



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)

## 2019 Interim Report



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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 Company and its subsidiaries (collectively, the “Group”) for the three and six months ended 30 June 2019 with comparative unaudited figures for the corresponding period in 2018 as follows:

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

For the three and six months ended 30 June 2019

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 HK\$'000	2018 HK\$'000 (Re-stated)	2019 HK\$'000	2018 HK\$'000 (Re-stated)
<b>Continuing operations</b>					
Revenue	3	134,105	11,914	224,091	18,020
Cost of sales		(132,245)	(9,736)	(219,909)	(14,345)
<b>Gross profit</b>		<b>1,860</b>	<b>2,178</b>	<b>4,182</b>	<b>3,675</b>
Other income	6(a)	878	31	1,818	31
Other gains and losses	6(b)	–	15	26	15
Gain on fair value change on convertible bond designated at fair value through profit or loss (“FVTPL”)		1,418	2,685	4,919	2,685
Selling and distribution cost		(5,143)	(4,320)	(10,250)	(9,980)
General and administrative expenses		(3,524)	(3,655)	(13,500)	(13,537)
Finance costs	6(c)	(2,570)	(5,368)	(4,963)	(10,054)
<b>Loss before tax</b>		<b>(7,081)</b>	<b>(8,434)</b>	<b>(17,768)</b>	<b>(27,165)</b>
Income tax credit	5	479	513	945	1,023
<b>Loss for the period from continuing operations</b>	6(d)	<b>(6,602)</b>	<b>(7,921)</b>	<b>(16,823)</b>	<b>(26,142)</b>
<b>Discontinued operations</b>					
Loss for the period from discontinued operations	7	–	(2,817)	–	(3,322)
<b>Loss for the period</b>		<b>(6,602)</b>	<b>(10,738)</b>	<b>(16,823)</b>	<b>(29,464)</b>

	Three months ended 30 June		Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000 (Re-stated)	2019 HK\$'000	2018 HK\$'000 (Re-stated)
<b>Other comprehensive income</b>				
Items that may be reclassified to profit or loss:				
Exchange differences on translation of financial statements to presentation currency	(7,011)	(3,415)	3,449	4,599
<b>Total comprehensive income for the period</b>	<b>(13,613)</b>	<b>(14,153)</b>	<b>(13,374)</b>	<b>(24,865)</b>
<b>Loss for the period attributable to:</b>				
Owners of the Company				
– Continuing operations	(5,043)	(3,956)	(10,947)	(17,719)
– Discontinued operations	–	(2,817)	–	(3,322)
	<b>(5,043)</b>	<b>(6,773)</b>	<b>(10,947)</b>	<b>(21,041)</b>
Non-controlling interests				
– Continuing operations	(1,559)	(3,965)	(5,876)	(8,423)
– Discontinued operations	–	–	–	–
	<b>(1,559)</b>	<b>(3,965)</b>	<b>(5,876)</b>	<b>(8,423)</b>
<b>Total comprehensive income for the period attributable to:</b>				
Owners of the Company				
– Continuing operations	(4,974)	(6,258)	(5,135)	(16,597)
– Discontinued operations	–	(2,817)	–	(3,322)
	<b>(4,974)</b>	<b>(9,075)</b>	<b>(5,135)</b>	<b>(19,919)</b>
Non-controlling interests				
– Continuing operations	(8,639)	(5,078)	(8,239)	(4,946)
– Discontinued operations	–	–	–	–
	<b>(8,639)</b>	<b>(5,078)</b>	<b>(8,239)</b>	<b>(4,946)</b>
<b>Loss per share</b>				
<b>From continuing and discontinued operations</b>				
Basic (HK cent)	(0.387)	(0.598)	(0.840)	(1.859)
Diluted	N/A	N/A	N/A	N/A
<b>From continuing operations</b>				
Basic (HK cent)	(0.387)	(0.349)	(0.840)	(1.565)
Diluted	N/A	N/A	N/A	N/A

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

		As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	10	272,120	277,688
Prepaid land lease payments		–	1,606
Right-of-use assets	10	5,249	–
Goodwill		4,357	4,323
Long term deposits		37	37
Intangible assets	11	202,643	204,658
		<u>484,406</u>	<u>488,312</u>
<b>Current assets</b>			
Inventories		389	492
Trade and other receivables	12	34,553	11,662
Loan receivables	13	20,839	29,504
Bond receivables	14	9,617	13,125
Prepaid land lease payments		–	33
Amount due from non-controlling interests		5	–
Value-added tax recoverable		7,194	7,783
Current tax assets		166	165
Restricted bank deposits		–	544
Bank and cash balances		1,152	2,297
		<u>73,915</u>	<u>65,605</u>
<b>Current liabilities</b>			
Trade and other payables	15	48,845	47,774
Amounts due to directors		3,477	2,105
Lease liabilities		2,790	–
Non-convertible bonds	16	20,097	9,747
Bank borrowings	17	2,295	2,277
Income tax payable		22	–
		<u>77,526</u>	<u>61,903</u>
<b>Net current (liabilities)/assets</b>		<u>(3,611)</u>	<u>3,702</u>
<b>Total assets less current liabilities</b>		<u>480,795</u>	<u>492,014</u>

		<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	As at 31 December 2018 HK\$'000 (Audited)
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Amounts due to non-controlling shareholders of a subsidiary and its related parties		<b>46,262</b>	39,650
Bank borrowings	17	<b>16,066</b>	17,081
Lease liabilities		<b>839</b>	–
Non-convertible bonds	16	<b>3,000</b>	3,000
Convertible bond designated at FVTPL	18	<b>20,259</b>	24,186
Deferred tax liabilities		<b>50,178</b>	50,682
		<b>136,604</b>	134,599
<b>Net Assets</b>		<b>344,191</b>	357,415
<b>Capital and reserves</b>			
Share capital	19	<b>32,586</b>	32,586
Reserves		<b>29,188</b>	231,347
Equity attributable to owners of the Company		<b>61,774</b>	263,933
Non-controlling interests		<b>282,417</b>	93,482
<b>Total equity</b>		<b>344,191</b>	357,415

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company								Non-controlling interests		
	Share capital HK\$'000	Capital reserve HK\$'000 (Note)	Share premium HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Share options reserve HK\$'000	Subsidiary shares to be issued HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	("NCI") HK\$'000	Total equity HK\$'000
At 1 January 2018 (audited)	28,275	7,540	223,502	32,102	(347)	2,446	-	(185,864)	107,654	113,453	221,107
Total comprehensive income for the period	-	-	-	-	1,122	-	-	(21,041)	(19,919)	(4,946)	(24,865)
Recognition of share-based payments	35	-	743	-	-	2,516	-	-	3,294	-	3,294
Adjustment of deemed capital contribution arising from early repayment of non-current interest-free loan from a shareholder of the Company and non-controlling shareholders of a subsidiary and its related parties	-	-	-	(5,483)	-	-	-	-	(5,483)	(4,564)	(10,047)
Deemed contribution arising from acquisition of a subsidiary	-	-	-	54	-	-	-	-	54	-	54
At 30 June 2018 (unaudited)	28,310	7,540	224,245	26,673	775	4,962	-	(206,905)	85,600	103,943	189,543
At 1 January 2019 (audited)	32,586	7,540	287,434	32,972	(3,551)	9,457	153,377	(255,882)	263,933	93,482	357,415
Total comprehensive income for the period	-	-	-	-	5,812	-	-	(10,947)	(5,135)	(8,239)	(13,374)
Subsidiary shares issued	-	-	-	-	-	-	(153,377)	-	(153,377)	153,377	-
Deemed disposal of interest to NCI	-	-	-	-	-	-	-	(43,684)	(43,684)	43,684	-
Forfeiture of share options	-	-	-	-	-	(1,587)	-	1,587	-	-	-
Adjustment of deemed capital contribution arising from non-current interest-free loan from non-controlling shareholders of a subsidiary and its related parties	-	-	-	37	-	-	-	-	37	113	150
At 30 June 2019 (unaudited)	32,586	7,540	287,434	33,009	2,261	7,870	-	(308,926)	61,774	282,417	344,191

## 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 30 June 2019

	Six months ended	
	30 June	
	2019	2018
	HK\$'000	HK\$'000
Net cash used in operating activities	<b>(10,891)</b>	(19,214)
Net cash used in investing activities	<b>(1,338)</b>	(1,903)
Net cash generated from financing activities	<b>9,781</b>	27,766
Net (decrease)/increase in cash and cash equivalents	<b>(2,448)</b>	6,649
Effect of foreign exchange rate changes	<b>1,303</b>	(2,620)
Cash and cash equivalents at 1 January	<b>2,297</b>	7,069
Cash and cash equivalents at 30 June	<b>1,152</b>	11,098
Represented by:		
Bank balances and cash	<b>1,152</b>	11,098



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2019*

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and applicable disclosure requirements of Chapter 18 to the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

These condensed financial statements should be read in conjunction with the 2018 annual financial statements. The accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2018 except as stated below in note 2.

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\$16,823,000 for the six months ended 30 June 2019, the Group’s current liabilities exceeded its current assets by HK\$3,611,000 and taking into account the capital commitments as of that date.

As at 30 June 2019, Mr. Wu Guoming, a substantial shareholder of the Company, has agreed to provide sufficient funds to the Group so that the Group will be able to meet all current obligations as they fall due in the coming twelve months after the six months ended 30 June 2019.

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

The unaudited condensed consolidated financial statements have been prepared on the historical basis except for convertible bond designated as FVTPL, which are measured at fair value, as appropriate.

## 2. ADOPTION OF NEW AND AMENDMENTS TO 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 January 2019. 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 Group has initially adopted HKFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group’s consolidated financial statements.

### **HKFRS 16 Leases**

HKFRS 16 supersedes HKAS 17 Leases, HK (IFRIC)-Int 4 Determining Whether an Arrangement contains a Lease, HK (SIC)-Int 15 Operating Leases-Incentives and HK (SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

#### **(a) Definition of a lease**

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under HK (IFRIC)-Int 4 Determining Whether an Arrangement contains a Lease, the Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK (IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

**(b) As a lessee**

The Group leases certain properties for office purpose.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for all leases.

The recognised right-of-use assets relate to properties as following:

	<b>Balance as at</b>	
	<b>30 June</b>	1 January
	<b>2019</b>	2019
	<b>HK\$'000</b>	HK\$'000
Right-of-use assets	<b>5,249</b>	3,973

*Significant accounting policies*

The Group recognises a right-of-use assets and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

#### *Transition*

Previously, the Group classified office property leases as operating leases under HKAS 17. These include warehouse and factory facilities. The leases typically run for a period of two to three years.

At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if HKFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

**(c) Impacts of condensed consolidated financial statements**

*Impact on transition*

On transition to HKFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The change in accounting policy affected the following items on the condensed consolidated statement of financial position (increase/(decrease)) as at 1 January 2019 is summarised below.

	1 January 2019 HK\$'000
<b>Assets</b>	
Right-of-use assets	3,973
Prepaid land lease payments	<u>(1,810)</u>
<b>Total assets</b>	<b><u>2,163</u></b>
<b>Liabilities</b>	
Lease liabilities	<u>2,163</u>
<b>Total liabilities</b>	<b><u>2,163</u></b>

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 10%.

	1 January 2019 HK\$'000
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	<u>2,247</u>
Discounted using the incremental borrowing rate at 1 January 2019	<u>2,163</u>
<b>Lease liability recognised as at 1 January 2019</b>	<b><u>2,163</u></b>
Of which are:	
Current lease liabilities	1,479
Non-current lease liabilities	<u>684</u>
	<u>2,163</u>

*Impacts for the period*

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised HK\$5,249,000 of right-of-use assets and HK\$3,629,000 of lease liabilities as at 30 June 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and finance costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised HK\$1,272,000 of depreciation charges and HK\$171,000 of finance costs from these leases.

### 3. REVENUE

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

	Unaudited		Unaudited	
	Three months ended 30 June	2018	Six months ended 30 June	2018
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Re-stated)		(Re-stated)
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>				
Disaggregated by major products or service lines				
– Sales of goods	121,585	–	202,732	–
– Sales of natural gas	11,627	10,354	18,637	16,344
– Rendering of services	426	1,560	1,726	1,676
	<u>133,638</u>	<u>11,914</u>	<u>223,095</u>	<u>18,020</u>
Revenue from other sources				
– Leasing income	467	–	996	–
	<u>134,105</u>	<u>11,914</u>	<u>224,091</u>	<u>18,020</u>

The Group's revenue is derived from contracts with customers.

In the following table, revenue is disaggregated by primary geographical market and timing of revenue recognition from its continuing operations.

For the six months ended 30 June (Unaudited)	Trading of copper		Trading of petrochemical		Sales of natural gas		Pipeline installation services		Provision of technology support services		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Primary geographical markets – PRC except Hong Kong	61,778	-	140,954	-	18,637	16,344	872	1,676	854	-	223,095	18,020
Revenue from external customers	61,778	-	140,954	-	18,637	16,344	872	1,676	854	-	223,095	18,020
Timing of revenue recognition												
Products transferred at a point in time	61,778	-	140,954	-	-	3,946	872	1,676	-	-	203,604	5,622
Products and services transferred over time	-	-	-	-	18,637	12,398	-	-	854	-	19,491	12,398
Total	61,778	-	140,954	-	18,637	16,344	872	1,676	854	-	223,095	18,020
<b>For the three months ended 30 June (Unaudited)</b>												
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Primary geographical markets – PRC except Hong Kong	14,149	-	107,436	-	11,627	10,354	-	1,560	426	-	133,638	11,914
Revenue from external customers	14,149	-	107,436	-	11,627	10,354	-	1,560	426	-	133,638	11,914
Timing of revenue recognition												
Products transferred at a point in time	14,149	-	107,436	-	-	1,722	-	1,560	-	-	121,585	3,282
Products and services transferred over time	-	-	-	-	11,627	8,632	-	-	426	-	12,053	8,632
Total	14,149	-	107,436	-	11,627	10,354	-	1,560	426	-	133,638	11,914



#### 4. SEGMENT INFORMATION

The Group has four (2018: three) operating and reportable segments as follow:

Trading of petrochemical	Including income from trading of petrochemical
Trading of copper	Including income from trading of copper
Natural gas operations	including investment in natural gas projects, sales of natural gas, natural gas cooking appliance and accessories and pipeline installation
Leasing business	Including services rendered from leasing of steel support axial force servo system and technology support

The operation of IT solution services was discontinued during the year ended 31 December 2018. The segment information reported does not include any amounts for this discontinued operation, which is described in more detail in note 7.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

**Information about operating segment profit or loss, assets and liabilities from continuing operations:**

	Trading of petrochemical <i>HK\$'000</i>	Trading of copper <i>HK\$'000</i>	Natural gas operations <i>HK\$'000</i>	Leasing business <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Six months ended 30 June 2019 – unaudited</b>					
Revenue from external customers	140,954	61,778	19,509	1,850	224,091
Segment profit/(loss)	354	(813)	(6,005)	(1,943)	(8,407)
<b>As at 30 June 2019</b>					
Segment assets	12,770	13,813	479,397	14,805	520,785
Segment liabilities	(12,428)	(4,699)	(101,407)	(3,652)	(122,186)
	Trading of petrochemical <i>HK\$'000</i>	Trading of copper <i>HK\$'000</i>	Natural gas operations <i>HK\$'000</i>	Leasing business <i>HK\$'000</i>	Total <i>HK\$'000</i> (Re-stated)
<b>Six months ended 30 June 2018 – unaudited</b>					
Revenue from external customers	–	–	18,020	–	18,020
Segment loss	–	–	(15,257)	–	(15,257)
<b>As at 31 December 2018</b>					
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Segment assets	–	5,451	480,842	12,268	498,561
Segment liabilities	–	(6,991)	(146,116)	(24)	(153,131)

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>HK\$</b>	HK\$
		(Re-stated)

#### Reconciliations of segment profit or loss:

Total loss of reportable segments	<b>(8,407)</b>	(15,257)
Unallocated amounts:		
Other income, other gains and other operating gain	<b>6,621</b>	2,731
Administrative expenses	<b>(13,742)</b>	(14,447)
Finance costs	<b>(2,240)</b>	(192)
	<u><b>(17,768)</b></u>	<u>(27,165)</u>
Consolidated loss before taxation from continuing operations	<u><b>(17,768)</b></u>	<u>(27,165)</u>

## 5. INCOME TAX CREDIT

Income tax relating to continuing operations has been recognised as following:

	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Current tax charge:				
PRC Enterprise Income Tax	<u><b>3</b></u>	–	<u><b>18</b></u>	–
Deferred tax:				
Current period credit	<u><b>(482)</b></u>	(513)	<u><b>(963)</b></u>	(1,023)
Income tax credit	<u><b>(479)</b></u>	(513)	<u><b>(945)</b></u>	(1,023)

Under the Law of the PRC on Enterprise Income Tax and Implementation Regulations, the tax rate of the subsidiaries operate in the PRC is 25% (six months ended 30 June 2018: 25%).

Under the two-tiered profits tax regime, the first HK\$2 million of assessable profits of qualifying corporations will be taxed at 8.25% with effect from the year of assessment 2018/2019. Assessable profits above HK\$2 million will continue to be subject to the tax rate of 16.5%.

No provision for the tax has been made in the unaudited condensed consolidated financial statements for the six months ended 30 June 2019 since the Group had no assessable profits (six months ended 30 June 2018: Nil).

## 6. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

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

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Re-stated)		(Re-stated)
<b>(a) Other income:</b>				
Bank interest income	(1)	(1)	(3)	(1)
Interest income from bond receivables	(267)	–	(591)	–
Interest income from loan to 3rd parties	(493)	–	(952)	–
Others	(117)	(30)	(272)	(30)
	<u>(878)</u>	<u>(31)</u>	<u>(1,818)</u>	<u>(31)</u>
<b>(b) Other gains and losses:</b>				
Gain on de-registration of subsidiaries	–	–	(26)	–
Gain on disposal of property, plant and equipment	–	(15)	–	(15)
	<u>–</u>	<u>(15)</u>	<u>(26)</u>	<u>(15)</u>
<b>(c) Finance costs:</b>				
Interest on bank borrowings	407	483	812	911
Imputed interest on loan from a shareholder and non-controlling shareholders and its related parties	940	4,737	1,910	8,995
Interest on convertible bond	499	148	992	148
Interest on non-convertible bonds	631	–	1,078	–
Interest on lease liabilities	93	–	171	–
	<u>2,570</u>	<u>5,368</u>	<u>4,963</u>	<u>10,054</u>

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Re-stated)		(Re-stated)
<b>(d) Other items:</b>				
Amortisation of intangible assets (included in selling and distribution cost)	1,883	2,050	3,767	4,091
Amortisation of prepaid lease payments	-	9	-	18
Depreciation of right-of-use assets (included in general and administrative expenses)	720	-	1,272	-
Depreciation of property, plant and equipment				
- included in cost of sales	82	-	287	-
- included in general and administrative expenses	3,913	1,152	7,799	969
- included in selling and distribution cost	3,222	2,291	6,453	5,933
Loss on disposal of property, plant and equipment	-	15	-	15
Employee benefits expenses (including directors' remuneration):				
Salaries, bonus and allowance	1,583	1,290	3,427	2,932
Equity-settled option expenses	-	-	-	2,947
Retirement benefit scheme contributions	122	60	231	138
Operating lease charges	-	548	-	991
Auditor's remuneration	130	68	310	458
Cost of inventories recognised as an expense	129,515	9,736	216,588	14,345

## 7. DISCONTINUED OPERATIONS

During the year ended 31 December 2018, the Group ceased its business in provision of IT solution services due to deterioration of operating results and financial performance during the year. The presentation of comparative information in respect of the three and six months ended 30 June 2018 has been reclassified to conform to the current period's presentation. The analysis of the results of discontinued operations is as follows:

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period from discontinued operations:				
Revenue	-	-	-	21
Cost of sales	-	(90)	-	(135)
Gross loss	-	(90)	-	(114)
Impairment loss on intangible assets	-	(2,100)	-	(2,100)
Selling and distribution costs	-	(471)	-	(943)
General and administrative expenses	-	(156)	-	(165)
Loss for the period from discontinued operations (attributable to owners of the Company)	-	(2,817)	-	(3,322)

The analysis of the expenses of discontinued operations is as follows:

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	-	22	-	43
Amortisation of intangible assets	-	-	-	600
Impairment loss on intangible assets	-	2,100	-	2,100

The analysis of cash flow of discontinued operations is as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash used in operating activities	–	(144)
Net cash generated from financing activities	–	64
	<u>–</u>	<u>64</u>
Net decrease in cash and cash equivalents	–	(80)
Cash and cash equivalents at 1 January	–	203
	<u>–</u>	<u>203</u>
Cash and cash equivalents at 30 June	–	123
	<u>–</u>	<u>123</u>

## 8. LOSS PER SHARE – BASIC AND DILUTED

The calculation of basic loss per share attributable to the owners of the Company is based on the following data:

	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
		(Re-stated)		(Re-stated)
Loss for the period attributable to owners of the Company				
– Continuing operations	<b>(5,043)</b>	(3,956)	<b>(10,947)</b>	(17,719)
– Discontinued operations	–	(2,817)	–	(3,322)
	<u>(5,043)</u>	<u>(6,773)</u>	<u>(10,947)</u>	<u>(21,041)</u>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
		(Re-presented)		(Re-presented)
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>1,303,440</b>	1,132,360	<b>1,303,440</b>	1,131,941
	<b>HK cent</b>	<b>HK cent</b>	<b>HK cent</b>	<b>HK cent</b>
Basic loss per share				
– Continuing operations	<b>(0.387)</b>	(0.349)	<b>(0.840)</b>	(1.565)
– Discontinuing operations	–	(0.249)	–	(0.294)
	<u>(0.387)</u>	<u>(0.598)</u>	<u>(0.840)</u>	<u>(1.859)</u>

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for both of the periods presented have been adjusted for the share consolidation mentioned in note 19. Basic and diluted loss per share for the three and six months ended 30 June 2018 was re-presented for this purpose.

As the exercise of the Group's outstanding convertible bonds and outstanding share options for the three and six months ended 30 June 2019 and 2018 would be anti-dilutive, no diluted loss per share was presented for the three and six months ended 30 June 2019 and 2018.

## 9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

## 10. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2019, the Group acquired property, plant and equipment of approximately HK\$458,000 (2018: HK\$16,474,000).

During the six months ended 30 June 2019, the Group entered into a new lease agreement for use of office property for 2 years. The Group makes fixed payments during the contract period. On lease commencement, the Group recognised HK\$2,694,000 of right-of-use asset and lease liability.

## 11. INTANGIBLE ASSETS

As at 30 June 2019, the amounts mainly represented the carrying amount of the natural gas supply exclusive rights arising 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\$201,123,000 (31 December 2018: HK\$203,138,000). This intangible asset is amortised over the remaining contractual period of 30 years till the years ranging from 2041 to 2044.

As the natural gas operations segment still suffered loss during the period, impairment indication existed. The management carried impairment testing on the assets (i.e. goodwill and other non-current assets) belongs to this cash generating unit.

The recoverable amount of this unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 15.52% (31 December 2018: 14.41%). Yichang Biaodian's cash flows beyond the 5-year period are extrapolated using a steady 3% (31 December 2017: 3%) growth rate. 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 calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on Yichang Biaodian's past performance and management's expectations for the market development.

No impairment was recognised for the period ended 30 June 2019 (31 December 2018: Nil).

It also included the carrying amount of a license for China/Hong Kong cross-boundary private car amounting to HK\$1,520,000 (31 December 2018: HK\$1,520,000).



## 12. TRADE AND OTHER RECEIVABLES

	<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2018 HK\$'000 (Audited)</b>
Trade receivables	<u>7,491</u>	<u>2,871</u>
Deposits	<b>1,249</b>	826
Prepayments	<b>25,667</b>	7,612
Others	<u>146</u>	<u>353</u>
	<u><b>27,062</b></u>	<u>8,791</u>
	<u><b>34,553</b></u>	<u>11,662</u>

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 (2018: 60 days). The Group recognises revenue for natural gas pipeline installation service when the installation is completed and the Group allows an average credit period of 30 days (2018: 30 days) upon completion. For trading of copper and petrochemical deposits are usually required and the remaining balance is usually receivable approximately within 180 days (2018: 180 days) upon completion of the transaction. For leasing business, the Group allows an average credit period of 30 days (2018: 30 days) upon recognition.

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

	<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2018 HK\$'000 (Audited)</b>
0 to 30 days	–	2,718
31 to 60 days	<b>3,473</b>	1
61 to 90 days	<b>1,583</b>	4
91 to 180 days	<b>2,123</b>	135
Over 180 days	<u>312</u>	<u>13</u>
	<u><b>7,491</b></u>	<u>2,871</u>

### 13. LOAN RECEIVABLES

The Group granted in aggregate of HK\$20,746,000 loans to certain independent third parties during the six months ended 30 June 2019. Loan receivables are unsecured and are charged on effective interest rate mutually agreed with the contracting parties, at a fixed rate ranging from 0% to 12% (31 December 2018: 0% to 12%) per annum. The borrowers are obliged to settle the amounts according to the terms set out in the relevant agreements.

The Group seeks to maintain strict control over its outstanding loan receivables so as to minimise credit risk. The granting of loans is subject to approval by the management, whilst overdue balances are reviewed regularly by the management.

### 14. BOND RECEIVABLES

On 3 April 2019 and 5 May 2019, the Group subscribed one tranche of 10% interest-bearing bond with principal amount of HK\$3,000,000 from a listed company and one tranche of 12% interest-bearing bonds from an unlisted company with principal amount of HK\$6,500,000 respectively. The bonds will be matured on 2 April 2020 and 4 November 2019 respectively.

### 15. TRADE AND OTHER PAYABLES

	<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2018 HK\$'000 (Audited)</b>
Trade payables	4,373	28
Payable for construction in progress	31,588	31,637
Receipt in advance	1,480	2,852
Other payables and accruals	11,404	13,257
	<b>48,845</b>	<b>47,774</b>

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

	<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2018 HK\$'000 (Audited)</b>
0 to 30 days	1,473	13
Over 30 days	2,900	15
	<b>4,373</b>	<b>28</b>

## 16. NON-CONVERTIBLE BONDS

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
Non-convertible bonds	<u>23,097</u>	<u>12,747</u>
Analysed as:		
Current liabilities	<u>20,097</u>	9,747
Non-current liabilities	<u>3,000</u>	<u>3,000</u>
	<u>23,097</u>	<u>12,747</u>

During 30 June 2019, the Group has issued fixed rate non-convertible bonds in aggregate of HK\$9,450,000 to certain independent third parties. These non-convertible bonds are unsecured and interest-bearing at fixed rates of 12% per annum.

As at 30 June 2019, the average annual interest rates of non-convertible bonds were ranging from 12% to 14% (31 December 2018: 12% to 14%).

At 30 June 2019, non-convertible bonds with principal amount of HK\$3,000,000 were unconditionally and irrevocably secured by personal guarantee provided by a director of the Company.

The carrying amounts of the non-convertible bonds issued approximate their fair values and denominated in HK\$.

The non-convertible bonds can be redeemed by the bond issuer at 100% of the outstanding principal amount, together with accrued interest up to mature date.

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

## 17. BANK BORROWINGS

The borrowings are repayable as follows:

	<b>30 June</b>	31 December
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
More than one year, but not exceeding two years	<b>2,295</b>	2,277
More than two years, but not more than five years	<b>3,443</b>	2,278
More than five years	<b>12,623</b>	14,803
	<b><u>18,361</u></b>	<u>19,358</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b><u>(2,295)</u></b>	<u>(2,277)</u>
Amount due for settlement after 12 months	<b><u>16,066</u></b>	<u>17,081</u>

### Notes:

The bank borrowings are secured by several properties owned by non-controlling interests of Yichang Biaodian, including Mr. Xiong Songgan ("Mr. Xiong"), Mr. Yan Jun ("Mr. Yan") and his wife, and certain companies held and controlled by Mr. Xiong. The bank borrowings are also jointly guaranteed by non-controlling interests of Yichang Biaodian, including Hubei Biaodian, Mr. Xiong and his wife, Mr. Yan and his wife and Mr. Li Wanqing.

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

The effective interest rate of the Group's interest-bearing borrowings at 8.01%.

## 18. CONVERTIBLE BOND DESIGNATED AT FVTPL

On 4 June 2018, the Group issued a convertible bond with principal value of HK\$20,000,000 with interest of 10% per annum. The bond matures two years from the date of issue of bond at their principal value or can be converted into ordinary shares at the holder's option at rate of HK\$0.54 per conversion share. The maximum number of ordinary shares to be converted is 37,037,037 shares and none of them was converted up to 30 June 2019.

The Group's convertible bond is valued by an independent valuer by using Binomial option pricing model with the following key assumptions:

### Convertible Bond

	30 June 2019	31 December 2018	4 June 2018 (date of initial recognition)
Share price of the Company	HK\$0.29	HK\$0.48	HK\$0.46
Conversion price	HK\$0.54	HK\$0.54	HK\$0.54
Expected volatility	37.72%	49.95%	54.27%
Time to maturity	0.93 year	1.43 years	2 years
Risk-free rate	1.66%	1.75%	1.84%
Dividend yield	0.00%	0.00%	0.00%

The Directors estimate the fair value of the convertible bond designated at FVTPL at 30 June 2019 to be approximately HK\$20,259,000. There were no changes in the valuation techniques used for both 2018 and 2019.

The movements of the components of the convertible bond are as follows:

	<b>30 June</b>	31 December
	<b>2019</b>	2018
	<b>HK\$'000</b>	<b>HK\$'000</b>
At 1 January	<b>24,186</b>	–
Proceeds from convertible bonds	–	20,000
Loss arising on change of fair value	–	5,274
	<b>24,186</b>	25,274
Interest charged	<b>992</b>	1,156
Interest paid	–	(1,156)
Gain arising on change of fair value	<b>(4,919)</b>	(1,088)
At 30 June/31 December	<b>20,259</b>	24,186

## 19. SHARE CAPITAL

	As at 30 June 2019		As at 31 December 2018	
	Number of shares '000 (Unaudited)	Amount HK\$'000 (Unaudited)	Number of shares '000 (Audited)	Amount HK\$'000 (Audited)
<i>Authorised:</i>				
Ordinary shares of HK\$0.005 each	3,200,000	80,000	16,000,000	80,000
Share consolidation ( <i>note</i> )	–	–	(12,800,000)	–
	<u>3,200,000</u>	<u>80,000</u>	<u>3,200,000</u>	<u>80,000</u>
Ordinary shares of HK\$0.025 each	3,200,000	80,000	3,200,000	80,000
	<u>3,200,000</u>	<u>80,000</u>	<u>3,200,000</u>	<u>80,000</u>
<i>Issued and fully paid:</i>				
At beginning of period/year	1,303,440	32,586	5,655,000	28,275
Exercise of share options	–	–	7,000	35
Placing of new shares	–	–	855,200	4,276
Share consolidation ( <i>note</i> )	–	–	(5,213,760)	–
	<u>1,303,440</u>	<u>32,586</u>	<u>1,303,440</u>	<u>32,586</u>
At end of the period/year	<u>1,303,440</u>	<u>32,586</u>	<u>1,303,440</u>	<u>32,586</u>

### *Notes:*

On 19 November 2018, every five issued and unissued shares of HK\$0.005 each in the Company were consolidated into one consolidated share of HK\$0.025 each.

## 20. SHARE-BASED PAYMENT TRANSACTIONS

### **Equity-settled share option scheme**

On 30 November 2012, the Company adopted a share option scheme (the “Scheme”). The purpose of the Scheme is to attract and to retain quality personnel and other persons and to provide them with incentive to contribute to the business and operation of the Group.

As at 30 June 2019, the total number of shares options of the Company available for issue under the Scheme was 8,400,000 (as at 31 December 2018: Nil) shares which represented 0.64% (as at 31 December 2018: 0%) of the issued share capital of the Company. Unless otherwise determined by the Directors, there is no minimum period required under the Scheme for the holding of an option before it can be exercised. 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. The remaining life of the Scheme is approximately four years and to be expired on 30 November 2022.

Details of specific categories of options are as follows:

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

The following table discloses movements of the Company's share options held by the Directors, chief executive, employees of the Company during the period:

Year of grant	Outstanding at 1 January 2019	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2019
2017	9,000,000	–	–	1,200,000	7,800,000
2018	49,600,000	–	–	7,200,000	42,400,000
	<u>58,600,000</u>	<u>–</u>	<u>–</u>	<u>8,400,000</u>	<u>50,200,000</u>
Exercisable at the end of the period					<u>50,200,000</u>
Weighted average exercise price (HK\$)	<u>0.547</u>	<u>–</u>	<u>–</u>	<u>0.631</u>	<u>0.533</u>

No share option have been exercised during the six months ended 30 June 2019 (2018: HK\$0.657). The options outstanding at the end of the period have a weighted average remaining contractual life of 1 year.

On 18 January 2018, the Company granted share options to its employees. The estimated fair values of the options granted on that date was HK\$2,947,000 and recognised as expense during that period.



## 21. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

The following table shows the carrying amounts and fair value of financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. Further, for the current year the fair value disclosure of lease liabilities is also not required.

**(a) Disclosures of level in fair value hierarchy at 30 June 2019:**

Description	Fair value measurements as at Level 3	
	At	At
	30 June	31 December
	2019	2018
	HK\$	HK\$
<b>Recurring fair value measurements:</b>		
Financial liabilities at fair value through profit or loss		
– convertible bonds designated at FVTPL	<u>20,259</u>	<u>24,186</u>

**(b) Reconciliation of financial liabilities measured at fair value based on level 3:**

Convertible bond designated at FVTPL	Financial liabilities at fair value through profit or loss	
	2019	2018
	HK\$	HK\$
	At 1 January	24,186
At date of issuance of convertible bond	–	20,000
Interest charged	992	–
Total gains or losses recognised in profit or loss (#)	<u>(4,919)</u>	<u>4,186</u>
At 30 June/31 December	<u>20,259</u>	<u>24,186</u>
(#) Include gains or losses for assets held at end of reporting period	<u>(4,919)</u>	<u>4,186</u>

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in the face (2018: face) of the condensed financial statement of profit or loss and other comprehensive income.

**(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2019:**

The Group's financial controller is responsible for the fair value measurements of financial assets and financial liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

**Level 3 fair value measurements**

Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs	Fair value as at	
				30 June 2019	31 December 2018
				HK\$	HK\$
Convertible bond designated at FVTPL	Binomial option pricing model	Stock price volatility	Increase	20,259	24,186

There was no changes in the valuation techniques used.

## 22. RELATED PARTY TRANSACTIONS

- (i) The Group had the following transactions with its related parties during the period:

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance cost incurred in respect of loan from a shareholder	–	18	–	37

- (ii) The remuneration of Directors and other members of key management during the periods is as follows:

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries and other benefits	294	347	594	656
Retirement benefits schemes contribution	5	4	5	5
	<u>299</u>	<u>351</u>	<u>599</u>	<u>661</u>

- (iii) Details of guarantees provided by related parties for non-convertible bonds and banking borrowings granted to the Group are set out in notes 16 and 17 to the interim report.

## 23. CAPITAL COMMITMENTS

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

	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment, development of systems and networks		
– contracted but not accounted for	<b>9,099</b>	9,281

## 24. SIGNIFICANT TRANSACTIONS

On 4 January 2019, Hong Kong Global Billion Access Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into the Capital Contribution Agreement with 湖北標典天然氣有限公司 (Hubei Biaodian Natural Gas Co., Ltd.\*) and the Subscribers pursuant to which the Subscribers agreed to make capital contribution in the aggregate amount of RMB134,695,000 (as to RMB13,475,000 by Mr. Li Wanqing, RMB67,347,500 by 宜昌地鉛港能源有限公司 (Yichang Platinum Port Energy Co., Ltd.\*) and RMB53,872,500 by 宜昌美岩能源有限公司 (Yichang Meiyang Energy Co., Ltd.\*) into Yichang Biaodian. Upon completion, the Group's interest in Yichang Biaodian is diluted from 49% to 25%. However, it remains as a subsidiary of the Group since the Group as the Directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Yichang Biaodian under the new agreements with the shareholders and therefore the Group has control over Yichang Biaodian.

Apart from disposed above, there were no other acquisitions, disposal and significant transactions completed in this period.

## 25. EVENT AFTER THE REPORTING PERIOD

There are no significant events affecting the Group after the reporting period and up to the date of this report.

## 26. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation to provide a more appropriate presentation of the state of affairs of the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL AND BUSINESS REVIEW

During the year ended 31 December 2018, the Group regarded the solutions and technical consultation on e-commerce integration and application customisation business as discontinued operations.

Besides, in order to expand the trading commodity business, the Group through its subsidiary, 浙江自貿區安鑄能源有限公司 (Zhejiang Free Trade Zone Anzhu Energy Co., Ltd.\*) carried trade of petrochemical products since the first quarter 2019.

The Group's unaudited revenue of continuing operations for the six months ended 30 June 2019 was approximately HK\$224,091,000 (six months ended 30 June 2018: HK\$18,020,000 (restated)), mainly generated from the revenue from trading of copper and petrochemical of approximately HK\$61,778,000 and HK\$140,954,000 respectively during the period. During the six months ended 30 June 2019, revenue of approximately HK\$19,509,000 (six months ended 30 June 2018: HK\$18,020,000) was generated from the sales of natural gas.

The Group's total operating expenses, which include selling and distribution costs and general and administrative expenses, for the six months ended 30 June 2019 slightly increased to approximately HK\$23,750,000 from approximately HK\$23,517,000 for the last corresponding period.

Finance cost of the Group was approximately HK\$4,963,000 for the six months period ended 30 June 2019 (six months ended 30 June 2018: HK\$10,054,000 (restated)), which represented the imputed interest expense on non-current interest free loan from the non-controlling shareholders of a subsidiary, interest on convertible bond and non-convertible bonds, and bank borrowing. The significant decrease in finance cost was mainly attributable to the repayment for most of the interest-bearing loans from a non-controlling shareholder and its related parties.

Loss for the six months ended 30 June 2019 was approximately HK\$16,823,000, compared with loss of approximately HK\$29,464,000 for the last corresponding period.

## **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

On 4 January 2019, Hong Kong Global Billion Access Investments Limited, an indirect whollyowned subsidiary of the Company, entered into the Capital Contribution Agreement with 湖北標典天然氣有限公司 (Hubei Biaodian Natural Gas Co., Ltd.\*) and the Subscribers pursuant to which the Subscribers agreed to make capital contribution in the aggregate amount of RMB134,695,000 as to RMB13,475,000 by Mr. Li Wanqing, RMB67,347,500 by 宜昌地鉑港能源有限公司 (Yichang Platinum Port Energy Co., Ltd.\*) and RMB53,872,500 by 宜昌美岩能源有限公司 (Yichang Meiyang Energy Co., Ltd.\*) into Yichang Biaodian. Upon completion, the Group's interest in Yichang Biaodian is diluted from 49% to 25%. However, it remains as a subsidiary of the Group as the Directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Yichang Biaodian under the new agreements with the shareholders and therefore the Group has control over Yichang Biaodian.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group's operation is being financed by internally generated cashflow, bank borrowings and external financing. The Group follows a policy of prudence in managing its working capital. The management will continue to closely monitor the financial position of the Group to maintain its financial capacity.

As at 30 June 2019, the Group's total borrowings comprised (i) amounts due to directors and non-controlling shareholders of a subsidiary and its related parties, (ii) bank borrowings, (iii) non-convertible bonds and (iv) convertible bond designated at fair value through profit or loss, totaling approximately HK\$111,456,000 (as at 31 December 2018: HK\$98,046,000).

The Group's total gearing ratio was approximately 180% (as at 31 December 2018: 36%). The gearing ratio was calculated as the Group's total borrowings divided by total equity attributable to owners of the Company.

## **CONTINGENT LIABILITIES**

As at 30 June 2019, the Group had no material contingent liabilities (as at 31 December 2018: Nil).

## **PLEDGE OF ASSETS**

As at 30 June 2019, the Group had no pledge of assets (as at 31 December 2018: Nil).

## **PROSPECT**

In the backdrop of the market uncertainties by the US-China trade war from 2018, the Group will face number of challenges ahead. The management of the Group will embrace those challenges and will continue to optimise the operation efficiency in all Group's current business segments, in particular emphasizing the development of the leasing business of steel support axial force servo system launched in 2018, and the newly developed chemical commodity trading business in the first quarter of 2019 for developing the services of commodities network step by step. Meanwhile, the Group will look for new potential growth opportunities in a very diligent manner through merger & acquisition, business integration and expansion in order to sustain the growth and profitability of the Group.

## **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 30 June 2019, the Group employed 57 staff (as at 30 June 2018: 44 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 30 June 2019, the interests and short positions of each Director and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of GEM Listing Rules were as follows:

### Interests in the Company

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

Directors/chief executive	Corporate interests	Number of underlying shares held under equity derivatives	Total interests	Long (L) or short (S) position	Percentage of interests
Mr. Cheung Tuen Ting	56,000,000	6,000,000 (Note 1)	62,000,000	L	4.76%
Mr. Wu Guoming	132,200,000 (Note 2)	6,000,000 (Note 1)	138,200,000 (Note 2)	L	10.60% (Note 2)
Mr. Long Wenming	-	4,000,000 (Note 1)	4,000,000	L	0.31%
Mr. Han Leiping	-	4,000,000 (Note 1)	4,000,000	L	0.31%
Mr. Leung Oh Man Martin	-	600,000 (Note 1)	600,000	L	0.05%
Ms. Huang Yu Jun	-	600,000 (Note 1)	600,000	L	0.05%
Mr. Sun Zhi Jun	-	600,000 (Note 1)	600,000	L	0.05%

L: Long position

*Notes:*

1. These interests represented the interests in underlying shares in respect of the share options granted by the Company to the directors.
2. Mr. Wu Guoming disposed of 10,000,000 ordinary shares of the Company on 5 July 2019, resulting in his interests in the shares and underlying shares being 128,200,000 shares, which is equivalent to 9.84% of the issued share capital of the Company.

Save as disclosed above, as at 30 June 2019, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of GEM Listing Rules.

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

As at 30 June 2019, other than the interests and short positions of the Directors disclosed above, the following person (not being a Director or the chief executive of the Company) had interests or short positions in the share or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Number of shares held, capacity and nature of interest			Approximate percentage of the issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Hong Kong Hao Yue International Trading Co., Limited	223,200,000 (L) <i>(Note 1)</i>	–	223,200,000 (L)	17.12%
Mr. Zhang Hai Ping	–	223,200,000 (L) <i>(Note 1)</i>	223,200,000 (L)	17.12%
Mr. Wu Guoming	138,200,000 (L) <i>(Note 2)</i>	–	138,200,000 (L)	10.60%

*L: Long position*

*Notes:*

1. Hong Kong Hao Yue International Trading Co., Limited is wholly-owned by Mr. Zhang Hai Ping.
2. Same block of shares as mentioned in page 40.

Save as disclosed above, none of the substantial shareholders or other (other than Directors and the chief executive of the Company) person had any interest or short position in the shares or underlying shares of the Company according to the register required to be kept by the Company under Section 336 of the SFO as at 30 June 2019.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2019.

## **COMPETING INTERESTS**

None of the Directors, the controlling shareholders of the Company (as defined in the GEM Listing Rules) or their respective close associates had any business or interest which competed or might compete with the business of the Group nor had any other conflict of interests with the Group during the six months ended 30 June 2019.

## **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to maintaining a high standard of corporate governance practices. It met all the code provisions of the Corporate Governance Code ("**CG Code**") set out in Appendix 15 of GEM Listing Rules in the six months ended 30 June 2019 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.

## **DIVIDEND**

The Board does not recommend the payment of dividend for the six months ended 30 June 2019.

## SHARE OPTION SCHEME

The Company had adopted a share option scheme (“**the Scheme**”) on 30 November 2012. The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. As at 30 June 2019, the total number of shares options of the Company available for issue under the Scheme was 8,400,000 shares which represented 0.64% of the issued share capital of the Company as at 30 June 2019. Details of the Scheme and particulars of the outstanding options are disclosed in Note 20 to the Condensed Consolidated Financial Statements.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealing set out in rules 5.48 to 5.67 of the GEM Listing Rules (the “**Required Standard**”) as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the Required Standard during the six months ended 30 June 2019.

## DISCLOSURE OF DIRECTORS’ INFORMATION UNDER RULE 17.50A(1) OF THE GEM LISTING RULES

With effect from 21 June 2019, Mr. Chan Hualiang retired as an executive Director, and Ms. Kwan Sin Yee retired as an independent non-executive Director and a member of each of the audit committee of the Company (the “**Audit Committee**”), the human resources and remuneration committee of the Company and the nomination committee of the Company.

## AUDIT COMMITTEE

As at 30 June 2019, the Audit Committee has three members comprising independent non-executive Directors, namely, Mr. Leung Oh Man, Martin, Mr. Sun Zhi Jun and Ms. Huang Yu Jun. The chairman of the Audit Committee is Mr. Leung Oh Man, Martin. The Audit Committee is accountable to the Board and the principal duties of the Audit Committee are, among other things, to assist the Board to review the Group’s financial information, its financial and corporate governance reporting process and to supervise the Group’s internal controls and risk management matters.

The Audit Committee and the management of the Company have reviewed the internal controls, financial reporting matters, accounting principles and practices adopted by the Group, including the review of the unaudited interim results and interim report of the Company for the six months ended 30 June 2019.

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

The Company's interim report for the six months ended 30 June 2019 is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.globalstrategicgroup.com.hk](http://www.globalstrategicgroup.com.hk).

By Order of the Board  
**Global Strategic Group Limited**  
**Cheung Tuen Ting**

*Executive Director and Chief Executive Officer*

Hong Kong, 13 August 2019

*As at the date of this report, the executive Directors are Mr. Cheung Tuen Ting (Chief Executive Officer), Mr. Wu Guoming, Mr. Long Wenming and Mr. Han Leiping; and the independent non-executive Directors are Mr. Leung Oh Man, Martin, Mr. Sun Zhi Jun and Ms. Huang Yu Jun.*

- \* For reference purposes only, the Chinese names of the PRC entities and terms have been translated into English in this report. In the event of any discrepancies between the Chinese names of the PRC entities and terms and their English translation, the Chinese version shall prevail.*