



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)**

*2019/2020*  
*Interim Report*



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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “**Directors**”) of Global Strategic Group Limited (the “**Company**” and its subsidiaries, collectively referred to as the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

The board of Directors (the “Board”) of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three and six months ended 31 March 2020 with comparative unaudited figures for the corresponding period in 2019 as follows:

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

For the three and six months ended 31 March 2020

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

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

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Note	At 31 March 2020 HK\$'000 (Unaudited)	At 30 September 2019 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	218,988	242,422
Right-of-use assets		2,863	4,811
Goodwill		2,512	–
Intangible assets	10	159,412	178,685
Deposits for acquisition of subsidiaries	11	5,255	6,830
Deposit for acquisition of property, plant and equipment		–	3,764
		<b>389,300</b>	<b>436,512</b>
<b>Current assets</b>			
Inventories		430	370
Trade and other receivables	11	24,856	22,783
Loan receivables	12	13,491	12,799
Bond receivables	13	10,252	9,710
Value-added tax (“VAT”) recoverable		7,158	6,940
Current tax assets		164	161
Bank and cash balances		4,610	3,325
		<b>60,961</b>	<b>56,088</b>
<b>Assets classified as held for sale</b>			
		<b>2,369</b>	<b>2,721</b>
		<b>63,330</b>	<b>58,809</b>
<b>Current liabilities</b>			
Trade and other payables	14	49,081	50,537
Contract liabilities		1,638	2,396
Lease liabilities		1,617	2,705
Due to a related company	21(d)	564	554
Due to directors		293	347
Non-convertible bonds	15	33,507	31,885
Bank borrowings	16	2,255	2,216
Convertible bond designated at FVTPL	17	21,304	19,771
Current tax liabilities		1	1
		<b>110,260</b>	<b>110,412</b>

		At 31 March 2020 <i>HK\$'000</i> <b>(Unaudited)</b>	At 30 September 2019 <i>HK\$'000</i> (Audited)
<b>Net current liabilities</b>		<b>(46,930)</b>	(51,603)
<b>Total assets less current liabilities</b>		<b>342,370</b>	384,909
<b>Non-current liabilities</b>			
Due to non-controlling shareholders of a subsidiary and its related parties		<b>46,601</b>	43,589
Lease liabilities		–	540
Non-convertible bonds	15	<b>2,500</b>	3,000
Bank borrowings	16	<b>14,658</b>	15,513
Deferred tax liabilities		<b>39,853</b>	44,484
		<b>103,612</b>	107,126
		<b>238,758</b>	277,783
<b>CAPITAL AND RESERVES</b>			
Share capital	18	<b>39,086</b>	32,586
Reserves		<b>20,243</b>	34,398
Equity attributable to owners of the Company		<b>59,329</b>	66,984
Non-controlling interests (“ <b>NCI</b> ”)		<b>179,429</b>	210,799
<b>Total equity</b>		<b>238,758</b>	277,783

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 March 2020

	Attributable to owners of the Company										
	Share capital	Capital reserve (Note)	Share premium	Other reserve	Translation reserve	Share options reserve (Note 19)	Subsidiary shares to be issued	Accumulated losses	Total	NCI	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 to NCI	-	-	-	-	-	-	(153,377)	-	(153,377)	153,377	-
Deemed disposal of interest to NCI	-	-	-	-	-	-	-	(43,684)	(43,684)	43,684	-
Forfeiture of share options granted	-	-	-	-	-	(1,587)	-	1,587	-	-	-
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
At 1 October 2019 (audited)	32,586	7,540	287,434	12,255	(9,532)	5,966	-	(269,265)	66,984	210,799	277,783
Total comprehensive income for the period	-	-	-	-	6,002	-	-	(26,007)	(20,005)	(31,370)	(51,375)
Placing of shares (note 18)	6,500	-	5,850	-	-	-	-	-	12,350	-	12,350
Lapse of share options granted in prior years	-	-	-	-	-	(1,527)	-	1,527	-	-	-
At 31 March 2020 (unaudited)	39,086	7,540	293,284	12,255	(3,530)	4,439	-	(293,745)	59,329	179,429	238,758

## 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 2020

		<b>Six months from 1 October 2019 to 31 March 2020 HK\$'000</b>	Six months from 1 January 2019 to 30 June 2019 HK\$'000
	<i>Note</i>		
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(13,154)</b>	(14,729)
Acquisition of a subsidiary	<i>20(a)</i>	<b>(760)</b>	–
Disposal of a subsidiary	<i>20(b)</i>	<b>1,427</b>	–
(Increase)/decrease in loan and bonds receivables		<b>(650)</b>	12,173
Interest income received		<b>882</b>	1,546
Proceed from disposal of property, plant and equipment		<b>5</b>	–
Increase in VAT recoverable		<b>(218)</b>	–
Purchases of property, plant and equipment		<b>–</b>	(458)
		<hr/>	<hr/>
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>		<b>686</b>	13,261
		<hr/>	<hr/>
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>		<b>9,367</b>	3,634
		<hr/>	<hr/>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(3,101)</b>	2,166
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>3,325</b>	2,297
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>4,386</b>	(3,311)
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY</b>		<b>4,610</b>	1,152
		<hr/>	<hr/>
Bank and cash balances		<b>4,610</b>	1,152
		<hr/>	<hr/>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 31 March 2020*

## 1. BASIS OF PREPARATION

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

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

The Directors have given careful consideration to the going concern of the Group in light of the fact that the Group incurred a net loss of HK\$61,061,000 for the six months from 1 October 2019 to 31 March 2020, and, as of that date, the Group had net current liabilities of HK\$46,930,000 and taking into account capital commitments as of that date.

Mr. Wu Guoming, a shareholder and a director of the Company as at 31 March 2020, has agreed to provide sufficient funds to the Group so that the Group will be able to meet all current obligations as they fall due in the coming twelve months after the six months ended 31 March 2020.

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

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

## 2. 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.

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

Description	Fair value measurements as at Level 3	
	At 31 March 2020 HK\$'000 (Unaudited)	At 30 September 2019 HK\$'000 (Audited)
<b>Recurring fair value measurements:</b>		
Financial assets at fair value through profit or loss		
Convertible bond designated at FVTPL	<u>21,304</u>	<u>19,771</u>

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

	<b>Convertible bond designated at FVTPL</b>	
	<b>At</b>	<b>At</b>
	<b>31 March</b>	<b>30 September</b>
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
At beginning of period/year	<b>19,771</b>	24,186
Total (gains) or losses recognised in profit or loss (#)	<b>1,184</b>	(3,940)
Exchange differences	<b>349</b>	(475)
	<hr/>	<hr/>
At end of period/year	<b>21,304</b>	19,771

# The total gains or losses recognised in profit or loss at end of reporting period are presented in the face (30 September 2019: face) of the condensed consolidated 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 31 March 2020:**

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. The following table gives information about how the fair values of these financial liabilities are determined, in particular, the valuation technique(s) and input used.

**Level 3 fair value measurements**

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value of liabilities	
					At 31 March 2020	At 30 September 2019
					HK\$'000	HK\$'000
					(Unaudited)	(Audited)
Convertible bond designated at FVTPL	Trinomial Option Pricing Model	Stock price volatility	162.60%	Increase	<b>21,304</b>	19,771

There were no changes in the valuation techniques used.

### 3. SEGMENT INFORMATION

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

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

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

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

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

**Unaudited**

<b>Six months from 1 October 2019 to 31 March 2020 HK\$'000</b>	Six months from 1 January 2019 to 30 June 2019 HK\$'000
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**Reconciliations of segment profit or loss:**

Total profit or loss of reportable segments	<b>(48,465)</b>	(7,462)
Unallocated amounts:		
Other income, other gains and other operating gain	<b>1,848</b>	6,621
General and administrative expenses	<b>(11,872)</b>	(13,742)
Finance costs	<b>(2,572)</b>	(2,240)
	<hr/>	<hr/>
Consolidated loss for the period	<b>(61,061)</b>	(16,823)

## 4. REVENUE

### Disaggregation of revenue

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

	Unaudited			
Three months from 1 January 2020 to 31 March 2020 <i>HK\$'000</i>	Three months from 1 April 2019 to 30 June 2019 <i>HK\$'000</i>	Six months from 1 October 2019 to 31 March 2020 <i>HK\$'000</i>	Six months from 1 January 2019 to 30 June 2019 <i>HK\$'000</i>	
<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	<b>2,498</b>	11,627	<b>16,088</b>	18,637
– Rendering of services	<b>408</b>	426	<b>1,763</b>	1,726
	<b>2,906</b>	133,638	<b>17,851</b>	223,095
<b>Revenue from other sources</b>				
– Leasing income	–	467	–	996
	<b>2,906</b>	134,105	<b>17,851</b>	224,091

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

	Trading of copper		Trading of petrochemicals		Sales of natural gas		Unaudited Pipeline installation services		Provision of technology support services		Independent financial advisory		Total	
	Six months from	Six months from	Six months from	Six months from	Six months from	Six months from	Six months from	Six months from	Six months from	Six months from	Six months from	Six months from	Six months from	Six months from
	1 October 2019 to 31 March 2020	1 January 2019 to 30 June 2020	1 October 2019 to 31 March 2020	1 January 2019 to 30 June 2020	1 October 2019 to 31 March 2020	1 January 2019 to 30 June 2020	1 October 2019 to 31 March 2020	1 January 2019 to 30 June 2020	1 October 2019 to 31 March 2020	1 January 2019 to 30 June 2020	1 October 2019 to 31 March 2020	1 January 2019 to 30 June 2020	1 October 2019 to 31 March 2020	1 January 2019 to 30 June 2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Primary geographical markets</b>														
- The PRC except Hong Kong	-	61,778	-	140,954	16,088	18,637	383	872	1,007	854	-	-	17,478	223,095
- Hong Kong	-	-	-	-	-	-	-	-	-	-	373	-	373	-
Revenue from external customers	-	61,778	-	140,954	16,088	18,637	383	872	1,007	854	373	-	17,851	223,095
<b>Timing of revenue recognition</b>														
Products transferred at a point in time	-	61,778	-	140,954	156	-	383	872	-	-	-	-	539	209,604
Products and services transferred over time	-	-	-	-	15,932	18,637	-	-	1,007	854	373	-	17,312	19,491
Total	-	61,778	-	140,954	16,088	18,637	383	872	1,007	854	373	-	17,851	223,095

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



## 5. INCOME TAX CREDIT

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

Pursuant to the rules and regulations of the Cayman Islands, Samoa, Seychelles and the British Virgin Islands, the Group is not subject to any income tax in these regions.

Under the Law of the PRC on Enterprise Income Tax (the "EIT") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2019: 25%). The tax rate of Hong Kong Profits Tax in respect of Hong Kong subsidiaries is 16.5% (2019: 16.5%).

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

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

## 6. LOSS FOR THE PERIOD

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

	Unaudited			
	Three months from 1 January 2020 to 31 March 2020 <i>HK\$'000</i>	Three months from 1 April 2019 to 30 June 2019 <i>HK\$'000</i>	Six months from 1 October 2019 to 31 March 2020 <i>HK\$'000</i>	Six months from 1 January 2019 to 30 June 2019 <i>HK\$'000</i>
<b>(a) Other income</b>				
Bank interest income	–	(1)	–	(3)
Interest income from bond receivables	(252)	(267)	(542)	(591)
Interest income from loan to third parties	(411)	(493)	(915)	(952)
Others	(1)	(117)	(1)	(272)
	<u>(664)</u>	<u>(878)</u>	<u>(1,458)</u>	<u>(1,818)</u>
<b>(b) Other gains and losses</b>				
Gain on de-registration of subsidiaries	–	–	–	(26)
Gain on disposal of a subsidiary	(1,576)	–	(1,576)	–
Gain on disposal of property, plant and equipment	(5)	–	(5)	–
Impairment loss on right-of-use assets	148	–	148	–
Others	(2)	–	–	–
	<u>(1,435)</u>	<u>–</u>	<u>(1,433)</u>	<u>(26)</u>
<b>(c) Finance costs</b>				
Interest on bank borrowings	336	407	698	812
Imputed interest on loan from non- controlling shareholders and its related parties	863	940	1,739	1,910
Interest on convertible bond	497	499	997	992
Interest on non-convertible bonds	677	631	1,487	1,078
Interest on lease liabilities	39	93	94	171
	<u>2,412</u>	<u>2,570</u>	<u>5,015</u>	<u>4,963</u>

	<b>Unaudited</b>			
<b>Three months from 1 January 2020 to 31 March 2020 HK\$'000</b>	Three months from 1 April 2019 to 30 June 2019 HK\$'000	<b>Six months from 1 October 2019 to 31 March 2020 HK\$'000</b>	Six months from 1 January 2019 to 30 June 2019 HK\$'000	
<b>(d) Other items</b>				
Amortisation of intangible assets (included in selling and distribution cost)	<b>1,847</b>	1,883	<b>3,695</b>	3,767
Other receivables written off				
Auditor's remuneration	-	130	-	310
Employee benefits expenses (including directors' remuneration)				
- Salaries, bonus and allowance	<b>2,106</b>	1,583	<b>4,490</b>	3,427
- Retirement benefit scheme contributions	<b>118</b>	122	<b>235</b>	231
	<b>2,224</b>	1,705	<b>4,725</b>	3,658
Cost of inventories sold	<b>2,083</b>	129,515	<b>12,653</b>	216,588
Depreciation of property, plant and equipment	<b>4,348</b>	7,217	<b>8,951</b>	14,539
Depreciation of right-of-use assets (included in general and administrative expenses)	<b>804</b>	720	<b>1,608</b>	1,272
Gain on disposal of property, plant and equipment	<b>(5)</b>	-	<b>(5)</b>	-
Operating lease charges within 12 months	<b>21</b>	-	<b>42</b>	-
	<b>21</b>	-	<b>42</b>	-

## 7. DIVIDENDS

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

## 8. LOSS PER SHARE

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

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

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

The computation of diluted loss per share for the period from 1 January 2019 to 30 June 2019 and the period from 1 April 2019 to 30 June 2019 does not assume the exercise of the Company's outstanding share options, as this would result in the decrease in the loss per share.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months from 1 October 2019 to 31 March 2020, the Group acquired property, plant and equipment of approximately HK\$3,383,000 (six months from 1 January 2019 to 30 June 2019: HK\$458,000).

## 10. INTANGIBLE ASSETS

As at 31 March 2020, 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\$177,348,000 (30 September 2019: HK\$177,935,000) before impairment. This intangible asset is amortised over the remaining contractual period of 30 years till the years ranging from 2041 to 2044.

As there was continuous loss made by Yichang Biaodian and indication of impairment exists, the Group performed impairment assessment on natural gas supply exclusive rights and other assets which 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 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 turnover 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 3% (at 30 September 2019: 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 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 16% (at 30 September 2019: 16.44%).

Yichang Biaodian suffered a loss of HK\$11,090,000 before impairment, indication of impairment existed. The Group has revised its cash flow forecasts for this CGU. The carrying amount of CGU has been reduced to its recoverable amount of HK\$360,930,000. Therefore, impairment losses on non-current assets were recognised in profit or loss for the six months ended 31 March 2020 and the charges to profit or loss are analysed as follows:

	<i>HK\$'000</i>
Property, plant and equipment	22,507
Intangible assets	17,936
Right-of-use assets	<u>148</u>
Charged to profit or loss	<u>40,591</u>

## 11. TRADE AND OTHER RECEIVABLES

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

*Note:*

- (a) Generally there is no credit period for customers of sales of natural gas as the customers need to prepay before the usage of the natural gas. For a few specific customers they can use the gas on credit and the Group allows an average credit period of 60 days (year ended 30 September 2019: 60 days). The Group recognises revenue for natural gas pipeline installation service when the installation is completed and the Group allows an average credit period of 30 days (year ended 30 September 2019: 30 days) upon completion. For trading of copper and petrochemicals, deposits are usually required and the remaining balance is usually receivable approximately within 180 days (year ended 30 September 2019: 180 days) upon completion of the transaction. For leasing business, the Group allows an average credit period of 30 days (year ended 30 September 2019: 30 days) upon recognition.

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

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

- (b) On 20 September 2019, the Group signed a letter of intent with a private company (the “investee”) established in the PRC, engaging in development and distribution of healthcare technologies and products, to invest in the investee. A deposit of RMB4,900,000 (equivalent to HK\$5,525,000) was paid to the investee as a deposit for capital contribution. The deposit will be refunded to the Group on or before 10 April 2020, if the acquisition failed before 31 March 2020. Due to the COVID-19 outbreak, a series of precautionary and control measures have been implemented at the early of 2020 in the PRC that certain due diligence works cannot be performed, the Group and the investee agreed to further extend the acquisition plan to be completed before 30 September 2020.

## 12. LOAN RECEIVABLES

The Group granted loan to certain independent third parties during the six months from 1 October 2019 to 31 March 2020, which will be mature between 3 October 2020 to 10 October 2020 (period from 1 January 2019 to 30 September 2019: between 24 March 2020 to 26 September 2020). 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% (period from 1 January 2019 to 30 September 2019: 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.



### 13. BOND RECEIVABLES

- (a) On 2 April 2019, the Group subscribed bonds from a listed company with principal amount of HK\$3,000,000. The bonds are unsecured and interest-bearing at fixed rates of 10% per annum. The carrying amount of HK\$3,150,000 will be receivable on 2 April 2020. The bonds can be redeemed by the bond issuer at 100% of the outstanding principal amount, together with accrued interest up to settlement date. Subsequent to the reporting period ended 31 March 2020, the bond receivable together with the accrued interest was overdue by the bond issuer upon maturity.
- (b) On 4 May 2019, the Group subscribed bonds from an unlisted company with a principal amount of HK\$6,500,000. The bonds are unsecured and interest-bearing at fixed rates of 12% per annum. The carrying amount of HK\$6,737,000 will be receivable on 3 May 2020. The bonds can be redeemed by the bond issuer at 100% of the outstanding principal amount, together with accrued interest up to settlement date. Subsequent to the reporting period ended 31 March 2020, the bond receivable together with the accrued interest was overdue by the bond issuer upon maturity.

### 14. TRADE AND OTHER PAYABLES

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

The ageing analysis of the trade payables as at the balance sheet date, based on the date of invoice, is as follows:

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

## 15. NON-CONVERTIBLE BONDS

	<b>At</b>	At
	<b>31 March</b>	30 September
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Non-convertible bonds	<b>36,007</b>	34,885
Analysed as:		
Current liabilities	<b>33,507</b>	31,885
Non-current liabilities	<b>2,500</b>	3,000
	<b>36,007</b>	34,885

From 18 October 2018 to 9 November 2018, the Group issued fixed rate non-convertible bonds with total principal amount of HK\$9,500,000 to certain independent third parties. The non-convertible bonds are unsecured and interest-bearing at fixed rates ranging from 12% to 14% per annum in arrears and will be repayable on dates ranging from 17 October 2019 to 8 November 2020. During the period, maturity dates of non-convertible bonds amount of HK\$3,000,000, in aggregate, have been further extended by six months to two years. Amount of HK\$3,000,000 has been repaid and amount of HK\$3,500,000 has been overdue upon maturity.

On 29 November 2018 and 28 February 2019, the Group issued fixed rate non-convertible bonds with total principal amount of HK\$5,000,000 to an independent third party. The bonds were unconditionally and irrevocably secured by personal guarantee provided by a former director of the Company. The non-convertible bonds are interest-bearing at a fixed rate of 12% per annum in arrears and will be repayable on 28 November 2020 and 27 February 2020. Amount of HK\$2,000,000 has been overdue upon maturity.

From 14 February 2019 to 23 September 2019, the Group issued fixed rate non-convertible bonds with principal amount in aggregate of HK\$18,526,000 to certain independent third parties. The non-convertible bonds are unsecured and interest-bearing at fixed rates ranging from 6% to 20% per annum in arrears and will be repayable on dates ranging from 22 December 2019 to 9 September 2022. During the period, maturity dates of non-convertible bonds amount of HK\$2,000,000, in aggregate, have been further extended by two years. Amount of HK\$5,511,000 has been overdue upon maturity.

From 16 October 2019 to 16 January 2020, the Group issued fixed rate non-convertible bonds with principal amount in aggregate of HK\$3,894,000 to certain independent third parties. The non-convertible bonds are unsecured and interest-bearing at fixed rates ranging from 10% to 18% per annum in arrears and will be repayable on dates ranging from 30 April 2020 to 15 January 2022.

The carrying amounts of the non-convertible bonds issued approximate their fair values. The non-convertible bonds can be redeemed by the Group 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.

## 16. BANK BORROWINGS

	At 31 March 2020 HK\$'000 (Unaudited)	At 30 September 2019 HK\$'000 (Audited)
Bank borrowings (note (a))	<u>16,913</u>	<u>17,729</u>

The bank borrowings are repayable as follows:

	<b>At 31 March 2020 HK\$'000 (Unaudited)</b>	<b>At 30 September 2019 HK\$'000 (Audited)</b>
Within one year	<u>2,255</u>	<u>2,216</u>
More than one year, but not exceeding two years	<b>4,510</b>	3,324
More than two years, but not more than five years	<u>10,148</u>	<u>12,189</u>
	<b>14,658</b>	15,513
	<b>16,913</b>	17,729
Portion of bank loans that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	<u>-</u>	<u>-</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(2,255)</u>	<u>(2,216)</u>
Amount due for settlement after 12 months	<u>14,658</u>	<u>15,513</u>

*Notes:*

- (a) The bank borrowings are secured by several properties owned by non-controlling interests of Yichang Biaodian, including Mr. Xiong Songgan (“**Mr. Xiong**”), a director and legal representative of Yichang Biaodian, and his spouse, and a company 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 spouse and Mr. Li.
- (b) 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 is 8.01% (at 30 September 2019: 8.01%).

The Group’s bank borrowings carried interest based on the benchmark interest rate issued by the People’s Bank of China during the both years. Interest rate will be adjusted if the benchmark interest rate changes, thus exposing the Group to cash flow interest rate risk.

## 17. CONVERTIBLE BOND DESIGNATED AT FVTPL

On 4 June 2018, the Group issued one tranche of convertible bond (“CB”) with principal value of HK\$20,000,000. The CB bears 10% interest per annum payable annually and has maturity period of two years from the issue date to 3 June 2020. Any CB not converted will be redeemed on 3 June 2020.

The CB entitles the bondholders to convert the bonds into new ordinary shares of the Company at conversion price of HK\$0.54, subject to any anti-dilution adjustments and certain events such as share consolidation, share subdivision or reclassification, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issued, etc.

The maximum number of ordinary shares to be converted is 37,037,037 shares and none of them was converted up to 31 March 2020.

The entire convertible bond is designated as a financial liability through profit or loss and classified as current liability as at 31 March 2020 (at 30 September 2019: current).

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

	<b>Convertible bond</b> <i>HK\$'000</i>
Balance at 1 January 2018	–
Proceeds from convertible bond	20,000
Loss arising on change of fair value	5,274
	<hr/>
Fair value of convertible bond at date of issue	25,274
Gain arising on change of fair value	(5,028)
Exchange differences	(475)
	<hr/>
Balance at 30 September 2019 and 1 October 2019 (audited)	19,771
Gain arising on change of fair value	1,184
Exchange differences	349
	<hr/>
Balance at 31 March 2020 (unaudited)	21,304

The Group's convertible bond is valued by an independent valuer by using trinomial tree model (at 30 September 2019: trinomial option pricing model) with the following key assumptions:

	<b>4 June 2018 (date of initial recognition)</b>	<b>30 September 2019</b>	<b>31 March 2020</b>
Share price of the Company	HK\$0.46	HK\$0.241	HK\$0.035
Conversion price ( <i>Note</i> )	HK\$0.108	HK\$0.54	HK\$0.54
Expected volatility	54.27%	39.47%	162.60%
Time to maturity	2 years	0.68 years	0.18 years
Risk-free rate	1.84%	1.87%	0.81%
Dividend yield	0.00%	0.00%	0.00%

*Note:* The number of share and price have been adjust pursuant to the share consolidation effective on 19 November 2018.

## 18. SHARE CAPITAL

	<b>At 31 March 2020</b>		At 30 September 2019	
	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\$0.025 each	<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	1,303,440	32,586
Placing of new shares ( <i>note</i> )	<u>260,000</u>	<u>6,500</u>	<u>–</u>	<u>–</u>
At end of period/year	<u>1,563,440</u>	<u>39,086</u>	<u>1,303,440</u>	<u>32,586</u>

*Note:*

This represented an aggregate of 260,000,000 placing shares issued on 27 March 2020 at a price of HK\$0.05 each, resulting in a credit to share capital and share premium by HK\$6,500,000 and HK\$5,850,000 respectively, netting off the placing cost of HK\$650,000.

## 19. SHARE-BASED PAYMENT

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

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

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

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

Details of specific categories of options are as follows:

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

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

Option type	Outstanding at	Lapsed during period	Outstanding at
	1 October 2019		31 March 2020
2017	7,800,000	(7,800,000)	–
2018 A	400,000	(400,000)	–
2018 B	34,000,000	–	34,000,000
	<u>42,200,000</u>	<u>(8,200,000)</u>	<u>34,400,000</u>
Exercisable at the end of the period	<u>42,200,000</u>		<u>34,000,000</u>
Weighted average exercise price	<u>0.486</u>	<u>0.567</u>	<u>0.466</u>
Option type	Outstanding at	Forfeited during period (note)	Outstanding at
	1 January 2019		30 September 2019
2017	9,000,000	(1,200,000)	7,800,000
2018	49,600,000	(15,200,000)	34,400,000
	<u>58,600,000</u>	<u>(16,400,000)</u>	<u>42,200,000</u>
Exercisable at the end of the period	<u>58,600,000</u>		<u>42,200,000</u>
Weighted average exercise price	<u>0.547</u>	<u>0.706</u>	<u>0.486</u>

*Note:* The forfeiture represented the share options granted to the eligible participants of the Group, which were forfeited upon their resignations during the period.

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



## 20. NOTE TO CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

### (a) Acquisition of a subsidiary

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

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

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

The goodwill arising on the acquisition of LW Insurance is attributable to the anticipated profitability from certain potential material insurance contracts will be handled through LW Insurance on behalf of its clients. Acquisition costs of HK\$50,000 have been recognised in general and administrative expenses.

LW Insurance contributed revenue of HK\$373,000 and loss of HK\$500,000 in the period between the date of acquisition and the end of the reporting period. If the acquisition had been completed on 1 October 2019, total Group revenue for the period would have been HK\$17,881,000, and loss for the period would have been HK\$25,060,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 October 2019, nor is intended to be a projection of future results.

**(b) Disposal of subsidiaries**

On 7 January 2020, the Company entered into a share transfer agreement with an independent third party to dispose its 100% equity interest in a wholly-owned subsidiary for a cash consideration of HK\$2,500,000. The disposal was completed on 14 January 2020.

Net assets at the date of disposal were as follows:

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

## 21. RELATED PARTY TRANSACTIONS

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

	Unaudited			
	Three months from <b>1 January</b> <b>2020 to</b> <b>31 March</b> <b>2020</b> <i>HK\$'000</i>	Three months from 1 April 2019 to 30 June 2019 <i>HK\$'000</i>	Six months from <b>1 October</b> <b>2019 to</b> <b>31 March</b> <b>2020</b> <i>HK\$'000</i>	Six months from 1 January 2019 to 30 June 2019 <i>HK\$'000</i>
Finance cost incurred in respect of loan from a non-controlling shareholder of a subsidiary and its related parties	863	1,478	1,739	2,437
Purchase of natural gas from companies controlled by senior management personnel of a subsidiary	-	5,177	3,515	11,115

(b) Details of guarantees provided by related parties for bank borrowings granted to the Group are as set out in note 16 to the condensed consolidated financial statements.

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

	Unaudited			
	Three months from <b>1 January</b> <b>2020 to</b> <b>31 March</b> <b>2020</b> <i>HK\$'000</i>	Three months from 1 April 2019 to 30 June 2019 <i>HK\$'000</i>	Six months from <b>1 October</b> <b>2019 to</b> <b>31 March</b> <b>2020</b> <i>HK\$'000</i>	Six months from 1 January 2019 to 30 June 2019 <i>HK\$'000</i>
Short term benefits	365	299	743	599

(d) Amounts due to related party

Name of related party	Relationship	Terms	At	At
			31 March 2020	30 September 2019
			HK\$'000	HK\$'000
			(Unaudited)	(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	<u>564</u>	<u>554</u>

## 22. CONTINGENT LIABILITIES

Yichang Biaodian entered into disputes with one of its suppliers regarding the quality of work performed by such suppliers. Legal proceedings were initiated by the supplier (the "Plaintiff") and on 14 December 2018, pursuant to the application from the Plaintiff, the Court in Yichang granted an order to preserve the bank deposits of Yichang Biaodian amounted to approximately RMB478,000.

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

According to the Agreement, Yichang Biaodian was required to settle RMB2,000,000 on or before 30 September 2019 and the remaining outstanding amount on or before 30 March 2020. And, the Plaintiff had the rights to apply for a court order to enforce Yichang Biaodian to settle all its debts if it fails to repay RMB2,200,000 on or before 30 September 2019.

On 20 November 2019, the Plaintiff has exercised its rights to apply for a court order to enforce Yichang Biaodian for settlement of amount overdue as Yichang Biaodian only repaid RMB200,000 up to 30 September 2019. Since the case was at preliminary stage, the management of the Group was assessing the possible outcome that bringing to Yichang Biaodian apart from the amount of RMB8,787,000 payable to the Plaintiff recognised since 2018.

## 23. CAPITAL COMMITMENTS

	At 31 March 2020 HK\$'000 (Unaudited)	At 30 September 2019 HK\$'000 (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment, development of systems and networks		
– contracted but not accounted for	<u>7,226</u>	<u>7,102</u>

## 24. EVENTS AFTER THE REPORTING PERIOD

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impacts on the Group's financial position, cash flows and operating results at the date on which these interim financial statements are authorised for issue.

On 9 April 2020, the Company entered into a placing agreement with an agent to procure not less than six independent third parties to subscribe for up to 260,000,000 placing shares at a price of HK\$0.029 per placing share (the "Placing"). The Placing was completed on 5 May 2020 where 260,000,000 new shares were issued and the net proceeds were approximately HK\$7,163,000.

## 25. APPROVAL OF FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the Board of Directors on 14 May 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL AND BUSINESS REVIEW

### Revenue

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

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

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

### Operating expenses

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

### Finance costs

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

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

## UPDATE ON NATURAL GAS BUSINESS

The Group acquired Yichang Biaodian, which is engaged in natural gas supply operation, in 2016. However, Yichang Biaodian has suffered losses since acquisition resulting from the following reasons:

- (i) the pipeline installation in Yaojiagang Chemical Zone has been substantially completed in 2018, which covered most area of the zone to supply natural gas to factories operating in the zone. However, due to the slow progress of the chemical enterprises' removals and construction of new factories in the zone, some potential customers did not engage with Yichang Biaodian for natural gas supply;
- (ii) the slowdown of the PRC economic growth impacted on the existing customers' operation resulting in reduction in the natural gas consumption as estimated; and

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

By considering the reasons as aforesaid, the management of the Group performed impairment testing in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("**HKAS 36**") on the assets belongs to Yichang Biaodian.

The key assumptions used in the value in use ("**VIU**") calculation for impairment assessment based on a valuation prepared by an independent valuer are those regarding the expected average revenue growth rate, expected average net profit margin and discount rate for the next five years:

- Expected average revenue growth rate and expected average profit margin for the next five years were based on past practices and management's expectations on market development; and
- Discount rate was estimated using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating unit ("**CGU**"), i.e. Yichang Biaodian.

The key assumptions used in the impairment assessment in 2020 changed from that of 2019:

- In 2020, the expected revenue growth rate estimated for the next five years was 46%. In 2019, the expected revenue growth rate estimated for the next five years was 54%; and
- In 2020, the expected average net profit margin estimated for the next five years was 14%. In 2019, the expected average net profit margin estimated for the next five years was 13%.

The valuation method of discounted cash flow was adopted for the calculation of the VIU of the CGU. In accordance with HKAS 36, the recoverable amount should be the higher of (i) the fair value less costs of disposal, and (ii) the VIU. After assessing both the VIU and the fair value, the valuation opted for the VIU because it was the higher between the two figures. VIU is based on the estimated future cash flows expected to be derived from the CGU discounted to their present value using a pre-tax discount rate of 16% (2019:16.44%) that reflects current market assessments of the time value of money and the risks specific to the CGU. There is no change to the valuation method adopted in 2018 and 2019.

Based on the assessment, the recoverable amount of Yichang Biaodian was HK\$401,350,000 and impairment losses on property, plant and equipment, intangible assets and right-of-use assets of HK\$22,507,000, HK\$17,936,000 and HK\$148,000 were recognised respectively in the six months ended 31 March 2020.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 31 March 2020, the Group's total borrowings comprised (i) amounts due to non-controlling shareholders of a subsidiary and its related parties, (ii) bank borrowings, (iii) amounts due to directors, (iv) non-convertible bonds, (v) convertible bond designated at fair value through profit or loss, (vi) lease liabilities, and (vii) due to a related company totaling approximately HK\$123,299,000 (as at 30 September 2019: HK\$120,120,000).



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

## PLEDGE OF ASSETS

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

## CONTINGENT LIABILITIES

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

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

According to the Agreement, Yichang Biaodian was required to settle RMB2,000,000 on or before 30 September 2019 and the remaining outstanding amount on or before 30 March 2020. And, the Plaintiff had the rights to apply for a court order to enforce Yichang Biaodian to settle all its debts if it fails to repay RMB2,200,000 on or before 30 September 2019.

On 20 November 2019, the Plaintiff has exercised its rights to apply for a court order to enforce Yichang Biaodian for settlement of amount overdue as Yichang Biaodian only repaid RMB200,000 up to 30 September 2019. Since the case was at preliminary stage, the management of the Group was assessing the possible outcome that bringing to Yichang Biaodian apart from the amount of RMB8,787,000 payable to the Plaintiff since 2018.

## PROSPECT

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

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

Meanwhile, the Group will look for new potential growth opportunities in a very diligent manner through merger & acquisition, business integration and expansion in order to sustain the growth and profitability of the Group.

## FUND RAISING ACTIVITIES

### Placing of new shares

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

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

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

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

## **EXPOSURE TO EXCHANGE RATE FLUCTUATIONS**

The Group's foreign currency exposure is limited as most of its transactions, assets and liabilities are denominated in Hong Kong dollars and Renminbi.

## **HUMAN RESOURCES AND REMUNERATION POLICY OF THE GROUP**

As at 31 March 2020, the Group employed 58 staff (as at 31 March 2019: 50 staff). Remuneration is determined with reference to market terms and the performance, qualifications and experience of the individual employee. Remuneration includes monthly salaries, performance-linked bonuses, retirement benefits schemes and other benefits such as medical scheme and share option scheme. The Group's remuneration policies and packages are reviewed by management on regular basis. The Company has established a Human Resources and Remuneration Committee. The Directors' emoluments are determined with reference to Directors' duties, responsibilities and the operating performance of the Group.

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

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

### Interests in the Company

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

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

L: Long position

Note:

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

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

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

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

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	220,110,000 (L) <i>(Note)</i>	–	220,110,000 (L)	14.08%
Mr. Zhang Hai Ping	–	220,110,000 (L) <i>(Note)</i>	220,110,000 (L)	14.08%

L: Long position

Note:

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

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

## COMPETING INTERESTS

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 31 March 2020.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices. It met all the code provisions of the Corporate Governance Code ("**CG Code**") set out in Appendix 15 of GEM Listing Rules in the six months ended 31 March 2020 except for the following deviation:

Under code provision A.2.1 of the CG Code, the roles of chairman and the chief executive should be separate and should not be performed by the same individual. The Company has not appointed a chairman since 19 April 2018. The Board will keep reviewing the current structure from time to time and appoint candidate with suitable knowledge, skill and experience as chairman of the Company, if identified.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealing set out in rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard**") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the Required Standard during the six months ended 31 March 2020.

## AUDIT COMMITTEE

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

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

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

The Company's interim report for the six months ended 31 March 2020 is published on the website of the Stock Exchange at [www.hkexnews.hk](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**  
**Wang Wenzhou**

*Executive Director and Chief Executive Officer*

Hong Kong, 14 May 2020

*As at the date of this report, the executive Directors are Mr. Wang Wenzhou (Chief Executive Officer), Mr. Wu Guoming, Mr. Duan Fanfan; and the independent non-executive Directors are Mr. Leung Oh Man, Martin, Mr. Sun Zhi Jun and Ms. Huang Yu Jun.*

- \* 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.*