



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)

環球戰略集團有限公司

Interim Report

2020/2021

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

The board of Directors (the “**Board**”) of the Company announces the unaudited condensed consolidated results of the Group for the three and six months ended 31 March 2021 with comparative unaudited figures for the corresponding period in 2020 as follows:

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

FOR THE THREE AND SIX MONTHS ENDED 31 MARCH 2021

| | | Three months ended 31 March 2021 HK\$'000 Unaudited | Three months ended 31 March 2020 HK\$'000 Unaudited (Re-presented) | Six months ended 31 March 2021 HK\$'000 Unaudited | Six months ended 31 March 2020 HK\$'000 Unaudited (Re-presented) |
|--|------|--|--|--|--|
| Continuing operations | | | | | |
| Revenue | 5 | 15,671 | 2,906 | 31,410 | 17,851 |
| Cost of sales | | <u>(12,595)</u> | <u>(2,090)</u> | <u>(26,175)</u> | <u>(14,059)</u> |
| Gross profit | | 3,076 | 816 | 5,235 | 3,792 |
| Other income | 7(a) | 731 | 664 | 2,077 | 1,458 |
| Other gains and losses | 7(b) | 37 | 1,435 | 37 | 1,433 |
| Loss on fair value change on convertible bond designated at fair value through profit or loss (“ FVTPL ”) | | – | (1,184) | – | (1,184) |
| Selling and distribution costs | | (2,282) | (5,501) | (4,257) | (10,852) |
| General and administrative expenses | | (9,020) | (7,690) | (19,452) | (14,959) |
| Impairment loss on property, plant and equipment | | – | (22,507) | – | (22,507) |
| Impairment loss on intangible assets | | – | (17,936) | – | (17,936) |
| Reversal of allowance on trade receivables | | 431 | – | 431 | – |
| Reversal of allowance on other receivables | | 672 | – | 672 | – |
| Reversal of allowance on loan receivables | | 250 | – | 250 | – |
| Allowance on bond receivables | | (359) | – | (359) | – |
| Finance costs | 7(c) | (1,018) | (2,410) | (2,405) | (5,009) |
| Loss before tax | | (7,482) | (54,313) | (17,771) | (65,764) |
| Income tax credit | 6 | 213 | 4,933 | 311 | 5,408 |
| Loss for the period from continuing operations | 7(d) | (7,269) | (49,380) | (17,460) | (60,356) |

| | | Three months ended 31 March 2021 HK\$'000 Unaudited | Three months ended 31 March 2020 HK\$'000 Unaudited (Re-presented) | Six months ended 31 March 2021 HK\$'000 Unaudited | Six months ended 31 March 2020 HK\$'000 Unaudited (Re-presented) |
|--|---|--|--|--|--|
| Discontinued operations | | | | | |
| Loss for the period from discontinued operations | 8 | – | (220) | – | (705) |
| Loss for the period | | (7,269) | (49,600) | (17,460) | (61,061) |
| Other comprehensive income, after tax | | | | | |
| <i>Item that may be reclassified to profit or loss:</i> | | | | | |
| Exchange differences arising on translation of financial statements to presentation currency | | 2,955 | 4,963 | 10,598 | 9,686 |
| Other comprehensive income for the period, net of tax | | 2,955 | 4,963 | 10,598 | 9,686 |
| Total comprehensive income for the period | | (4,314) | (44,637) | (6,862) | (51,375) |
| Loss for the period attributable to: | | | | | |
| Owners of the Company | | | | | |
| – continuing operations | | (5,987) | (20,106) | (14,870) | (25,313) |
| – discontinued operations | | – | (215) | – | (694) |
| | | (5,987) | (20,321) | (14,870) | (26,007) |
| Non-controlling interests | | | | | |
| – continuing operations | | (1,282) | (29,274) | (2,590) | (35,043) |
| – discontinued operations | | – | (5) | – | (11) |
| | | (1,282) | (29,279) | (2,590) | (35,054) |
| Total comprehensive income for the period attributable to: | | | | | |
| Owners of the Company | | (3,922) | (16,740) | (6,822) | (20,005) |
| Non-controlling interests | | (392) | (27,897) | (40) | (31,370) |
| | | (4,314) | (44,637) | (6,862) | (51,375) |

| | Three months ended 31 March 2021 | Three months ended 31 March 2020 | Six months ended 31 March 2021 | Six months ended 31 March 2020 |
|--|---|---|---|---|
| Notes | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | Unaudited | Unaudited (Re-presented) | Unaudited | Unaudited (Re-presented) |
| Loss per share | 10 | | | |
| From continuing and discontinued operations | | | | |
| Basic (HK cents per share) | <u>(6.57)</u> | <u>(30.84)</u> | <u>(16.31)</u> | <u>(39.69)</u> |
| Diluted (HK cents per share) | <u>(6.57)</u> | <u>(30.84)</u> | <u>(16.31)</u> | <u>(39.69)</u> |
| From continuing operations | | | | |
| Basic (HK cents per share) | <u>(6.57)</u> | <u>(30.51)</u> | <u>(16.31)</u> | <u>(38.63)</u> |
| Diluted (HK cents per share) | <u>(6.57)</u> | <u>(30.51)</u> | <u>(16.31)</u> | <u>(38.63)</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2021

| | | At 31 March 2021 HK\$'000 Unaudited | At 30 September 2020 <i>HK\$'000</i> Audited |
|--|-------|---|--|
| Non-current assets | | | |
| Property, plant and equipment | 11 | 113,001 | 108,168 |
| Right-of-use assets | | 1,227 | 1,948 |
| Goodwill | | 580 | 580 |
| Intangible assets | 12 | 72,098 | 69,507 |
| Deposit for acquisition of property, plant and equipment | | 4,589 | 4,412 |
| | | 191,495 | 184,615 |
| Current assets | | | |
| Inventories | | 446 | 766 |
| Trade and other receivables | 13 | 9,239 | 9,849 |
| Loan receivables | 14 | 15,439 | 21,944 |
| Bond receivables | 15 | – | – |
| Due from related parties | 24(d) | 697 | – |
| Value-added tax (“VAT”) recoverable | | 6,933 | 6,516 |
| Bank and cash balances | | 2,190 | 1,978 |
| | | 34,944 | 41,053 |
| Current liabilities | | | |
| Trade and other payables | 16 | 51,868 | 43,155 |
| Contract liabilities | | 6,298 | 3,732 |
| Lease liabilities | | 644 | 1,103 |
| Due to related parties | 24(d) | 1,817 | 2,254 |
| Due to directors | | 2,360 | 3,969 |
| Non-convertible bonds | 17 | 56,321 | 56,190 |
| Bank borrowings | 18 | 11,783 | 8,012 |
| | | 131,091 | 118,415 |

| | | At 31 March 2021 HK\$'000 Unaudited | At 30 September 2020 HK\$'000 Audited |
|--|----|---|---|
| Net current liabilities | | (96,147) | (77,362) |
| Total assets less current liabilities | | 95,348 | 107,253 |
| Non-current liabilities | | | |
| Due to non-controlling shareholders of a subsidiary and its related parties | | 38,225 | 40,441 |
| Lease liabilities | | 103 | 393 |
| Non-convertible bonds | 17 | – | 2,706 |
| Bank borrowings | 18 | 12,110 | 12,589 |
| Deferred tax liabilities | | 18,025 | 17,377 |
| | | 68,463 | 73,506 |
| | | 26,885 | 33,747 |
| CAPITAL AND RESERVES | | | |
| Share capital | 19 | 45,586 | 45,586 |
| Reserves | | (62,609) | (55,787) |
| Capital deficiency attributable to owners of the Company | | (17,023) | (10,201) |
| Non-controlling interests ("NCI") | | 43,908 | 43,948 |
| Total equity | | 26,885 | 33,747 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2021

| | 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 | 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 | - | - | - | - | 6,002 | - | (26,007) | (20,005) | (31,370) | (51,375) |
| Placing of shares (note 19(a)) | 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) | <u>39,086</u> | <u>7,540</u> | <u>293,284</u> | <u>12,255</u> | <u>(3,530)</u> | <u>4,439</u> | <u>(293,745)</u> | <u>59,329</u> | <u>179,429</u> | <u>238,758</u> |
| At 1 October 2020 (audited) | 45,586 | 7,540 | 293,640 | 12,255 | (4,087) | - | (365,135) | (10,201) | 43,948 | 33,747 |
| Total comprehensive income for the period | - | - | - | - | 8,048 | - | (14,870) | (6,822) | (40) | (6,862) |
| At 31 March 2021 (unaudited) | <u>45,586</u> | <u>7,540</u> | <u>293,640</u> | <u>12,255</u> | <u>3,961</u> | <u>-</u> | <u>(380,005)</u> | <u>(17,023)</u> | <u>43,908</u> | <u>26,885</u> |

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 2021

| | Six months ended 31 March 2021 <i>HK\$'000</i> Unaudited | Six months ended 31 March 2020 <i>HK\$'000</i> Unaudited |
|---|---|---|
| | <i>Notes</i> | |
| NET CASH USED IN OPERATING ACTIVITIES | (94) | (13,154) |
| Acquisition of property, plant and equipment | (2,778) | – |
| Interest received | 2 | 882 |
| Decrease/(increase) in loan and bond receivables | 6,470 | (650) |
| Acquisition of a subsidiary | <i>20(a)</i> – | (760) |
| Disposal of a subsidiary | <i>20(b)</i> – | 1,427 |
| Proceed from disposal of property, plant and equipment | – | 5 |
| Deposits for acquisition of property, plant and equipment | (119) | – |
| Increase in VAT recoverable | – | (218) |
| NET CASH GENERATED FROM INVESTING ACTIVITIES | 3,575 | 686 |
| NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES | (9,345) | 9,367 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (5,864) | (3,101) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 1,978 | 3,325 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | 6,076 | 4,386 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY | 2,190 | 4,610 |
| Bank and cash balances | 2,190 | 4,610 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2021

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial information for the six months ended 31 March 2021 (“**Financial Information**”) has been prepared by the Directors of the Company in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

This Financial Information should be read in conjunction with the 2020 annual financial statements. The accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of this Financial Information are consistent with those used in the annual financial statements for the year ended 30 September 2020 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\$17,460,000 for the six months ended 31 March 2021, and, as of that date, the Group had net current liabilities and taking into account of capital commitments as of that date.

These events and conditions indicate the existence of material uncertainties which may cast significant doubt about the Group’s ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business. In view of these circumstances, the Directors have estimated the Group’s cash requirements by the preparation of a Group cashflow forecast for the coming 12 months and have, during the period and up to the date of the approval of these Financial Information, instituted the following plans and measures to mitigate the liquidity pressure, to improve the financial position of the Group and to restructure its financial obligations:

- (a) Mr. Wu Guoming, a shareholder and a director of the Company, and Mr. Wang Wenzhou, a director of the Company, 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.
- (b) During the period, holders of non-convertible bonds with principal amounts of approximately HK\$33,186,000 have signed letters of intent with the Company agreeing to extend the maturity date by one year once the bonds mature.

(c) On 20 November 2020, the Company announced that it will implement a rights issue fund raising exercise to raise net proceeds, after deducting the estimated expenses, of approximately HK\$55.32 million (the “**Rights Issue**”). The Company intends to apply the net proceeds from the proposed Rights Issue as to (i) approximately HK\$48 million for redemption of outstanding bonds issued by the Company; (ii) approximately HK\$3 million for payment of outstanding professional fees; and (iii) approximately HK\$4.32 million as general working capital of the Group. On 20 November 2020, the Company entered into an underwriting agreement, pursuant to which the underwriter has conditionally agreed to underwrite 50% of the total Rights Issue, subject to the terms and conditions of the underwriting agreement. Details of the Rights Issue are set out in the Company’s announcement dated 20 November 2020.

On 21 April 2021, the Rights Issue has been approved by the shareholders in the Company’s extraordinary general meeting.

(d) The Group has been taking various cost control measures to tighten the costs of operations.

The Directors of the Company therefore consider it appropriate to adopt the going concern basis in preparing this Financial Information. Should the Group be unable to operate as a going concern in the foreseeable future, adjustments would have to be made to write down the carrying value of the Group’s assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments have not been reflected in this Financial Information.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 October 2020. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The accounting policies applied in this Financial Information are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 30 September 2020. A number of new or amended standards are effective from 1 October 2020 but they do not have a material effect on the Group’s financial statements.

3. 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 of the carrying amount is a reasonable approximation of fair value.

Reconciliation of financial assets measured at fair value based on level 3:

| | Convertible bond designated at FVTPL | |
|---|---|---|
| | At 31 March 2021 HK\$'000 Unaudited | At 30 September 2020 HK\$'000 Audited |
| At beginning of period/year | – | 19,771 |
| Total losses recognised in profit or loss | – | 399 |
| Settled by issuance of non-convertible bond upon maturity | – | (20,000) |
| Exchange differences | – | (170) |
| | <hr/> | <hr/> |
| At end of period/year | – | – |

4. SEGMENT INFORMATION

The Group has three (2020: three) operating and reportable segments as follow:

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

Two operating segments (trading of copper and trading of petrochemicals) were discontinued for the year ended 30 September 2020. The segment information reported does not include any amounts for these discontinued operations, which are described in more detail in note 8.

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

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

| | Natural gas operations | Leasing business | Independent financial advisory | Total |
|--|-----------------------------------|-----------------------------|---|------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| Six months ended 31 March 2021: | | | | |
| Revenue from external customers | <u>27,178</u> | <u>4,107</u> | <u>125</u> | <u>31,410</u> |
| Segment (loss)/profit | <u>(4,531)</u> | <u>1,117</u> | <u>(267)</u> | <u>(3,681)</u> |
| As at 31 March 2021: | | | | |
| Segment assets | <u>180,644</u> | <u>25,001</u> | <u>589</u> | <u>206,234</u> |
| Segment liabilities | <u>(124,774)</u> | <u>(9,363)</u> | <u>(896)</u> | <u>(135,033)</u> |
| Six months ended 31 March 2020: | | | | |
| | | | | (Re-presented) |
| Revenue from external customers | <u>16,471</u> | <u>1,007</u> | <u>373</u> | <u>17,851</u> |
| Segment loss | <u>(52,605)</u> | <u>(63)</u> | <u>(500)</u> | <u>(53,168)</u> |
| As at 30 September 2020: | | | | |
| | Audited | Audited | Audited | Audited |
| Segment assets | <u>176,382</u> | <u>20,108</u> | <u>616</u> | <u>197,106</u> |
| Segment liabilities | <u>(119,808)</u> | <u>(6,095)</u> | <u>(710)</u> | <u>(126,613)</u> |

(b) Reconciliations of segment profit or loss from continuing operations:

| | Six months ended 31 March 2021 HK\$'000 Unaudited | Six months ended 31 March 2020 HK\$'000 Unaudited (Re-presented) |
|--|--|--|
| Total profit or loss of reportable segments | (3,681) | (53,168) |
| Unallocated amounts: | | |
| Other income | 1,924 | 1,456 |
| Other gains and losses | – | 1,576 |
| Loss in fair value change on convertible bond designated at FVTPL | – | (1,184) |
| General and administrative expenses | (15,326) | (11,872) |
| Allowance on bond receivables | (359) | – |
| Reversal of allowance on loan receivables | 250 | – |
| Reversal of allowance on other receivables | 666 | – |
| Finance costs | (1,245) | (2,572) |
| | <hr/> | <hr/> |
| Consolidated loss before tax from continuing operations | (17,771) | (65,764) |

5. 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:

| | Three months ended 31 March 2021 HK\$'000 Unaudited | Three months ended 31 March 2020 HK\$'000 Unaudited | Six months ended 31 March 2021 HK\$'000 Unaudited | Six months ended 31 March 2020 HK\$'000 Unaudited |
|---|--|---|--|---|
| Revenue from contracts with customers within the scope of HKFRS 15 | | | | |
| Disaggregated by major products or service lines | | | | |
| – Sales of natural gas | 11,635 | 2,498 | 26,560 | 16,088 |
| – Rendering of services | 665 | 269 | 1,401 | 1,390 |
| – Commission income | 47 | 139 | 125 | 373 |
| | <u>12,347</u> | <u>2,906</u> | <u>28,086</u> | <u>17,851</u> |
| Revenue from other sources | | | | |
| – Leasing income | 3,324 | – | 3,324 | – |
| | <u>15,671</u> | <u>2,906</u> | <u>31,410</u> | <u>17,851</u> |

| For the six months ended 31 March | Sales of natural gas | | Pipeline installation services | | Provision of technology support services | | Independent financial advisory | | Total | |
|-----------------------------------|----------------------|-----------|--------------------------------|-----------|--|-----------|--------------------------------|-----------|-----------|-----------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited |

Primary geographical markets

– The People's Republic of China ("PRC")

– except Hong Kong

– Hong Kong

Revenue from external customers

Timing of revenue recognition

Products and services transferred at a

point in time

Products and services transferred over time

Total

| For the three months ended 31 March | Sales of natural gas | | Pipeline installation services | | Provision of technology support services | | Independent financial advisory | | Total | |
|-------------------------------------|----------------------|-----------|--------------------------------|-----------|--|-----------|--------------------------------|-----------|-----------|-----------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited |

Primary geographical markets

– The PRC except Hong Kong

– Hong Kong

Revenue from external customers

Timing of revenue recognition

Products and services transferred at a

point in time

Products and services transferred over time

Total

6. INCOME TAX CREDIT

| | Three months ended 31 March 2021 HK\$'000 Unaudited | Three months ended 31 March 2020 HK\$'000 Unaudited | Six months ended 31 March 2021 HK\$'000 Unaudited | Six months ended 31 March 2020 HK\$'000 Unaudited |
|----------------------------|--|--|--|--|
| Current tax | | | | |
| PRC Enterprises Income Tax | – | – | 45 | – |
| Deferred tax | (213) | (4,933) | (356) | (5,408) |
| | (213) | (4,933) | (311) | (5,408) |

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2020: 25%). The tax rate of Hong Kong Profits Tax in respect of Hong Kong subsidiaries is 16.5% (2020: 16.5%).

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the six months ended 31 March 2021 (2020: Nil).

No provision for EIT is required since the Group has no assessable profit for the six months ended 31 March 2020.

7. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

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

| | Three months ended 31 March 2021 HK\$'000 Unaudited | Three months ended 31 March 2020 HK\$'000 Unaudited (Re-presented) | Six months ended 31 March 2021 HK\$'000 Unaudited | Six months ended 31 March 2020 HK\$'000 Unaudited (Re-presented) |
|--|--|--|--|--|
| (a) Other income | | | | |
| Bank interest income | (2) | – | (2) | – |
| Interest income from bond receivables | (140) | (252) | (361) | (542) |
| Interest income from loan to third parties | (573) | (411) | (1,111) | (915) |
| Government grants (note) | (7) | – | (516) | – |
| Others | (9) | (1) | (87) | (1) |
| | (731) | (664) | (2,077) | (1,458) |
| (b) Other gains and losses | | | | |
| Gain on disposal of a subsidiary | – | (1,576) | – | (1,576) |
| Gain on disposal of property, plant and equipment | (37) | (5) | (37) | (5) |
| Impairment loss on right-of-use assets | – | 148 | – | 148 |
| Others | – | (2) | – | – |
| | (37) | (1,435) | (37) | (1,433) |
| (c) Finance costs | | | | |
| Interest on bank borrowings | 503 | 336 | 948 | 698 |
| Imputed interest on loan from non-controlling shareholders and its related parties | 54 | 863 | 212 | 1,739 |
| Interest on convertible bond designated at FVTPL | – | 497 | – | 997 |
| Interest on non-convertible bonds | 435 | 677 | 1,183 | 1,487 |
| Interest on lease liabilities | 26 | 37 | 62 | 88 |
| | 1,018 | 2,410 | 2,405 | 5,009 |

Note:

During the period, the Group recognised government grants of HK\$516,000 relating to Employment Support Scheme provided by the Hong Kong government in respect of COVID-19.

| | Three months ended 31 March 2021 HK\$'000 Unaudited | Three months ended 31 March 2020 HK\$'000 Unaudited (Re-presented) | Six months ended 31 March 2021 HK\$'000 Unaudited | Six months ended 31 March 2020 HK\$'000 Unaudited (Re-presented) |
|--|--|--|--|--|
| (d) Other items | | | | |
| Amortisation of intangible assets (included in selling and distribution cost) | 853 | 1,847 | 1,425 | 3,695 |
| Employee benefits expenses (including directors' remuneration) | | | | |
| – Salaries, bonus and allowance | 3,410 | 2,106 | 6,088 | 4,490 |
| – Retirement benefit scheme contributions | 126 | 118 | 221 | 235 |
| | 3,536 | 2,224 | 6,309 | 4,725 |
| Cost of inventories sold | 10,036 | 2,083 | 22,592 | 12,653 |
| Depreciation of property, plant and equipment | 2,344 | 4,348 | 4,496 | 8,951 |
| Depreciation of right-of-use assets (included in general and administrative expenses) | 253 | 804 | 755 | 1,608 |
| Gain on disposal of property, plant and equipment | (37) | (5) | (37) | (5) |
| Expenses related to short-term lease (included in general and administrative expenses) | 24 | 21 | 49 | 42 |

8. DISCONTINUED OPERATIONS

On 29 September 2020, the Group entered into a sale and purchase agreement with an independent third party to dispose its subsidiaries engaging in trading of copper and petrochemicals.

| | Three months ended 31 March 2021 HK\$'000 Unaudited | Three months ended 31 March 2020 HK\$'000 Unaudited | Six months ended 31 March 2021 HK\$'000 Unaudited | Six months ended 31 March 2020 HK\$'000 Unaudited |
|---|--|--|--|--|
| Loss for the period from discontinued operations: | | | | |
| Revenue | - | - | - | - |
| General and administrative expenses | - | (218) | - | (699) |
| Finance costs | - | (2) | - | (6) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Loss before tax | - | (220) | - | (705) |
| Income tax expense | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Loss for the period from discontinued operations | <hr/> | <hr/> | <hr/> | <hr/> |
| | - | (220) | - | (705) |
| Loss for the period from discontinued operations attributable to: | | | | |
| Owners of the Company | - | (215) | - | (694) |
| NCI | - | (5) | - | (11) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | - | (220) | - | (705) |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Loss for the period from discontinued operations include the following:

| | Three months ended 31 March 2021 HK\$'000 Unaudited | Three months ended 31 March 2020 HK\$'000 Unaudited | Six months ended 31 March 2021 HK\$'000 Unaudited | Six months ended 31 March 2020 HK\$'000 Unaudited |
|--|--|---|--|---|
| Depreciation on property, plant and equipment | – | 1 | – | 3 |
| Depreciation on right-of-use assets | – | 49 | – | 98 |
| Employee benefits expenses (including directors' remuneration) | | | | |
| – Salaries, bonus and allowance | – | 202 | – | 297 |
| – Retirement benefit scheme contributions | – | 5 | – | 14 |
| | <u>–</u> | <u>207</u> | <u>–</u> | <u>311</u> |

9. DIVIDENDS

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

10. LOSS PER SHARE

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

| | Three months ended 31 March 2021 HK\$'000 Unaudited | Three months ended 31 March 2020 HK\$'000 Unaudited (Re-presented) | Six months ended 31 March 2021 HK\$'000 Unaudited | Six months ended 31 March 2020 HK\$'000 Unaudited (Re-presented) |
|---|--|--|--|--|
| Loss from continuing and discontinued operations | | | | |
| Loss for the purpose of calculating basic loss per share | (5,987) | (20,321) | (14,870) | (26,007) |
| Effect of fair value change on convertible bond designated at FVTPL | – | 1,184 | – | 1,184 |
| Effect of interest on convertible bond designated at FVTPL | – | 497 | – | 997 |
| | <u>(5,987)</u> | <u>(20,321)</u> | <u>(14,870)</u> | <u>(26,007)</u> |
| Loss for the purpose of calculating diluted loss per share | <u>(5,987)</u> | <u>(18,640)</u> | <u>(14,870)</u> | <u>(23,826)</u> |
| Loss from continuing operations | | | | |
| Loss for the purpose of calculating basic loss per share from continuing operations | (5,987) | (20,106) | (14,870) | (25,313) |
| Effect of fair value change on convertible bond designated at FVTPL | – | 1,184 | – | 1,184 |
| Effect of interest on convertible bond designated at FVTPL | – | 497 | – | 997 |
| | <u>(5,987)</u> | <u>(18,425)</u> | <u>(14,870)</u> | <u>(23,132)</u> |
| Loss for the purpose of calculating diluted loss per share from continuing operations | <u>(5,987)</u> | <u>(18,425)</u> | <u>(14,870)</u> | <u>(23,132)</u> |

| | Three months ended 31 March 2021 '000 Unaudited | Three months ended 31 March 2020 '000 Unaudited | Six months ended 31 March 2021 '000 Unaudited | Six months ended 31 March 2020 '000 Unaudited |
|--|--|--|--|--|
| Number of shares | | | | |
| Weighted average number of ordinary shares for the purpose of calculating basic loss per share | 91,172 | 65,886 | 91,172 | 65,527 |
| Effect of deemed conversion of convertible bond designated at FVTPL | – | 1,852 | – | 1,852 |
| Weighted average number of ordinary shares for the purpose of calculating diluted loss per share | 91,172 | 67,738 | 91,172 | 67,379 |

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the six months ended 31 March 2020 presented have been adjusted due to the share consolidation on 24 August 2020.

The computation of diluted loss per share for the six months ended 31 March 2020 and the three months ended 31 March 2020 did not assume the exercise of the Company's outstanding share options and conversion of convertible bond, as this would result in the decrease in the loss per share.

No diluted loss per shares for the six months ended 31 March 2021 and the three months ended 31 March 2021 is presented as the Company had no potential ordinary share outstanding.

From discontinued operations

Basic and diluted loss per share from the discontinued operations for the six months ended 31 March 2020 was HK1.06 cents per share, based on the loss for the period from discontinued operations attributable to the owners of the Company of approximately HK\$694,000 and the denominators used are the same as those detailed above for both basic and diluted loss per share.

Basic and diluted loss per share from the discontinued operations for the three months ended 31 March 2020 was HK0.33 cents per share, based on the loss for the period from discontinued operations attributable to the owners of the Company of approximately HK\$215,000 and the denominators used are the same as those detailed above for both basic and diluted loss per share.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 March 2021, the Group acquired property, plant and equipment of approximately HK\$3,136,000 (2020: HK\$3,383,000) and disposed property, plant and equipment of approximately HK\$15,000 (2020: nil) in exchange for a motor vehicle of HK\$179,000.

12. INTANGIBLE ASSETS

As at 31 March 2021, 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\$72,098,000 (at 30 September 2020: HK\$69,507,000) 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 revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors. Yichang Biaodian's cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate as at 30 September 2020. 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 12.05% as at 30 September 2020.

The management reviewed the cash flow forecast by comparing against Yichang Biaodian's actual performance for the period and considered that no further impairment required as its performance reached to budget.

13. TRADE AND OTHER RECEIVABLES

| | At 31 March 2021 HK\$'000 Unaudited | At 30 September 2020 HK\$'000 Audited |
|------------------------------|---|---|
| Current | | |
| Trade receivables (note (a)) | 9,013 | 8,246 |
| Less: impairment losses | <u>(4,237)</u> | <u>(4,424)</u> |
| | 4,776 | 3,822 |
| Deposits | 1,013 | 925 |
| Prepayments | 2,953 | 3,245 |
| Others (note (b)) | <u>497</u> | <u>1,857</u> |
| | 4,463 | 6,027 |
| | <u>9,239</u> | <u>9,849</u> |

Notes:

- (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 2020: 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 2020: 30 days) upon completion. For leasing business, the Group allows an average credit period of 30 days (year ended 30 September 2020: 30 days) upon recognition. For independent financial advisory, the Group allows an average credit period of 30 days (year ended 30 September 2020: 30 days) upon service rendered.

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

| | At | At |
|-----------------|------------------|--------------|
| | 31 March | 30 September |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | Unaudited | Audited |
| 0 to 90 days | 670 | 1,656 |
| 91 to 180 days | 1,589 | – |
| 181 to 365 days | 225 | 2,166 |
| Over 365 days | 2,292 | – |
| | 4,776 | 3,822 |

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

- (b) As at 30 September 2020, included in other receivables of RMB1,660,000 (equivalent to HK\$1,900,000) represented a partial deposit relating to capital contribution of a private company (the "investee") established in the PRC, engaging in development and distribution of healthcare technologies and products. The amount was substantially refunded to the Group during the six months ended 31 March 2021.

14. LOAN RECEIVABLES

The Group granted loans to independent third parties during the six months ended 31 March 2021, which principal amount of HK\$500,000 has been overdue, while principal amount of HK\$15,200,000 in aggregate will mature between 28 April 2021 to 4 November 2021. Loan receivables are unsecured and are charged on effective interest rate mutually agreed with the contracting parties, at a fixed rate of 12% (year ended 30 September 2020: ranging from 12% to 20%) 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.

15. BOND RECEIVABLES

On 2 April 2019, the Group subscribed bonds from a listed company ("**Bond Issuer 1**") with principal amount of HK\$3,000,000. The bonds were unsecured and interest-bearing at fixed rates of 10% per annum. The carrying amount of HK\$3,300,000 was receivable on 2 April 2020. The bonds could be redeemed by Bond Issuer 1 at 100% of the outstanding principal amount, together with accrued interest up to settlement date. Upon the maturity date, Bond Issuer 1 did not repay the interest and principal.

On 4 May 2019, the Group subscribed bonds from an unlisted company ("**Bond Issuer 2**"), which is a subsidiary of Bond Issuer 1, with a principal amount of HK\$6,500,000. The bonds were unsecured and interest-bearing at fixed rates of 12% per annum. The carrying amount of HK\$7,280,000 was receivable on 3 May 2020. The bonds could be redeemed by Bond Issuer 2 at 100% of the outstanding principal amount, together with accrued interest up to settlement date.

Upon maturity date, Bond Issuer 2 did not repay the interest and principal. Bond Issuer 1, being the holding company of Bond Issuer 2, had taken up the obligation by issuing bonds with principal amount of HK\$7,280,000 at fixed interest rate of 12% per annum to the Group on 4 May 2020. The carrying amount of HK\$8,153,600 will be receivable on 3 May 2021. The bonds can be redeemed by Bond Issuer 1 at 100% of the outstanding principal amount, together with accrued interest up to settlement date.

On 5 June 2020, Bond Issuer 1 announced that it has entered into liquidation process, the management of the Company considered the recoverability of these bonds was remote and full impairment was made as at 30 September 2020.

16. TRADE AND OTHER PAYABLES

| | At 31 March 2021 HK\$'000 Unaudited | At 30 September 2020 HK\$'000 Audited |
|--------------------------------------|---|---|
| Trade payables (note (a)) | 2,544 | 855 |
| Payable for construction in progress | 33,086 | 32,352 |
| Receipt in advance (note (b)) | 2,059 | 1,946 |
| Other payables and accruals | 14,179 | 8,002 |
| | 51,868 | 43,155 |

Notes:

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

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

| | At 31 March 2021 HK\$'000 Unaudited | At 30 September 2020 HK\$'000 Audited |
|---------------|---|---|
| 0 to 30 days | 1,639 | 38 |
| 31 to 60 days | 640 | 115 |
| Over 60 days | 265 | 702 |
| | 2,544 | 855 |

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

- (b) The amounts represented deposits received for disposal of building of the Group from an independent third party.

17. NON-CONVERTIBLE BONDS

| | At 31 March 2021 <i>HK\$'000</i> Unaudited | At 30 September 2020 <i>HK\$'000</i> Audited |
|-------------------------|--|--|
| Non-convertible bonds | <u>56,321</u> | <u>58,896</u> |
| Analysed as: | | |
| Current liabilities | 56,321 | 56,190 |
| Non-current liabilities | – | <u>2,706</u> |
| | <u>56,321</u> | <u>58,896</u> |

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 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 2019. As at 31 March 2021, amount of HK\$6,500,000 (at 30 September 2020: HK\$3,500,000) in aggregate has been overdue.

On 29 November 2018, the Group issued fixed rate non-convertible bonds with principal amount of HK\$3,000,000 to an independent third party. The non-convertible bonds are interest-bearing at fixed rate of 12% per annum in arrears and will be repayable on 28 November 2020. The bonds were unconditionally and irrevocably secured by personal guarantee provided by a former director of the Company. As at 31 March 2021, maturity date of the bonds was further extended to 28 May 2021.

From 14 February 2019 to 23 September 2019, the Group issued fixed rate non-convertible bonds with principal amount in aggregate of HK\$20,561,000 to certain independent third parties, of which bonds with principal amount of HK\$2,000,000 were unconditionally and irrevocably secured by personal guarantee provided by a former director of the Company. 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 2020. The aggregate outstanding balance as at 31 March 2021 amounted to HK\$15,996,000 (at 30 September 2020: HK\$18,906,000). During the six months ended 31 March 2021, bonds with principal amount in aggregate of HK\$2,141,000 have been further extended by six months upon maturity, while principal with aggregate amount of HK\$8,615,000 was overdue as of 31 March 2021.

On 4 June 2020, the convertible bondholder and the Company agreed to settle the outstanding convertible bond by way of issuance of a tranche of non-convertible bonds of principal amount of HK\$20,800,000 with interest rate of 6% per annum and maturity date on 3 December 2020. As at 31 March 2021, the bond has been overdue.

From 16 October 2019 to 28 August 2020, the Group issued fixed rate non-convertible bonds with principal amount in aggregate of HK\$7,262,000 to certain independent third parties, of which bonds with principal amount of HK\$1,000,000 were unconditionally and irrevocably secured by personal guarantee provided by a former director of the Company. The non-convertible bonds are unsecured and interest-bearing at fixed rates ranging from 6% to 18% per annum in arrears and will be repayable on dates ranging from 15 October 2020 to 13 February 2022. The aggregate outstanding balance as at 31 March 2021 amounted to HK\$7,221,000 (at 30 September 2020: HK\$7,262,000). During the six months ended 31 March 2021, bonds with principal amount in aggregate of HK\$500,000 have been further extended by six months upon maturity, while principal with aggregate amount of HK\$2,681,000 was overdue as of 31 March 2021.

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

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

18. BANK BORROWINGS

| | At | At |
|----------------------------|------------------|--------------|
| | 31 March | 30 September |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | Unaudited | Audited |
| Bank borrowings (note (a)) | 23,893 | 20,601 |

The bank borrowings are repayable as follows:

| | At | At |
|--|------------------|----------------|
| | 31 March | 30 September |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | Unaudited | Audited |
| Within one year | <u>11,783</u> | <u>8,012</u> |
| More than one year, but not exceeding two years | 12,110 | 4,578 |
| More than two years, but not more than five years | <u>–</u> | <u>8,011</u> |
| | <u>12,110</u> | <u>12,589</u> |
| | <u>23,893</u> | <u>20,601</u> |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | <u>(11,783)</u> | <u>(8,012)</u> |
| Amount due for settlement after 12 months | <u>12,110</u> | <u>12,589</u> |

Notes:

- (a) Bank borrowings of HK\$15,743,000 (at 30 September 2020: HK\$16,023,000) are secured by several properties owned by non-controlling interests of Yichang Biaodian, including Mr. Xiong Songgan (“**Mr. Xiong**”), a key management personnel 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.

Bank borrowings of HK\$4,844,000 (at 30 September 2020: HK\$4,578,000) are secured by a property owned by non-controlling interests of Yichang Biaodian, including Mr. Xiong and his spouse. The bank borrowings are also jointly guaranteed by a subsidiary of the Group and the non-controlling shareholders of Yichang Biaodian.

Bank borrowings of HK\$278,000 (at 30 September 2020: nil) are guaranteed by a legal representative of Yichang Biaodian.

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

The effective interest rate of the Group’s bank borrowings is 7.10% to 14.00% (at 30 September 2020: 7.10% to 8.01%).

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

19. SHARE CAPITAL

| | At 31 March 2021 | | At 30 September 2020 | |
|--|--|---------------------------------|--|-------------------------------|
| | 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\$0.5 (2020: HK\$0.025) each | 160,000 | 80,000 | 3,200,000 | 80,000 |
| Share consolidated (note (c)) | — | — | (3,040,000) | — |
| | <u>160,000</u> | <u>80,000</u> | <u>160,000</u> | <u>80,000</u> |
| <i>Issued and fully paid:</i> | | | | |
| At beginning of period/year | 91,172 | 45,586 | 1,303,440 | 32,586 |
| Placing of new shares (note (a)) | — | — | 260,000 | 6,500 |
| Placing of new shares (note (b)) | — | — | 260,000 | 6,500 |
| Share consolidation (note (c)) | — | — | (1,732,268) | — |
| | <u>91,172</u> | <u>45,586</u> | <u>91,172</u> | <u>45,586</u> |

Note:

- (a) 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\$5,680,000, netting off the placing cost of HK\$820,000, respectively.
- (b) This represented an aggregate of 260,000,000 placing shares issued on 5 May 2020 at a price of HK\$0.029 each, resulting in a credit to share capital and share premium by HK\$6,500,000 and HK\$526,000 netting off the placing cost of HK\$514,000 respectively.
- (c) On 24 August 2020, every twenty issued and unissued shares of HK\$0.025 each in the Company were consolidated into one consolidated share of HK\$0.5 each.

20. SHARE-BASED PAYMENT

On 30 November 2012, the Company adopted a share option scheme (the “**Old Scheme**”). The purpose of the Old 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 Old 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 Old 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 Old Scheme shall not exceed 10% of the issued share capital of the Company at the date of approval of the Old Scheme. However, the total maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 30% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any one grantee in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue on the last date of such 12-month period from time to time, without prior approval from the Company’s shareholders.

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

Pursuant to the resolution passed by the shareholders of the Company in the extraordinary general meeting held on 30 July 2020, the Old Scheme was terminated such that no further options could thereafter be offered under the Old Scheme but in all other respects and provisions of the Old Scheme shall remain in full force and effect, while a new share option scheme (the “**New Scheme**”) was approved and adopted on 20 August 2020 and, the board of directors may, at its discretion, grant options to the eligible persons as defined in the New Scheme.

On 20 August 2020, all remaining share options under the Old Scheme were cancelled upon the adoption of the New Scheme. And, no share options were granted up to 31 March 2021.

21. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of a subsidiary

On 31 October 2019, the Group acquired 100% of the issued share capital of LW Insurance Brokers Limited (“**LW Insurance**”) at a consideration of HK\$2,373,000. LW Insurance was engaged in acting as insurance broker. The acquisition is for the purpose of actively explore local sources of revenue with the insurance brokerage business.

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

| | LW Insurance HK\$'000 |
|---|--------------------------|
| Net liabilities acquired: | |
| Trade and other receivables | 16 |
| Bank balances | 213 |
| Trade and other payables | (393) |
| Current tax liabilities | (1) |
| | <hr/> |
| | (165) |
| Goodwill | 2,538 |
| | <hr/> |
| | 2,373 |
| | <hr/> |
| Satisfied by: | |
| Deposits for acquisition of a subsidiary | 1,400 |
| Cash consideration | 973 |
| | <hr/> |
| | 2,373 |
| | <hr/> |
| Net cash outflow arising on acquisitions: | |
| Cash consideration paid | (973) |
| Cash and cash equivalents acquired | 213 |
| | <hr/> |
| | (760) |
| | <hr/> |

The fair value of the trade receivables acquired is HK\$9,000.

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-related cost of HK\$32,000 has been charged to general and administrative expenses in the consolidated statements of profit or loss and other comprehensive income for the six months ended 31 March 2020.

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 six months ended 31 March 2020. If the acquisition had been completed on 1 October 2019, total Group revenue the six months ended 31 March 2020 would have been HK\$17,881,000, and loss for the six months ended 31 March 2020 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 a subsidiary

On 7 January 2020, the Group entered into a share transfer agreement with a buyer, which was independent from the Group, to dispose 100% equity interest in Digital Commerce Limited, which was engaged in investment holding.

Net assets at the date of disposal were as follows:

| | <i>HK\$'000</i> |
|---------------------------------------|-----------------|
| Property, plant and equipment | 98 |
| Intangible assets | 750 |
| Prepayments | 8 |
| Bank balances | 73 |
| Other payables and accruals | (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 |
| Receipt in advance | 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/> |

(c) Major non-cash transaction

- (i) Imputed interest of approximately HK\$212,000 charged for the six months ended 31 March 2021 (2020: HK\$1,739,000) was accrued to a non-controlling shareholder of a subsidiary and its related parties.
- (ii) Addition to property, plant and equipment of HK\$306,000 was reclassified from deposits for acquisition of property, plant and equipment upon receipt.

22. CONTINGENT LIABILITIES

- (a) During the year ended 31 December 2018, Yichang Biaodian entered into disputes with one of its suppliers regarding the quality of work performed by such supplier. Legal proceedings were initiated by the supplier (the “**Yichang Plaintiff**”) and on 14 December 2018, pursuant to the application from the Yichang Plaintiff, the Court in Yichang granted an order to preserve the bank deposits of Yichang Biaodian amounted to approximately RMB478,000 (equivalent to approximately HK\$544,000).

On 13 March 2019, the Court issued civil mediation agreement which set out that the Yichang Plaintiff and Yichang Biaodian agreed with the repayment terms in relation to the aforesaid amount. Yichang Biaodian is required to repay RMB200,000 on or before 30 April 2019 and an order could be applied to unfreeze the bank accounts; and Yichang Biaodian was required to settle RMB2,000,000 on or before 30 September 2019 and the remaining outstanding amount on or before 30 March 2020. The Yichang Plaintiff has the rights to apply for a court order to enforce Yichang Biaodian to settle all its debts if it fails to repay RMB2,200,000 to the Yichang Plaintiff on or before 30 September 2019. Amount of RMB8,787,000 (equivalent to HK\$10,006,000) are fully provided as liabilities of the Group at 31 December 2018. The restricted bank balance was released on 11 April 2019 upon agreement between the Yichang Plaintiff and Yichang Biaodian.

On 20 November 2019, the Yichang Plaintiff has exercised its rights to apply for a court order to enforce Yichang Biaodian for settlement of amount overdue. Yichang Biaodian only repaid RMB200,000 up to 31 March 2021. The management of the Group was assessing the possible outcome that bringing to Yichang Biaodian. The directors of the Company considered that as the full amount of the debts of RMB8,587,000 (equivalent to HK\$10,399,000) claimed by Yichang Plaintiff are fully provided as liability of the Group as at 31 March 2021, no further liability will be incurred.

- (b) During the year ended 30 September 2020, Global Billion Trading (Shenzhen) Limited (“**Shenzhen Global**”) has been in dispute with a former director of the Group regarding the ownership of the building located in the PRC. Legal proceedings were initiated by the former director (the “**Shenzhen Plaintiff**”) and on 8 July 2020, pursuant to the application from the Shenzhen Plaintiff, the Court in Shenzhen granted an order to preserve the building of Shenzhen Global from being sold by the Group during the period from 9 July 2020 to 8 July 2023.

Since the case was at preliminary stage, the management of the Group was assessing the possible outcome that bringing to Shenzhen Global.

23. CAPITAL COMMITMENTS

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

| | At | At |
|---|------------------|--------------|
| | 31 March | 30 September |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | Unaudited | Audited |
| Capital expenditure in respect of the acquisition of property, plant and equipment, development of systems and networks | | |
| – contracted but not accounted for | 9,315 | 9,567 |

24. RELATED PARTY TRANSACTIONS

(a) Related party transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period:

| | Three months ended | Three months ended | Six months ended | Six months ended |
|---|---------------------------|--------------------|-------------------------|------------------|
| | 31 March | 31 March | 31 March | 31 March |
| | 2021 | 2020 | 2021 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| Finance costs incurred in respect of loans from a senior management personnel of a subsidiary and the related parties | 55 | 863 | 212 | 1,739 |
| Purchase of natural gas from companies controlled by senior management personnel of a subsidiary | – | – | 1,445 | 3,515 |
| Sale of natural gas to a company controlled by senior management personnel of a subsidiary | 97 | – | 97 | – |

(b) Details of guarantees provided by related parties for bank borrowings granted to the Group are as set out in note 18 to the condensed consolidated financial statements.

(c) Compensation of key management personnel

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

| | Three months ended 31 March 2021 HK\$'000 Unaudited | Three months ended 31 March 2020 HK\$'000 Unaudited | Six months ended 31 March 2021 HK\$'000 Unaudited | Six months ended 31 March 2020 HK\$'000 Unaudited |
|---------------------|--|---|--|---|
| Short term benefits | 385 | 365 | 803 | 743 |

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

| Name of related party | Relationship | Terms | At 31 March 2021 HK\$'000 Unaudited | At 30 September 2020 HK\$'000 Audited |
|------------------------------|--|---|--|---|
| 上海廣大基礎工程 有限公司 | Controlled by a director of the Company | Unsecured, interest-free and repayable on demand | (606) | (572) |
| 吳夏晨 | Son of a director of the Company | Unsecured, interest-free and repayable on demand | 697 | (537) |
| 湯霞 | Daughter-in-law of a director of the Company | Unsecured, interest-free and repayable on demand | (1,211) | (1,145) |

25. EVENT AFTER REPORTING PERIOD END

On 20 November 2020, the Company proposed to implement the capital reorganisation (the “**Capital Reorganisation**”) involving (a) the reduction of the issued share capital of the Company by cancelling the paid up capital to the extent of HK\$0.49 on each of the then issued existing shares such that the par value of each of the then issued adjusted shares will be reduced from HK\$0.50 to HK\$0.01 (the “**Capital Reduction**”); and (b) immediately following the Capital Reduction, each of the authorised but unissued existing shares of par value HK\$0.50 each be sub-divided into fifty (50) ordinary shares of par value of HK\$0.01 each. At the same time, the Company proposed, subject to the Capital Reorganisation becoming effective, to implement the Rights Issue on the basis of four (4) rights shares for every one (1) adjusted share held on the record date at the subscription price of HK\$0.16 per rights share, to raise approximately HK\$58.35 million by issuing 364,688,000 rights shares to the qualifying shareholders. Details of the Capital Reorganisation and Rights Issue are set out in the Company’s announcement dated 20 November 2020.

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

26. APPROVAL OF FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the Board of Directors on 11 May 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

The Group's unaudited revenue was hugely increased to approximately HK\$31,410,000 for the six months ended 31 March 2021 from approximately HK\$17,851,000 for the six months ended 31 March 2020. It was mainly generated from the revenue from the segment of natural gas operations of approximately HK\$26,560,000, while revenue generated from leasing business and independent financial advisory segments contributed approximately HK\$3,324,000 and HK\$125,000 respectively for the six months ended 31 March 2021.

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 2021 slightly decreased to approximately HK\$23,709,000 from approximately HK\$25,811,000 for the six months ended 31 March 2020. The change was attributable to a significant exchange difference of approximately HK\$6,482,000 recognised for the six months ended 31 March 2021 and decrease in amortisation and depreciation recognised due to significant impairment made during 2021 causing to reduce the carrying amounts of intangible assets and property, plant and equipment.

Finance costs

Finance cost of the Group was approximately HK\$2,405,000 for the six months ended 31 March 2021 (six months ended 31 March 2020: HK\$5,009,000), 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 nonconvertible bonds, and bank borrowing. The decrease was mainly come from the decrease in imputed interest on loan from non-controlling shareholders and interest on convertible bond, which has been re-assigned as non-convertible bond upon maturity as well as repayment of non-convertible bond during the period.

Loss for the six months ended 31 March 2021 was approximately HK\$17,460,000, compared with loss of approximately HK\$61,061,000 for the six months ended 31 March 2020. The changes was mainly attributable to no impairment regarding the non-current assets in Yichang Biaodian made for the six months ended 31 March 2021 and the reversal of allowance on receivables due to receipt from customers or debtors.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 31 March 2021, 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, (v) lease liabilities, and (vi) due to related parties totaling approximately HK\$123,363,000 (as at 30 September 2020: HK\$127,657,000).

The Group's total gearing ratio was approximately 451% (as at 30 September 2020: 374%). The gearing ratio was calculated as the Group's total borrowings divided by total equity attributable to owners of the Company.

UPDATE ON NATURAL GAS BUSINESS

From October to December and around the Lunar New Year each year are the peak period of natural gas consumption for industrial customers. For the six months ended 31 March 2021, the sales volume of natural gas was increased by approximately 61% compared with the same period in 2020 to approximately 8,409,000 M³ (six months ended 31 March 2020: 5,213,000 M³). However, the selling price needs to be in line with the local government's policy for the natural gas's peak consumption period in winter, so sales revenue cannot benefit from the increase in gas sales.

The recoverable amount of Yichang Biaodian as at 30 September 2020 was approximately HK\$156,184,000, which has been fully considered the factors such as business conditions, government policies and economic environment from October to mid-December 2020. From mid-December 2020 to the present, Yichang Biaodian's business conditions, government policies and economic environment have not undergone major changes. By considering the reasons as aforesaid, the management of the Group believes that there is no significant need for Yichang Biaodian to recognize the impairment of the recoverable amount for the six months ended 31 March 2021.

LITIGATION

For details of litigations of the Group as at 31 March 2021 are set out in note 22 to the unaudited condensed consolidated financial statements.

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\$121,000 as at 31 March 2021 (as at 30 September 2020: approximately HK\$114,000).

DIVIDENDS

The Board does not recommend the payment of any dividend for the six months from 1 October 2020 to 31 March 2021 (six months from 1 October 2019 to 31 March 2020: Nil).

CONTINGENT LIABILITIES

Yichang Biaodian Natural Gas Utilisation Co., Ltd

During the year ended 31 December 2018, Yichang Biaodian entered into disputes with one of its suppliers regarding the quality of work performed by such supplier. Legal proceedings were initiated by the supplier (the “**Yichang Plaintiff**”) and on 14 December 2018, pursuant to the application from the Yichang Plaintiff, the Court in Yichang granted an order to preserve the bank deposits of Yichang Biaodian amounted to approximately RMB478,000 (equivalent to approximately HK\$544,000).

On 13 March 2019, the Court issued civil mediation agreement which set out that the Yichang Plaintiff and Yichang Biaodian agreed with the repayment terms in relation to the aforesaid amount. Yichang Biaodian is required to repay RMB200,000 on or before 30 April 2019 and an order could be applied to unfreeze the bank accounts; and Yichang Biaodian was required to settle RMB2,000,000 on or before 30 September 2019 and the remaining outstanding amount on or before 30 March 2020. The Yichang Plaintiff has the rights to apply for a court order to enforce Yichang Biaodian to settle all its debts if it fails to repay RMB2,200,000 to the Yichang Plaintiff on or before 30 September 2019. Amount of RMB8,787,000 (equivalent to HK\$10,006,000) are fully provided as liabilities of the Group at 31 December 2018. The restricted bank balance was released on 11 April 2019 upon agreement between the Yichang Plaintiff and Yichang Biaodian.

On 20 November 2019, the Yichang Plaintiff has exercised its rights to apply for a court order to enforce Yichang Biaodian for settlement of amount overdue. Yichang Biaodian only repaid RMB200,000 up to 31 March 2021. The management of the Group was assessing the possible outcome that bringing to Yichang Biaodian. The directors of the Company considered that as the full amount of the debts of RMB8,587,000 (equivalent to HK\$10,399,000) claimed by Yichang Plaintiff are fully provided as liability of the Group as at 31 March 2021, no further liability will be incurred.

Global Billion Trading (Shenzhen) Limited

During the year ended 30 September 2020, 環球進億貿易(深圳)有限公司 (Global Billion Trading (Shenzhen) Limited*) (“**Shenzhen Global**”) has been in dispute with a former director of the Group regarding the ownership of the building located in the PRC. Legal proceedings were initiated by the former director (the “**Shenzhen Plaintiff**”) and on 8 July 2020, pursuant to the application from the Shenzhen Plaintiff, the Court in Shenzhen granted an order to preserve the building classified as held for sale of Shenzhen Global from being sold by the Group during the period from 9 July 2020 to 8 July 2023.

Since the case was at preliminary stage, the management of the Group was assessing the possible outcome that bringing to Shenzhen Global.

PROSPECT

Looking forward, the business and operation environments of the Group will remain challenging due to the global outbreak of coronavirus disease, and the dramatic escalation in tensions between the PRC and the US, the overall market is expected to be volatile. The Directors expect that there are still uncertainties and adverse effects on the overall business of our Group with the weak economic conditions, both in Hong Kong and worldwide. As a result of the above, in particular the outbreak of the coronavirus pandemic which continues to affect the business operations as well as the corporate transaction of our clients, the performance of our Group will be very challenging this year.

Given the challenges mentioned above, the Directors will be more cautious and conservative in seeking new potential merger and acquisition, business integration and expansion in order to sustain the growth and profitability of the Group.

EVENTS AFTER REPORTING PERIOD

Capital Reorganisation and Rights Issue

On 20 November 2020, the Company proposed to implement the following capital reorganisation (the “**Capital Reorganisation**”) involving (a) the reduction of the issued share capital of the Company by cancelling the paid up capital to the extent of HK\$0.49 on each of the then issued existing shares such that the par value of each of the then issued adjusted shares will be reduced from HK\$0.50 to HK\$0.01 (the “**Capital Reduction**”); and (b) immediately following the Capital Reduction, each of the authorised but unissued existing shares of par value HK\$0.50 each be sub-divided into fifty (50) ordinary shares of par value of HK\$0.01 each. At the same time, the Company proposed, subject to the Capital Reorganisation becoming effective, to implement the Rights Issue on the basis of four (4) rights shares for every one (1) adjusted share held on the record date at the subscription price of HK\$0.16 per rights share (the “**Rights Issue**”), to raise approximately HK\$58.35 million by issuing 364,688,000 rights shares to the qualifying shareholders. Details of the Capital Reorganisation are disclosed in the Company’s announcement dated 20 November 2020 and circular dated 26 March 2021.

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

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 2021, the Group employed 62 staff (as at 31 March 2020: 58 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 2021, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of GEM Listing Rules were as follows:

Interests in the Company

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

| Director | Corporate interests | Long (L) or short (S) position | Percentage of interests |
|----------------|---------------------|--------------------------------|-------------------------|
| Mr. Wu Guoming | 3,687,500 | L | 4.04% |

L: Long position

Save as disclosed above, as at 31 March 2021, none of the Directors or chief executive of the Company had any interests 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 2021, other than the interests and short positions of the Directors disclosed above, the following person (not being a Director or 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 | |
| Hong Kong Hao Yue International Trading Co., Limited (<i>Note</i>) | 11,005,500 (L) | 12.07% |

L: Long position

Note:

Hong Kong Hao Yue International Trading Co., Limited is the substantial shareholder of the Company as at the date of this report. Mr. Osman Mohammed Arab and Mr. Wong Kwok Keung, be appointed as the joint and several liquidators of the substantial shareholder of the Company, details of the appointment of joint provisional liquidators are disclosed in the Company's announcement dated 23 April 2021.

Save as disclosed above, none of the substantial shareholders or other person (other than Directors and 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 2021.

COMPETING INTERESTS

None of the Directors, the controlling shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) had any business or interest which competed or might compete with the business of the Group nor had any other conflict of interests with the Group during the six months from 1 October 2020 to 31 March 2021.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months from 1 October 2020 to 31 March 2021.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices. It met all the code provisions of the Corporate Governance Code ("**CG Code**") set out in Appendix 15 of GEM Listing Rules in the six months from 1 October 2020 to 31 March 2021 except for the following deviation:

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

Following the retirement of Ms. Huang Yu Jun by rotation as independent non-executive Director in the annual general meeting of the Company held on 19 March 2021, the number of independent non-executive directors on the Board and the members of the Audit Committee are less than three as required under Rules 5.05(1) and 5.28 of the GEM Listing Rules.

The Board is now taken active step to identify suitable candidate to fill up the vacancy in order to comply with the requirement under GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealing set out in rules 5.48 to 5.67 of the GEM Listing Rules (the “**Required Standard**”) as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the Required Standard during the six months from 1 October 2020 to 31 March 2021.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements and this interim report for the six months from 1 October 2020 to 31 March 2021 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 from 1 October 2020 to 31 March 2021 will be 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, 11 May 2021

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