15,817)	(6,473)
Income tax credit	5	216	185	411	362
(Loss)/profit for the period	6(d)	(10,865)	2,526	(15,406)	(6,111)



	Three months ended 31 March 2023 <i>HK\$'000</i> Unaudited	Three months ended 31 March 2022 <i>HK\$'000</i> Unaudited	Six months ended 31 March 2023 <i>HK\$'000</i> Unaudited	Six months ended 31 March 2022 <i>HK\$'000</i> Unaudited
Other comprehensive income, after tax				
<i>Item that may be reclassified to profit or loss:</i>				
Exchange differences arising on translation of financial statements to presentation currency	<u>3,172</u>	<u>(941)</u>	<u>994</u>	<u>(235)</u>
Other comprehensive income for the period, net of tax	<u>3,172</u>	<u>(941)</u>	<u>994</u>	<u>(235)</u>
Total comprehensive income for the period	<u>(7,693)</u>	<u>1,585</u>	<u>(14,412)</u>	<u>(6,346)</u>
(Loss)/profit for the period attributable to:				
Owners of the Company	<u>(7,277)</u>	<u>(823)</u>	<u>(12,371)</u>	<u>(8,830)</u>
Non-controlling interests	<u>(3,588)</u>	<u>3,349</u>	<u>(3,035)</u>	<u>2,719</u>
	<u>(10,865)</u>	<u>2,526</u>	<u>(15,406)</u>	<u>(6,111)</u>
Total comprehensive income for the period attributable to:				
Owners of the Company	<u>(5,152)</u>	<u>(2,255)</u>	<u>(10,784)</u>	<u>(10,236)</u>
Non-controlling interests	<u>(2,541)</u>	<u>3,840</u>	<u>(3,628)</u>	<u>3,890</u>
	<u>(7,693)</u>	<u>1,585</u>	<u>(14,412)</u>	<u>(6,346)</u>
Loss per share	8			
Basic (<i>HK cents per share</i>)	<u>(1.60)</u>	<u>(0.18)</u>	<u>(2.71)</u>	<u>(1.94)</u>
Diluted (<i>HK cents per share</i>)	<u>(1.60)</u>	<u>(0.18)</u>	<u>(2.71)</u>	<u>(1.94)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2023

		At 31 March 2023 <i>HK\$'000</i> Unaudited	At 30 September 2022 <i>HK\$'000</i> Audited
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	140,747	121,577
Right-of-use assets		2,643	3,495
Intangible assets	10	78,545	80,976
Investment in a joint venture		182	183
Deposit for acquisition of property, plant and equipment		342	8,737
		222,459	214,968
Current assets			
Inventories		256	1,489
Trade and bills receivables	11	4,721	8,920
Prepayments, deposits and other receivables		8,815	8,073
Loan receivables		–	–
Bond receivables		–	–
Due from related parties	20(c)	1,059	1,019
Due from a director		–	–
Due from non-controlling shareholders of a subsidiary		17,446	–
Value-added tax recoverable		2,625	390
Bank and cash balances		4,187	4,998
		39,109	24,889
Current liabilities			
Trade payables	12	510	1,145
Accruals and other payables	13	49,211	40,608
Contract liabilities		14,505	10,798
Lease liabilities		1,514	1,580
Due to related parties	20(c)	13,908	9,888
Due to directors		2,097	1,142
Non-convertible bonds	14	16,561	7,852
Bank borrowings	15	11,586	2,878
Current tax liabilities		–	20
		109,892	75,911



		At 31 March 2023 HK\$'000 Unaudited	At 30 September 2022 HK\$'000 Audited
Net current liabilities		(70,783)	(51,022)
Total assets less current liabilities		151,676	163,946
Non-current liabilities			
Accrual and other payables	13	1,127	3,209
Due to non-controlling shareholders of a subsidiary and its related parties		10,523	27,344
Lease liabilities		806	1,237
Non-convertible bonds	14	3,850	8,900
Bank borrowings	15	47,809	20,675
Deferred tax liabilities		19,636	20,244
		83,751	81,609
		67,925	82,337
CAPITAL AND RESERVES			
Share capital	16	4,559	4,559
Reserves		433	11,217
Equity attributable to owners of the Company		4,992	15,776
Non-controlling interests ("NCI")		62,933	66,561
Total equity		67,925	82,337

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2023

	Attributable to owners of the Company							NCI	Total equity
	Share capital	Capital reserve	Share premium	Other reserve	Translation reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000 <i>(note)</i>	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	-	-	-	-	(1,406)	(8,830)	(10,236)	3,890	(6,346)
Acquisition of NCI	-	-	-	-	97	2,157	2,254	(2,254)	-
At 31 March 2022 (unaudited)	4,559	7,540	346,252	12,255	(2,617)	(348,116)	19,873	46,413	66,286
	Share capital	Capital reserve	Share premium	Other reserve	Translation reserve	Accumulated losses	Total	NCI	Total equity
	HK\$'000	HK\$'000 <i>(note)</i>	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 October 2022 (audited)	4,559	7,540	346,252	12,255	(40)	(354,790)	15,776	66,561	82,337
Total comprehensive income for the period	-	-	-	-	1,587	(12,371)	(10,784)	(3,628)	(14,412)
At 31 March 2023 (unaudited)	4,559	7,540	346,252	12,255	1,547	(367,161)	4,992	62,933	67,925

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

	Six months ended 31 March 2023 <i>HK\$'000</i> Unaudited	Six months ended 31 March 2022 <i>HK\$'000</i> Unaudited
	<i>Notes</i>	
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(1,514)	7,166
Acquisition of property, plant and equipment	(5,949)	(1,156)
Interest received	–	541
Decrease in loan and bond receivables	–	1,300
Proceed from disposal of property, plant and equipment	27	–
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(5,922)	685
Payment to non-controlling shareholders of a subsidiary and its related parties, net of	(33,709)	(1,551)
New bank borrowings raised	39,564	–
Movements in balances with directors, net of	956	(1,595)
Repayment of lease liabilities	(596)	(1,074)
Proceed from/(repayment of) non-convertible bonds, net of	3,200	(15,338)
Repayment of bank borrowings	(3,849)	(4,010)
Interest paid	(987)	(1,500)
NET CASH GENERATE FROM/(USED IN) FINANCING ACTIVITIES	4,579	(25,068)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,857)	(17,217)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,998	23,411
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	2,046	2,110
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY	4,187	4,084
Bank and cash balances	4,187	4,084

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial information for the six months ended 31 March 2023 (“**Financial Information**”) has been prepared by the Directors of the Company 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 disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

This Financial Information should be read in conjunction with the 2022 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 2022 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\$15,406,000 the six months ended 31 March 2023, and, as of that date, the Group had net current liabilities of HK\$70,783,000 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.

The directors have estimated the Group’s cash requirements by preparing a cashflow forecast of the Group for the period ending 31 March 2024. 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 sufficient funds to the Group so that the Group will be able to meet all current obligations as they fall due for the foreseeable future. Mr. Wu and Mr. Wang both agreed to pledge their properties as collaterals, if necessary, to borrow funds to provide financial support to the Group.



The directors of the Company therefore consider it appropriate to adopt the going concern basis in preparing this 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 have not been reflected in this Financial Information.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 October 2022. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The accounting policies applied in this Financial Information are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 September 2022. A number of new or amended standards are effective from 1 October 2022 but they do not have a material effect on the Group's financial statements.

3. SEGMENT INFORMATION

The Group has three (2022: three) operating and reportable segments as follow:

Natural gas operations	Including investment in natural gas projects, sales of natural gas, natural gas cooking appliance and accessories and pipeline installation
Sales and 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 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.

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

	Natural gas operations <i>HK\$'000</i> Unaudited	Sales and leasing business <i>HK\$'000</i> Unaudited	Independent financial advisory <i>HK\$'000</i> Unaudited	Total <i>HK\$'000</i> Unaudited
Six months ended				
31 March 2023:				
Revenue from external customers	<u>79,981</u>	<u>3,570</u>	<u>–</u>	<u>83,551</u>
Segment loss	<u>(6,496)</u>	<u>(894)</u>	<u>(26)</u>	<u>(7,416)</u>
As at 31 March 2023:				
Segment assets	<u>212,258</u>	<u>42,001</u>	<u>9</u>	<u>254,268</u>
Segment liabilities	<u>(131,382)</u>	<u>(28,966)</u>	<u>(10)</u>	<u>(160,358)</u>
Six months ended				
31 March 2022:				
Revenue from external customers	<u>62,374</u>	<u>8,231</u>	<u>18</u>	<u>70,623</u>
Segment profit/(loss)	<u>3,344</u>	<u>(308)</u>	<u>(14)</u>	<u>3,022</u>
As at 30 September 2022:				
	Audited	Audited	Audited	Audited
Segment assets	201,082	29,682	8	230,772
Segment liabilities	<u>(114,207)</u>	<u>(15,747)</u>	<u>(10)</u>	<u>(129,964)</u>



(b) Reconciliations of segment profit or loss:

	Six months ended 31 March 2023 HK\$'000 Unaudited	Six months ended 31 March 2022 HK\$'000 Unaudited
Total profit or loss of reportable segments	(7,416)	3,022
Unallocated amounts:		
Other income	471	1,744
Other gain and loss	(14)	-
General and administrative expenses	(7,997)	(9,071)
Allowance on loan receivables	-	(1,362)
Finance costs	(861)	(806)
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Consolidated loss before tax	(15,817)	(6,473)

4. REVENUE

Disaggregation of revenue

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

	Three months ended 31 March 2023 HK\$'000 Unaudited	Three months ended 31 March 2022 HK\$'000 Unaudited	Six months ended 31 March 2023 HK\$'000 Unaudited	Six months ended 31 March 2022 HK\$'000 Unaudited
Revenue from contracts with customers within the scope of HKFRS 15				
Disaggregated by major products or service lines				
– Sales of natural gas	37,767	32,838	76,891	60,296
– Sales of steel support axial force servo systems	–	4,807	–	5,895
– Rendering of services	1,276	3,293	3,891	4,072
– Commission income	–	3	–	18
	39,043	40,941	80,782	70,281
Revenue from other sources				
– Leasing income	2,160	2	2,769	342
	41,203	40,943	83,551	70,623



For the six months ended 31 March	Sales of natural gas		Sales of steel support axial force servo systems		Pipeline installation services		Provision of technology support services		Independent financial advisory		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited

Primary geographical markets

- The People's Republic of China ("PRC") except Hong Kong	76,891	60,296	-	5,895	3,090	2,078	801	1,994	-	-	80,782	70,263
- Hong Kong	-	-	-	-	-	-	-	-	-	18	-	18

Revenue from external customers	76,891	60,296	-	5,895	3,090	2,078	801	1,994	-	18	80,782	70,281
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Timing of revenue recognition

Products and services transferred at a point in time	-	-	-	5,895	3,090	2,078	-	-	-	18	3,090	7,991
Products and services transferred over time	76,891	60,296	-	-	-	-	801	1,994	-	-	77,692	62,290
Total	76,891	60,296	-	5,895	3,090	2,078	801	1,994	-	18	80,782	70,281

For the three months ended 31 March	Sales of natural gas		Sales of steel support axial force servo systems		Pipeline installation services		Provision of technology support services		Independent financial advisory		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited

Primary geographical markets

- The PRC except Hong Kong	37,767	32,838	-	4,807	643	1,627	633	1,666	-	-	39,043	40,938
- Hong Kong	-	-	-	-	-	-	-	-	-	3	-	3

Revenue from external customers	37,767	32,838	-	4,807	643	1,627	633	1,666	-	3	39,043	40,941
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Timing of revenue recognition

Products and services transferred at a point in time	-	-	-	4,807	643	1,627	-	-	-	3	643	6,437
Products and services transferred over time	37,767	32,838	-	-	-	-	633	1,666	-	-	38,400	34,504
Total	37,767	32,838	-	4,807	643	1,627	633	1,666	-	3	39,043	40,941

5. INCOME TAX CREDIT

	Three months ended 31 March 2023 HK\$'000 Unaudited	Three months ended 31 March 2022 HK\$'000 Unaudited	Six months ended 31 March 2023 HK\$'000 Unaudited	Six months ended 31 March 2022 HK\$'000 Unaudited
Current tax				
PRC Enterprises Income Tax	–	–	13	7
Deferred tax	<u>(216)</u>	<u>(185)</u>	<u>(424)</u>	<u>(369)</u>
	<u>(216)</u>	<u>(185)</u>	<u>(411)</u>	<u>(362)</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% (2022: 25%). The tax rate of Hong Kong Profits Tax in respect of Hong Kong subsidiaries is 16.5% (2022: 16.5%).

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the six months ended 31 March 2023 (2022: Nil).



6. (LOSS)/PROFIT FOR THE PERIOD

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

	Three months ended 31 March 2023 HK\$'000 Unaudited	Three months ended 31 March 2022 HK\$'000 Unaudited	Six months ended 31 March 2023 HK\$'000 Unaudited	Six months ended 31 March 2022 HK\$'000 Unaudited
(a) Other income				
Bank interest income	(5)	(1)	(9)	(1)
Interest income from loan to third parties	-	(1)	-	(93)
Government grants (<i>note</i>)	-	-	(48)	-
Net exchange gain	-	(1,651)	-	(1,651)
Waiver of non-convertible bond payment	(342)	-	(422)	-
Others	(26)	-	(26)	(1)
	<u>(373)</u>	<u>(1,653)</u>	<u>(505)</u>	<u>(1,746)</u>
(b) Other gains and losses (Gain)/loss on disposal of property, plant and equipment	(9)	-	5	-
(c) Finance costs				
Interest on bank borrowings	629	268	987	651
Interest on non-convertible bonds	301	324	801	694
Interest on lease liabilities	26	41	60	113
	<u>956</u>	<u>633</u>	<u>1,848</u>	<u>1,458</u>

Note:

During the period ended 31 March 2023, the Group recognised government grants of HK\$48,000 (2022: Nil) relating to Employment Support Scheme provided by the Hong Kong government in respect of COVID-19.

	Three months ended 31 March 2023 HK\$'000 Unaudited	Three months ended 31 March 2022 HK\$'000 Unaudited	Six months ended 31 March 2023 HK\$'000 Unaudited	Six months ended 31 March 2022 HK\$'000 Unaudited
(d) Other items				
Amortisation of intangible assets (included in selling and distribution cost)	866	742	1,698	1,476
Employee benefits expenses (including directors' remuneration)				
– Salaries, bonus and allowance	3,461	3,171	6,381	5,977
– Retirement benefit scheme contributions	132	131	277	262
	3,593	3,302	6,658	6,239
Cost of inventories sold	34,568	26,855	70,953	49,887
Depreciation of property, plant and equipment	3,079	2,628	5,636	4,348
Depreciation of right-of-use assets (included in general and administrative expenses)	428	475	844	816
Expenses related to short-term lease (included in general and administrative expenses)	12	37	70	75
Net exchange loss/(gain)	2,059	(2,069)	2,527	(1,651)

7. DIVIDENDS

The Directors do not recommend the payment of any dividend for the six months ended 31 March 2023 (2022: Nil).



8. LOSS PER SHARE

(a) Basic loss per share

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

	Unaudited			
	Three months ended	Three months ended	Six months ended	Six months ended
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period				
Loss for the purpose of calculating basic loss per share	<u>(7,277)</u>	<u>(823)</u>	<u>(12,371)</u>	<u>(8,830)</u>
Number of shares	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>455,860</u>	<u>455,860</u>	<u>455,860</u>	<u>455,860</u>

(b) Diluted loss per share

No diluted loss per share for the six months ended 31 March 2023 and 2022 and the three months ended 31 March 2023 and 2022 are presented as the Company had no potential ordinary shares outstanding.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 March 2023, the Group acquired property, plant and equipment of approximately HK\$25,722,000 (2022: HK\$1,632,000). During the six months ended 31 March 2023, the Group disposed property, plant and equipment of approximately HK\$32,000.

10. INTANGIBLE ASSETS

As at 31 March 2023, the amounts solely represented the natural gas supply exclusive rights arose from the acquisition of 宜昌市標典天然氣利用有限公司 (Yichang Biaodian Natural Gas Utilisation Co., Ltd) (“**Yichang Biaodian**”) with a carrying amount of HK\$78,545,000 (at 30 September 2022: HK\$80,976,000) before impairment. This intangible asset is amortised over the remaining contractual period of 30 years till the years ranging from 2041 to 2044.

The Group’s natural gas supply exclusive rights and other assets belong to the cash-generating unit (“**CGU**”) of Yichang Biaodian. The recoverable amount of the CGU has been determined on the basis of its value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the forecast period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGU operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors. Yichang Biaodian’s cash flows beyond the 5-year period are extrapolated using a steady 2% growth rate at 30 September 2022. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry in which Yichang Biaodian operates. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on Yichang Biaodian’s past performance and management’s expectations for the market development. The pre-tax rate used to discount the forecast cash flows from the Group’s is 13.10% as at 30 September 2022.

The management reviewed the cash flow forecast by comparing against Yichang Biaodian’s actual performance for the period and considered that no further impairment required as its performance reached to budget. The management keeps monitoring the performance of Yichang Biaodian and considers any impairment required once there is any adverse circumstance exist.



11. TRADE AND BILLS RECEIVABLES

	At 31 March 2023 HK\$'000 Unaudited	At 30 September 2022 HK\$'000 Audited
Current		
Trade receivables (<i>note</i>)	11,912	13,350
Bills receivables (<i>note</i>)	—	3,223
	<u>11,912</u>	<u>16,573</u>
Less: impairment losses	<u>(7,191)</u>	<u>(7,653)</u>
	<u>4,721</u>	<u>8,920</u>

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 2022: 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 2022: 30 days) upon completion. For sales and leasing business, the Group allows an average credit period of 180 days (year ended 30 September 2021: 180 days) upon service rendered or goods sold. For independent financial advisory, the Group allows an average credit period of 30 days (year ended 30 September 2022: 30 days) upon service rendered.

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

	At	At
	31 March	30 September
	2023	2022
	HK\$'000	HK\$'000
	Unaudited	Audited
0 to 90 days	1,858	2,830
91 to 180 days	–	–
181 to 365 days	1,188	5,457
Over 365 days	1,675	633
	4,721	8,920

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

12. TRADE PAYABLES

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

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

	At	At
	31 March	30 September
	2023	2022
	HK\$'000	HK\$'000
	Unaudited	Audited
0 to 90 days	203	621
91 to 180 days	–	–
181 to 365 days	58	109
Over 60 days	249	415
	510	1,145

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



13. ACCRUALS AND OTHER PAYABLES

	At 31 March 2023 HK\$'000 Unaudited	At 30 September 2022 HK\$'000 Audited
Payable for construction in progress	22,216	26,796
Receipt in advance (<i>note</i>)	1,940	1,957
Other payables and accruals	<u>26,182</u>	<u>15,064</u>
	<u>50,338</u>	<u>43,817</u>
Analysed as:		
Current liabilities	49,211	40,608
Non-current liabilities	<u>1,127</u>	<u>3,209</u>
	<u>50,338</u>	<u>43,817</u>

Note:

Included in receipt in advance of HK\$1,940,000 (2021: HK\$1,957,000) was deposits received for disposal of building of the Group from an independent third party.

14. NON-CONVERTIBLE BONDS

	At 31 March 2023 <i>HK\$'000</i> Unaudited	At 30 September 2022 <i>HK\$'000</i> Audited
Non-convertible bonds	<u>20,411</u>	<u>16,752</u>
Analysed as:		
Current liabilities	16,561	7,852
Non-current liabilities	<u>3,850</u>	<u>8,900</u>
	<u>20,411</u>	<u>16,752</u>

The terms of non-convertible bonds ("NCBs") are as follows:

	Interest rates per annum	Maturity	Note	At 31 March 2023 <i>HK\$'000</i> Unaudited	At 30 September 2022 <i>HK\$'000</i> Audited
NCB batch 1	12%	30 September 2022 (2021: 5 November 2020 to 30 September 2022)	(i)	1,900	1,900
NCB batch 2	4% to 20%	10 January 2020 to 26 July 2023 (2021: 10 January 2020 to 26 July 2022)	(ii)	5,050	5,050
NCB batch 3	10% to 18%	30 September 2022 (2021: 31 December 2020 to 13 February 2022)	(i)	250	250
NCB batch 4	12%	27 June to 29 September 2025		–	8,900
NCB batch 5	6%	11 to 18 January 2024		12,100	–
Accrued interest				<u>1,111</u>	<u>652</u>
				<u>20,411</u>	<u>16,752</u>



Note:

- (i) Near the end of the reporting period, the bondholders signed letters of intent with the Company agreeing to further extend the maturity date to 30 September 2024. Subsequent to 30 September 2022, the bonds have been renewed with maturity date extended to 30 September 2024.
- (ii) Included in the balance was 6% Bond of HK\$350,000 which was overdue since 10 January 2020. Bond of HK\$3,000,000 will mature during 10 March 2023 to 26 July 2023. Near the end of the reporting period, the bondholders with principal amount of HK\$1,700,000 out of HK\$5,050,000 in aggregate have signed letters of intent with the Company agreeing to further extend the maturity date to 30 September 2024. Subsequent to 30 September 2022, bonds with principal amount of HK\$1,700,000 have been renewed with maturity date extended to 30 September 2024.

The carrying amounts of the non-convertible bonds issued approximate their fair values.

Non-convertible bonds issued at fixed interest rates expose the Group to fair value interest rate risk.

15. BANK BORROWINGS

	At	At
	31 March	30 September
	2023	2022
	HK\$'000	HK\$'000
	Unaudited	Audited
Secured bank borrowings (<i>note</i>)	58,252	21,873
Unsecured bank borrowings	1,143	1,680
	59,395	23,553

The bank borrowings are repayable as follows:

	At 31 March 2023 <i>HK\$'000</i> Unaudited	At 30 September 2022 <i>HK\$'000</i> Audited
Within one year	11,586	2,878
More than one year, but not exceeding two years	29,139	3,407
More than two years, but not more than five years	18,670	17,268
	59,395	23,553
Less: Amount due for settlement within 12 months (shown under current liabilities)	(11,586)	(2,878)
Amount due for settlement after 12 months	47,809	20,675

Notes:

Bank borrowings as at 31 March 2023 and 30 September 2022 are secured by the pledge of natural gas supply exclusive rights and certain property, plant and equipment of Yichang Biaodian, and a property owned by Mr. Xiong Songgan (“**Mr. Xiong**”), a key management personnel of Yichang Biaodian. The bank borrowings are also jointly guaranteed by Mr. Xiong and the non-controlling shareholders of Yichang Biaodian.

The amounts are based on scheduled repayment dates set out in the respective loan agreements.

The carrying amount of the Group’s bank borrowing balance is denominated in RMB.

The effective interest rate of the Group’s bank borrowings ranged from 5.00% to 18.40% (30 September 2022: 5.00% to 12.24%).

Bank borrowings of HK\$58,251,000 (30 September 2022: HK\$21,873,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk.

Other borrowings are arranged at floating rates based on the benchmark interest rate issued by the People’s Bank of China during both years. Interest rate will be adjusted if the benchmark interest rate changes, thus exposing the Group to cash flow interest rate risk.



16. SHARE CAPITAL

	At 31 March 2023		At 30 September 2022	
	Number of	Amount	Number of	Amount
	shares		shares	
	'000	HK\$'000	'000	HK\$'000
	Unaudited	Unaudited	Audited	Audited
Authorised:				
Ordinary shares of HK\$0.01 each	8,000,000	80,000	8,000,000	80,000
Issued and fully paid:				
At beginning and end of period/year	455,860	4,559	455,860	4,559

17. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of interest in a subsidiary

During the period ended 31 March 2022, the Group acquired the entire 40% equity interest from its non-controlling interest, at a consideration of US\$40 (equivalent to HK\$312). The effect of the acquisition on the equity attributable to the owners of the Company is as follows:

	<i>HK\$'000</i>
Carrying amount of non-controlling interest acquired	2,254
Consideration received from non-controlling interest	<u>–</u>
Deficit from acquisition recognised directly in equity	2,254

(b) Major non-cash transaction

(i) Addition to property, plant and equipment of approximately HK\$8,239,000 (2022: HK\$476,000) was reclassified from deposits for acquisition of property, plant and equipment and approximately HK\$11,533,000 was recorded in other payables upon receipt for the six months ended 31 March 2023, respectively.

(iii) Prepayments of approximately HK\$3,116,000 was reclassified from deposits for acquisition of property, plant and equipment for the six months ended 31 March 2022.

18. LITIGATION

During the year ended 31 December 2018, Yichang Biaodian had 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”).

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 amount of RMB8,787,000 (equivalent to HK\$10,413,000). However, Yichang Biaodian did not repay all the outstanding amount as scheduled in civil mediation agreement. Thus, the Yichang Plaintiff exercised its rights to apply for a court order to enforce Yichang Biaodian for settlement of amount overdue. On 19 May 2022, the Yichang Plaintiff and Yichang Biaodian signed another mediation agreement which set out that the outstanding balance would be repaid in 25 monthly installments of RMB300,000 from June 2022 to July 2024, and it would be guaranteed by Mr. Xiong Songgan, a key management personnel of Yichang Biaodian. If Yichang Biaodian fail to repay as scheduled, default interest would be charged at 12% per annum on the outstanding balance owed to the Yichang Plaintiff since 1 May 2019. The directors of the Company considered that as the full amount of the remaining debts of RMB4,587,000 (equivalent to HK\$5,234,000) claimed by Yichang Plaintiff are fully provided as liability of the Group as at 31 March 2023 and Yichang Biaodian repaid the amount owed to Yichang Plaintiff as scheduled, no further liability will be incurred.

19. CAPITAL COMMITMENTS

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

	At	At
	31 March	30 September
	2023	2022
	HK\$’000	HK\$’000
	Unaudited	Audited
Capital expenditure in respect of the acquisition of property, plant and equipment, development of systems and networks		
– contracted but not accounted for	10,418	30,353



20. RELATED PARTY TRANSACTIONS

(a) Details of guarantees provided by related parties for bank borrowings granted to the Group are as set out in note 15 to the condensed consolidated financial statements.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was follows:

	Three months ended 31 March 2023 HK\$'000 Unaudited	Three months ended 31 March 2022 HK\$'000 Unaudited	Six months ended 31 March 2023 HK\$'000 Unaudited	Six months ended 31 March 2022 HK\$'000 Unaudited
Short term benefits	<u>413</u>	<u>389</u>	<u>861</u>	<u>807</u>

(c) Amounts due from/(to) related parties

Name of related party	Relationship	Terms	At 31 March 2023 HK\$'000 Unaudited	At 30 September 2022 HK\$'000 Audited
上海廣大基礎工程 有限公司	Controlled by a director of the Company	Unsecured, interest-free and repayable on demand	(12,767)	(8,737)
吳夏晨	Son of a director of the Company	Unsecured, interest-free and repayable on demand	1,059	1,019
湯霞	Daughter-in-law of a director of the Company	Unsecured, interest-free and repayable on demand	(1,141)	(1,151)

21. APPROVAL OF FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the Board of Directors on 15 May 2023.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

Revenue

The Group's unaudited revenue was increased to approximately HK\$83,551,000 for the six months ended 31 March 2023 from approximately HK\$70,623,000 for the six months ended 31 March 2022. It was mainly generated from the revenue from the segment of natural gas operations of approximately HK\$79,981,000, while revenue generated from sales and leasing business segments contributed approximately HK\$3,570,000 for the six months ended 31 March 2023.

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 2023 increased to approximately HK\$23,105,000 from approximately HK\$19,026,000 for the six months ended 31 March 2022. The change was attributable to a significant exchange difference recognized and the increase in professional expenses incurred for the six months ended 31 March 2023.

Finance costs

Finance cost of the Group was approximately HK\$1,848,000 for the six months ended 31 March 2023 (six months ended 31 March 2022: HK\$1,458,000), which mainly represented interest on bank borrowings and non-convertible bonds. The increase was mainly came from increase in interest on bank borrowings and non-convertible bonds due to additional loans and non-convertible bonds raised during the period.

Loss for the six months ended 31 March 2023 was approximately HK\$15,406,000, compared with loss of approximately HK\$6,111,000 for the six months ended 31 March 2022.





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 March 2023, 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\$108,654,000 (as at 30 September 2022: HK\$81,496,000).

The Group's total gearing ratio was approximately 153% (as at 30 September 2022: 93%). The gearing ratio was calculated as the Group's total borrowings net of cash available divided by total equity of the Group.

UPDATE ON NATURAL GAS BUSINESS

From October to December each year is the peak period of natural gas consumption for industrial customers. For the six months ended 31 March 2023, the sales volume of natural gas was increased by approximately 23% compared with the same period in 2022 to approximately 20,158,000 M³ (six months ended 31 March 2022: 16,428,000 M³).

The carrying amount of 宜昌市標典天然氣利用有限公司 (Yichang Biaodian Natural Gas Utilisation Co., Ltd.*) ("**Yichang Biaodian**") as at 30 September 2022 was adjusted approximate to its recoverable amount which has been fully considered the factors such as recent business conditions, government policies and economic environment from October to mid-December 2022. From mid-December 2022 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 any reversal of impairment or impairment so as to adjust the carrying amount to the recoverable amount for the six months ended 31 March 2023.

LITIGATION

Yichang Biaodian Natural Gas Utilisation Co., Ltd

During the year ended 31 December 2018, Yichang Biaodian had 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**”).

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 amount of RMB8,787,000 (equivalent to HK\$10,413,000). However, Yichang Biaodian did not repay all the outstanding amount as scheduled in civil mediation agreement. Thus, the Yichang Plaintiff exercised its rights to apply for a court order to enforce Yichang Biaodian for settlement of amount overdue. On 19 May 2022, the Yichang Plaintiff and Yichang Biaodian signed another mediation agreement which set out that the outstanding balance would be repaid in 25 monthly installments of RMB300,000 from June 2022 to July 2024, and it would be guaranteed by Mr. Xiong Songgan, a key management personnel of Yichang Biaodian. If Yichang Biaodian fail to repay as scheduled, default interest would be charged at 12% per annum on the outstanding balance owed to the Yichang Plaintiff since 1 May 2019. The directors of the Company considered that as the full amount of the remaining debts of RMB5,487,000 (equivalent to HK\$6,154,000) claimed by Yichang Plaintiff are fully provided as liability of the Group as at 31 March 2023 and Yichang Biaodian repaid the amount owed to Yichang Plaintiff as scheduled, no further liability will be incurred.

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITIONS AND DISPOSALS

Acquisition of Machinery

On 25 November 2022, 森籌環境科技(上海)有限公司 (Senchou Environmental Technology (Shanghai) Co., Ltd.*) (“**Shanghai Senchou**”) has completed the acquisition of certain machinery with price of RMB24,270,000 from an independent third party vendor included in the contracts signed with the vendor on 29 March 2022 and 3 August 2022 as announced on respective dates. Deposits for acquisition of property, plant and equipment of RMB7,289,000 (equivalent to HK\$8,239,000) as at 30 September 2022 are utilized on that date. Details of the acquisition of machinery are disclosed in the Company’s announcements dated 29 March 2022 and 3 August 2022.



PLEDGE OF ASSETS

The Group pledged (i) natural gas supply exclusive rights amounted to approximately HK\$78,545,000 and property, plant and equipment of approximately HK\$52,479,000 for bank borrowings of approximately HK\$58,252,000 (as at 30 September 2022: HK\$21,873,000); (ii) a property amounted to approximately HK\$1,857,000 (as at 30 September 2022: HK\$1,949,000) to an independent third party for obtaining an advance of RMB100,000 as at 31 March 2023.

DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 31 March 2023 (six months ended 31 March 2022: Nil).

CONTINGENT LIABILITIES

The Group did not have any other significant contingent liabilities as at 31 March 2023 (as at 30 September 2022: Nil).

CAPITAL COMMITMENTS

As at 31 March 2023, the Group had capital commitments amounting to approximately HK\$10,418,000 (as at 30 September 2022: HK\$30,353,000).

PROSPECT

Looking forward, with the significant relaxation of domestic epidemic prevention policies, the management believes that the economy will recover in an orderly manner in the coming year, which is expected to have a positive impact on the Group's two core businesses.

Natural gas operations

Industrial customers will face the supply demand brought about by the domestic economic recovery, which will lead to an increase in gas consumption, and the revenue of this segment will continue to grow.



Sales and leasing business

The closure measures during the epidemic in recent years have delayed the progress of some leasing projects. It is believed that after the relaxation of the prevention and control policies, customers of various projects will catch up with the progress of the projects and drive the income of the leasing business to increase.

Management 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 ("RMB").

During the six months ended 31 March 2023, the Group has not entered into any agreement or commit to any financial instruments to hedge on the exchange rate exposure relating to RMB. The Group will continue to monitor its foreign exchange exposure.

HUMAN RESOURCES AND REMUNERATION POLICY OF THE GROUP

As at 31 March 2023, the Group employed 54 staff (as at 31 March 2022: 56 staff). Remuneration is determined with reference to market terms and the performance, qualifications and experience of the individual employee. Remuneration includes monthly salaries, performance-linked bonuses, retirement benefits schemes and other benefits such as medical scheme and share option scheme. The Group's remuneration policies and packages are reviewed by management on regular basis. The Company has established a Human Resources and Remuneration Committee. The Directors' emoluments are determined with reference to Directors' duties, responsibilities and the operating performance of the Group.





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 2023, 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 March 2023, 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 March 2023, so far as known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of shares or underlying shares held	Long (L) or short (S) position	Approximate percentage of interest in the Company
Sze Ching Lau	Beneficiary owner	44,990,000	L	9.86%

L: Long position

Save as disclosed above, as at 31 March 2023, the Directors were not aware of any other persons who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept under 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 for the six months ended 31 March 2023.



SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “**Share Option Scheme**”) pursuant to an ordinary resolution passed by the shareholders in the extraordinary general meeting on 20 August 2020. During the six months from 1 October 2022 to 31 March 2023, no share option has been granted under the Share Option Scheme since its adoption. Therefore, no share options have been granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme.

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 six months from 1 October 2022 to 31 March 2023.

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 from 1 October 2022 to 31 March 2023 except for the following deviation:

Under code provision C.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 from 1 October 2022 to 31 March 2023.

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 from 1 October 2022 to 31 March 2023 and has provided comments thereon.

By Order of the Board
Global Strategic Group Limited
Wang Wenzhou

Executive Director and Chief Executive Officer

Hong Kong, 15 May 2023

As at the date of this report, the executive Directors are Mr. Wang Wenzhou (Chief Executive Officer), Mr. Wu Guoming, and Mr. Duan Fanfan; the Non-executive Director is Mr. Chen Long; and the Independent Non-executive Directors are Mr. Leung Oh Man, Martin, Dr. Chung Ling Cheong Dicky and Ms. Lam Yuk Kan Ester.

* *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.*