



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
Third Quarterly 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 Group for the three and nine months ended 30 June 2020 with comparative audited and unaudited figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months from 1 October 2019 to 30 June 2020

		Three months from 1 April 2020 to 30 June 2020 <i>HK\$'000</i> (unaudited)	Three months from 1 July 2019 to 30 September 2019 <i>HK\$'000</i> (unaudited)	Nine months from 1 October 2019 to 30 June 2020 <i>HK\$'000</i> (unaudited)	Nine months from 1 January 2019 to 30 September 2019 <i>HK\$'000</i> (audited)
Revenue	2	11,975	106,904	29,826	330,995
Cost of sales		<u>(8,201)</u>	<u>(98,676)</u>	<u>(22,260)</u>	<u>(318,585)</u>
Gross profit		3,774	8,228	7,566	12,410
Other income	4(a)	941	4,763	2,400	6,581
Other gains and losses	4(b)	–	(237)	1,433	(211)
(Loss)/gain on fair value change on convertible bond designated at fair value through profit or loss (“FVTPL”)		(84)	(979)	(1,268)	3,940
Selling and distribution costs		(3,987)	(6,456)	(14,840)	(16,706)
General and administrative expenses		(3,664)	(12,405)	(19,322)	(25,905)
Impairment loss on property, plant and equipment		–	(18,127)	(22,507)	(18,127)
Impairment loss on intangible assets		–	(15,057)	(17,936)	(15,057)
Allowance for trade receivables		–	(50)	–	(50)
Allowance for loan receivables		–	(7,138)	–	(7,138)
Allowance for bond receivables		–	(177)	–	(177)
Finance costs	4(c)	<u>(2,103)</u>	<u>(3,240)</u>	<u>(7,118)</u>	<u>(8,203)</u>
Loss before tax		(5,123)	(50,875)	(71,592)	(68,643)
Income tax credit	3	<u>382</u>	<u>4,036</u>	<u>5,790</u>	<u>4,981</u>
Loss for the period	4(d)	<u>(4,741)</u>	<u>(46,839)</u>	<u>(65,802)</u>	<u>(63,662)</u>

	Three months from 1 April 2020 to 30 June 2020 <i>HK\$'000</i> (unaudited)	Three months from 1 July 2019 to 30 September 2019 <i>HK\$'000</i> (unaudited)	Nine months from 1 October 2019 to 30 June 2020 <i>HK\$'000</i> (unaudited)	Nine months from 1 January 2019 to 30 September 2019 <i>HK\$'000</i> (audited)
Other comprehensive income				
<i>Item that may be reclassified to profit or loss:</i>				
Exchange differences arising on translation of financial statements to presentation currency	(6,163)	(19,752)	3,523	(16,303)
Other comprehensive income for the period, net of tax	(6,163)	(19,752)	3,523	(16,303)
Total comprehensive income for the period	(10,904)	(66,591)	(62,279)	(79,965)
Loss for the period attributable to:				
Owners of the Company	(3,232)	(20,638)	(29,239)	(31,585)
Non-controlling interests ("NCI")	(1,509)	(26,201)	(36,563)	(32,077)
	(4,741)	(46,839)	(65,802)	(63,662)
Total comprehensive income for the period attributable to:				
Owners of the Company	(4,850)	(33,610)	(24,855)	(38,745)
Non-controlling interests	(6,054)	(32,981)	(37,424)	(41,220)
	(10,904)	(66,591)	(62,279)	(79,965)
Loss per share	6			
<i>Basic (HK cents per share)</i>	(0.187)	(1.583)	(2.018)	(2.423)
<i>Diluted (HK cents per share)</i>	(0.187)	(1.583)	(2.018)	(2.538)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months from 1 October 2019 to 30 June 2020

	Attributable to owners of the Company										
	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 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	-	-	-	-	(7,160)	-	-	(31,585)	(38,745)	(41,220)	(79,965)
Subsidiary shares issued to NCI	-	-	-	30,145	-	-	(153,377)	-	(123,232)	123,232	-
Deemed disposal of interest to NCI	-	-	-	(50,945)	1,179	-	-	14,711	(35,055)	35,055	-
Forfeiture of share options granted	-	-	-	-	-	(3,491)	-	3,491	-	-	-
Deemed capital contribution arising from non-current interest-free loan from non-controlling shareholders of a subsidiary and its related parties	-	-	-	83	-	-	-	-	83	250	333
At 30 September 2019 (audited)	32,586	7,540	287,434	12,255	(9,532)	5,966	-	(269,265)	66,984	210,799	277,783

	Attributable to owners of the Company										
	Share capital HK\$'000	Capital reserve HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Share options reserve HK\$'000 (Note 8)	Subsidiary shares to be issued HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	NCI HK\$'000	Total equity HK\$'000
At 1 October 2019 (audited)	32,586	7,540	287,434	12,255	(9,532)	5,966	-	(269,265)	66,984	210,799	277,783
Total comprehensive income for the period	-	-	-	-	4,384	-	-	(29,239)	(24,885)	(37,424)	(62,279)
Placing of shares (note 7)	13,000	-	6,513	-	-	-	-	-	19,513	-	19,513
Lapse of share options granted	-	-	-	-	-	(1,527)	-	1,527	-	-	-
At 30 June 2020 (unaudited)	45,586	7,540	293,947	12,255	(5,148)	4,439	-	(296,977)	61,642	173,375	235,017

Note:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months from 1 October 2019 to 30 June 2020

1. BASIS OF PREPARATION

The condensed financial information for the nine months period from 1 October 2019 to 30 June 2020 (“**Financial Information**”) has been prepared by the Directors of the Company in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

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

This Financial Information should be read in conjunction with the 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 this Financial Information 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\$65,802,000 for the nine months from 1 October 2019 to 30 June 2020, and, as of that date, the Group had net current liabilities and also taking into account of capital commitments as of that date.

Mr. Wu Guoming, a shareholder and a director of the Company as at 30 June 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 nine months ended 30 June 2020.

Besides, the Company is negotiating with bond holders to extend or renew the maturity date of bonds with a longer period.

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, this Financial Information has been prepared on a going concern basis.

2. REVENUE

Disaggregation of revenue

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

Three months from 1 April 2020 to 30 June 2020 HK\$'000 (unaudited)	Three months from 1 July 2019 to 30 September 2019 HK\$'000 (unaudited)	Nine months from 1 October 2019 to 30 June 2020 HK\$'000 (unaudited)	Nine months from 1 January 2019 to 30 September 2019 HK\$'000 (audited)
Revenue from contracts with customers within the scope of HKFRS 15			
Disaggregated by major products or service lines			
– Sales of goods	–	92,338	–
– Sales of natural gas	10,734	11,196	29,833
– Rendering of services	1,241	627	2,353
11,975	104,161	29,826	327,256
Revenue from other sources			
– Leasing income	–	2,743	–
11,975	106,904	29,826	330,995

3. INCOME TAX CREDIT

	Three months from 1 April 2020 to 30 June 2020 HK\$'000 (unaudited)	Three months from 1 July 2019 to 30 September 2019 HK\$'000 (unaudited)	Nine months from 1 October 2019 to 30 June 2020 HK\$'000 (unaudited)	Nine months from 1 January 2019 to 30 September 2019 HK\$'000 (audited)
Current tax				
Provision for the year	–	–	–	19
Deferred tax	(382)	(4,036)	(5,790)	(5,000)
	(382)	(4,036)	(5,790)	(4,981)

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 nine months from 1 October 2019 to 30 June 2020 (nine months from 1 January 2019 to 30 September 2019: Nil).

No provision for EIT is required since the Group has no assessable profit for the nine months from 1 October 2019 to 30 June 2020 (nine months from 1 January 2019 to 30 September 2019: HK\$19,000).

4. LOSS FOR THE PERIOD

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

	Three months from 1 April 2020 to 30 June 2020 HK\$'000 (unaudited)	Three months from 1 July 2019 to 30 September 2019 HK\$'000 (unaudited)	Nine months from 1 October 2019 to 30 June 2020 HK\$'000 (unaudited)	Nine months from 1 January 2019 to 30 September 2019 HK\$'000 (audited)
(a) Other income				
Bank interest income	(1)	–	(1)	(3)
Interest income from bond receivables	(418)	(272)	(960)	(863)
Interest income from loan to third parties	(2)	(477)	(917)	(1,429)
Exchange differences	–	(4,005)	–	(4,005)
Others	(520)	(9)	(522)	(281)
	<u>(941)</u>	<u>(4,763)</u>	<u>(2,400)</u>	<u>(6,581)</u>
(b) Other gains and losses				
Gain on de-registration of subsidiaries	–	120	–	94
Gain on disposal of a subsidiary (note 9)	–	–	(1,576)	–
Gain on disposal of property, plant and equipment	–	–	(5)	–
Impairment loss on right-of-use assets	–	117	148	117
	<u>–</u>	<u>237</u>	<u>(1,433)</u>	<u>211</u>
(c) Finance costs				
Interest on bank borrowings	347	364	1,045	1,176
Imputed interest on loan from non- controlling shareholders and its related parties	574	1,511	2,313	3,421
Interest on convertible bond	353	505	1,350	1,497
Interest on non-convertible bonds	802	803	2,289	1,881
Interest on lease liabilities	27	57	121	228
	<u>2,103</u>	<u>3,240</u>	<u>7,118</u>	<u>8,203</u>

	Three months from 1 April 2020 to 30 June 2020 HK\$'000 (unaudited)	Three months from 1 July 2019 to 30 September 2019 HK\$'000 (unaudited)	Nine months from 1 October 2019 to 30 June 2020 HK\$'000 (unaudited)	Nine months from 1 January 2019 to 30 September 2019 HK\$'000 (audited)
(d) Other items				
Amortisation of intangible assets (included in selling and distribution cost)	1,525	1,944	5,220	5,711
Employee benefits expenses (including directors' remuneration)				
– Salaries, bonus and allowance	1,986	2,468	6,476	5,895
– Retirement benefit scheme contributions	203	99	438	330
	2,189	2,567	6,914	6,225
Cost of inventories sold	7,785	100,663	20,438	317,251
Depreciation of property, plant and equipment	2,933	(1,099)	11,844	13,530
Depreciation of right-of-use assets (included in general and administrative expenses)	760	802	2,368	2,074
Other receivables written-off	–	10	–	10
Operating lease charges within 12 months	30	10	72	10
Impairment loss on goodwill	–	4,207	–	4,207

5. DIVIDENDS

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

6. LOSS PER SHARE

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

	Three months from 1 April 2020 to 30 June 2020 HK\$'000 (unaudited)	Three months from 1 July 2019 to 30 September 2019 HK\$'000 (unaudited)	Nine months from 1 October 2019 to 30 June 2020 HK\$'000 (unaudited)	Nine months from 1 January 2019 to 30 September 2019 HK\$'000 (audited)
Loss for the purpose of calculating basic earnings per share	(3,232)	(20,638)	(29,239)	(31,585)
Effect of fair value change on convertible bond designated at FVTPL	84	979	1,268	(3,940)
Effect of interest on convertible bond designated at FVTPL	353	505	1,350	1,497
	<u>(2,795)</u>	<u>(19,154)</u>	<u>(26,621)</u>	<u>(34,028)</u>
Number of shares	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,726,297	1,303,440	1,448,622	1,303,440
Effect of deemed conversion of convertible bond designated at FVTPL	26,048	37,037	33,387	37,037
	<u>1,752,345</u>	<u>1,340,477</u>	<u>1,482,009</u>	<u>1,340,477</u>

The computations of diluted loss per share for the period from 1 October 2019 to 30 June 2020, the period from 1 April 2020 to 30 June 2020 and the period from 1 July 2019 to 30 September 2019 did not assume the exercise of the Company's outstanding share options and conversion of convertible bonds, as these 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 September 2019 did not assume the exercise of the Company's outstanding share options, as this would result in the decrease in the loss per share.

7. SHARE CAPITAL

	At 30 June 2020		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	1,303,440	32,586	1,303,440	32,586
Placing of new shares (note)	<u>520,000</u>	<u>13,000</u>	<u>–</u>	<u>–</u>
At end of period	<u>1,823,440</u>	<u>45,586</u>	<u>1,303,440</u>	<u>32,586</u>

Note:

On 16 March 2020, the Company and Rifa Securities Limited entered into a placing agreement in respect of the placement of 260,000,000 ordinary shares of HK\$0.025 each at a price of HK\$0.05 per share. The placement was completed on 27 March 2020 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.

On 9 April 2020, the Company and Rifa Securities Limited entered into a placing agreement in respect of the placement of 260,000,000 ordinary shares of HK\$0.025 each at a price of HK\$0.029 per share. The placement was completed on 5 May 2020 resulting in a credit to share capital and share premium by HK\$6,500,000 and HK\$663,000 respectively, netting off the placing cost of HK\$377,000.

8. 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 30 June 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 1.35% (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 period:

Option type	Outstanding at 1 October 2019	Lapsed during period	Outstanding at 30 June 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>34,000,000</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 1 January 2019	Forfeited during period (note)	Outstanding at 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 has been exercised during the nine months ended 30 June 2020. The options outstanding at the end of the period have a weight-average remaining contractual life of approximately three months.

9. DISPOSAL OF A SUBSIDIARY

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/>

10. 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 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 Biaod apart from the amount of RMB8,787,000 payable to the Plaintiff recognised since 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

Revenue

The Group's unaudited revenue was tremendously decreased to approximately HK\$29,826,000 for the nine months ended 30 June 2020 by approximately HK\$301,169,000 or 91%, from approximately HK\$330,995,000 for the nine months ended 30 September 2019. It was mainly generated from the revenue from the segment of natural gas operations of approximately HK\$26,822,000.

Due to the improvement of the outbreak of Coronavirus disease (COVID-19) ("COVID-19") in the PRC, industrial operations in Hubei Province have been resumed from April 2020. The revenue from the segment of natural gas business was increased to HK\$10,734,000 for the three months ended 30 June 2020 (three months ended 31 March 2020: HK\$2,498,000).

The revenue generated from independent financial advisory segments of approximately HK\$422,000 for the nine months ended 30 June 2020.

Operating expenses

The Group's total operating expenses, which include selling and distribution costs and general and administrative expenses, for the nine months ended 30 June 2020 decreased to approximately HK\$34,162,000 from approximately HK\$42,611,000 for the nine months ended 30 September 2019.

Finance costs

Finance cost of the Group was approximately HK\$7,118,000 for the nine months period ended 30 June 2020 (nine months ended 30 September 2019: HK\$8,203,000), which mainly represented the imputed interest expense on non-current interest free loan from the non-controlling shareholders of a subsidiary, interest on convertible bond and non-convertible bonds, and bank borrowing.

Loss for the nine months ended 30 June 2020 was approximately HK\$65,802,000, compared with loss of approximately HK\$63,662,000 for the nine months ended 30 September 2019.

UPDATE ON NATURAL GAS BUSINESS

The Group acquired 宜昌市標典天然氣利用有限公司 (Yichang Biaodian Nature Gas Utilisation Co. Ltd.) ("**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 COVID-19, 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 COVID-19 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 nine months ended 30 June 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 30 June 2020, the Group's total borrowings comprised of (i) amounts due to non-controlling shareholders of a subsidiary and its related parties, (ii) bank borrowings, (iii) due to directors, (iv) non-convertible bonds and (v) convertible bond designated at fair value through profit or loss, (vi) lease liabilities, and (vii) due to a related company totaling approximately HK\$120,298,000 (as at 30 September 2019: HK\$120,120,000).

The Group's total gearing ratio was approximately 195% (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\$2,309,000 to an independent third party for obtaining an advance of HK\$110,000 as at 30 June 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

The outbreak of COVID-19, global economic recession and Hong Kong political turmoil continue to pose a threat to the global economy. It is expected that uncertain market conditions will continue to adversely affect the PRC economy. Although the management has confidence in the prospects of the natural gas division in the coming future, the negative impact of global COVID-19 spread on global economy has already emerged 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.

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 been 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 30 June 2020, the Group employed 62 staff (as at 30 June 2019: 57 staff). Remuneration is determined with reference to market terms and the performance, qualifications and experience of the individual employee. Remuneration includes monthly salaries, performance-linked bonuses, retirement benefits schemes and other benefits such as medical scheme and share option scheme. The Group's remuneration policies and packages are reviewed by management on regular basis. The Company has established a Human Resources and Remuneration Committee. The Directors' emoluments are determined with reference to Directors' duties, responsibilities and the operating performance of the Group.

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

As at 30 June 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 <i>(Note)</i>	79,750,000	L	4.4%

L: Long position

Note:

This interest represented the interests in underlying shares in respect of the share options granted by the Company to the director.

Save as disclosed above, as at 30 June 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 30 June 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) (Note)	–	220,110,000 (L)	12.07%
Mr. Zhang Hai Ping	–	220,110,000 (L) (Note)	220,110,000 (L)	12.07%

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 30 June 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 nine months ended 30 June 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 nine months ended 30 June 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 nine months ended 30 June 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 nine months ended 30 June 2020.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements and this quarterly report for the nine months ended 30 June 2020 and has provided comments thereon.

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

The Company's quarterly report for the nine months ended 30 June 2020 is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.globalstrategicgroup.com.hk.

By Order of the Board
Global Strategic Group Limited
Wang Wenzhou

Executive Director and Chief Executive Officer

Hong Kong, 14 August 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.*