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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)

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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.

*This announcement, for which the directors (the “**Directors**”) of Global Strategic Group Limited (the “**Company**”) 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 announcement 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 announcement misleading.*

The board of Directors (the “**Board**”) of the Company is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively as the “**Group**”), which is audited by RSM Hong Kong, for the year ended 30 September 2022, together with the comparative figures for the year ended 30 September 2021, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2022

	<i>Notes</i>	2022 HK\$’000	2021 HK\$’000
Revenue	3	136,241	71,486
Cost of sales		<u>(115,954)</u>	<u>(51,223)</u>
Gross profit		20,287	20,263
Other income	4	962	2,629
Other gains and losses		139	54
Selling and distribution costs		(8,731)	(8,555)
General and administrative expenses		(32,960)	(31,978)
Reversal of impairment loss on property, plant and equipment		21,012	–
Reversal of impairment loss on right-of-use assets		178	–
Reversal of impairment loss on intangible assets		16,565	–
Allowance for trade and bills receivables		(1,823)	(2,200)
Reversal of allowance/(allowance) for loan receivables		1,173	(121)
(Allowance)/reversal of allowance for deposits and other receivables		(13)	724
Allowance for due from a related party		<u>(6)</u>	<u>(22)</u>
Profit/(loss) from operations		16,783	(19,206)
Finance costs	6	(2,603)	(4,204)
Share of loss from a joint venture		<u>(49)</u>	<u>–</u>
Profit/(loss) before tax		14,131	(23,410)
Income tax (expense)/credit	7	<u>(3,450)</u>	<u>643</u>
Profit/(loss) for the year		<u>10,681</u>	<u>(22,767)</u>

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other comprehensive income after tax			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation of financial statements to presentation currency		(991)	5,393
Exchange differences reclassified to profit or loss on deregistered foreign subsidiaries		<u>2</u>	<u>–</u>
Other comprehensive income for the year, net of tax		<u>(989)</u>	<u>5,393</u>
Total comprehensive income for the year		<u>9,692</u>	<u>(17,374)</u>
(Loss)/profit for the year attributable to:			
Owners of the Company		(15,504)	(20,982)
Non-controlling interests		<u>26,185</u>	<u>(1,785)</u>
		<u>10,681</u>	<u>(22,767)</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		(14,334)	(18,203)
Non-controlling interests		<u>24,026</u>	<u>829</u>
		<u>9,692</u>	<u>(17,374)</u>
Loss per share	<i>9</i>		
Basic (<i>HK cents per share</i>)		<u>(3.40)</u>	<u>(15.20)</u>
Diluted (<i>HK cents per share</i>)		<u>(3.40)</u>	<u>(15.20)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		121,577	112,246
Right-of-use assets		3,495	2,055
Goodwill		–	–
Intangible assets		80,976	71,031
Investment in a joint venture		183	–
Deposits for acquisition of property, plant and equipment		8,737	3,582
		<u>214,968</u>	<u>188,914</u>
Current assets			
Inventories		1,489	797
Trade and bills receivables	10	8,920	6,576
Prepayments, deposits and other receivables		8,073	13,794
Loan receivables		–	4,310
Bond receivables		–	–
Due from a related party		1,019	1,591
Value-added tax recoverable		390	5,850
Bank and cash balances		4,998	23,411
		<u>24,889</u>	<u>56,329</u>
Current liabilities			
Trade payables	11	1,145	873
Accruals and other payables		40,608	51,874
Contract liabilities		10,798	6,352
Lease liabilities		1,580	1,405
Due to related parties		9,888	1,218
Due to directors		1,142	3,011
Non-convertible bonds		7,852	27,166
Bank borrowings		2,878	7,680
Current tax liabilities		20	19
		<u>75,911</u>	<u>99,598</u>
Net current liabilities		<u>(51,022)</u>	<u>(43,269)</u>
Total assets less current liabilities		<u>163,946</u>	<u>145,645</u>

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Non-current liabilities			
Accruals and other payables		3,209	–
Due to non-controlling shareholders of a subsidiary and its related parties		27,344	44,423
Lease liabilities		1,237	445
Non-convertible bonds		8,900	–
Bank borrowings		20,675	10,387
Deferred tax liabilities		20,244	17,758
		<u>81,609</u>	<u>73,013</u>
		<u>82,337</u>	<u>72,632</u>
 CAPITAL AND RESERVES			
Share capital		4,559	4,559
Reserves		11,217	23,296
		<u>15,776</u>	<u>27,855</u>
Equity attributable to owners of the Company		15,776	27,855
Non-controlling interests		66,561	44,777
		<u>82,337</u>	<u>72,632</u>
Total equity		<u>82,337</u>	<u>72,632</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2022

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting year of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting years reflected in these consolidated financial statements.

Basis of Going Concern

As at 30 September 2022, the Group’s current liabilities exceeded its current assets by HK\$51,022,000 and the Group had capital commitments amounting to HK\$30,353,000. The Group was also in default of non-convertible bonds of HK\$350,000 as of 30 September 2022.

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.

Near the end of the reporting period, the bondholders with principal amount of HK\$3,850,000 have signed letters of intent with the Company agreeing to further extend the maturity date to 30 September 2024. Subsequent to 30 September 2022, the bonds with principal amount of HK\$3,850,000 have been renewed with maturity date extended to 30 September 2024.

The directors have estimated the Group’s cash requirements by preparing a cashflow forecast of the Group for the eighteen months period ending 31 March 2024. Mr. Wu Guoming (“**Mr. Wu**”), a shareholder and a director of the Company, and Mr. Wang Wenzhou (“**Mr. Wang**”), a director of the Company, as at 30 September 2022, have agreed to provide sufficient funds to the Group so that the Group will be able to meet all current obligations as they fall due for the foreseeable future. Mr. Wu and Mr. Wang both agreed to pledge their properties as collaterals, if necessary, to borrow funds to provide financial support to the Group.

The directors of the Company therefore consider it appropriate to adopt the going concern basis in preparing these consolidated financial statements on the basis that Mr. Wu and Mr. Wang have agreed to provide continuous financial support to the Group. Should the Group be unable to operate as a going concern in the foreseeable future, adjustments would have to be made to write down the carrying value of the Group’s assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments have not been reflected in these consolidated financial statements.

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

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 October 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

Amendments to HKFRS 16

COVID-19-Related Rent Concessions beyond 30 June 2021

Except as described below, the application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“**IBOR reform**”).

The amendments do not have an impact on these financial statements as the group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has adopted the 2021 amendment in this financial year. The amendments had no impact on the consolidated financial statements of the Group as the Group does not have any rent concessions that were previously ineligible for the practical expedient because of the original time limit and accounted for as lease modifications, become eligible.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 October 2021. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Business Combination – Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-Current	1 January 2024
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 16 Leases – Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of making an assessment of what the impact of these amendments to standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. REVENUE

(a) Disaggregation of revenue

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sales of natural gas	120,162	57,558
– Sales of steel support axial force servo system	5,787	–
– Rendering of services	6,482	5,871
– Commission income	20	140
	<u>132,451</u>	<u>63,569</u>
Revenue from other sources		
– Leasing income	3,790	7,917
	<u>136,241</u>	<u>71,486</u>

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

	Sales of natural gas		Sales of steel support axial force servo systems		Pipeline installation services		Provision of technology support services		Independent financial advisory		Total	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Primary geographical markets												
– The People's Republic of China ("PRC") except Hong Kong	120,162	57,558	5,787	–	4,437	3,276	2,045	2,595	–	–	132,431	63,429
– Hong Kong	–	–	–	–	–	–	–	–	20	140	20	140
Revenue from external customers	<u>120,162</u>	<u>57,558</u>	<u>5,787</u>	<u>–</u>	<u>4,437</u>	<u>3,276</u>	<u>2,045</u>	<u>2,595</u>	<u>20</u>	<u>140</u>	<u>132,451</u>	<u>63,569</u>
Timing of revenue recognition												
Products transferred at a point in time	–	–	5,787	–	4,437	3,276	–	–	20	140	10,244	3,416
Products and services transferred over time	<u>120,162</u>	<u>57,558</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,045</u>	<u>2,595</u>	<u>–</u>	<u>–</u>	<u>122,207</u>	<u>60,153</u>
Total	<u>120,162</u>	<u>57,558</u>	<u>5,787</u>	<u>–</u>	<u>4,437</u>	<u>3,276</u>	<u>2,045</u>	<u>2,595</u>	<u>20</u>	<u>140</u>	<u>132,451</u>	<u>63,569</u>

(b) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group has applied the practical expedient in paragraph 63 of HKFRS 15 such that the Group need not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The Group has also applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for provision of technology support services such that the Group need not disclose the information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations. The Group recognises the revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the Group's performance completed to date.

4. OTHER INCOME

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	35	4
Interest income from loan to third parties	91	1,719
Government grants (<i>note</i>)	453	788
Others	383	118
	<hr/> 962 <hr/>	<hr/> 2,629 <hr/>

Note: During the year, the Group recognised government grants of approximately HK\$443,000 (2021: HK\$520,000) relating to Employment Support Scheme provided by the Hong Kong government in respect of COVID-19. The remaining government grants represented government subsidy granted to enterprise, which had fulfilled certain requirements such as employing specific number of staff members (2021: engaging in research and development activities, duly paid taxes in previous years and use of IT to support its business, by the local government of the region that the subsidiary operates).

5. SEGMENT INFORMATION

The Group has three (2021: three) operating segments as follows:

- Natural gas operations – including investment in natural gas projects, sales of natural gas, natural gas cooking appliance and accessories and pipeline installation
- Sales and leasing business* – including sales and services rendered from leasing of steel support axial force servo system and technology support
- Independent financial advisory – including services rendered from independent financial advisory and insurance brokerage business

* *The name of this segment was “leasing business” prior to 30 September 2021. The name was changed due to the recent business expansion.*

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.

Segment profits or losses do not include unallocated corporate expenses, certain other income, other gains and losses, reversal of allowance/allowance for certain deposits, other receivables and loan receivables, finance costs and income tax. Segment assets do not include bank and cash balances and unallocated assets. Segment liabilities do not include non-convertible bonds, some other borrowings and unallocated liabilities. Segment non-current assets do not include deposits for acquisitions.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

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

	Natural gas operations <i>HK\$'000</i>	Sales and leasing business <i>HK\$'000</i>	Independent financial advisory <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 30 September 2022				
Revenue from external customers	124,599	11,622	20	136,241
Segment profit/(loss)	38,439	(1,989)	851	37,301
Interest revenue	29	6	–	35
Interest expense	(1,034)	(82)	–	(1,116)
Depreciation and amortisation	(9,526)	(2,151)	–	(11,677)
Net foreign exchange gain	136	–	–	136
Other material non-cash items:				
Share of loss of a joint venture	(49)	–	–	(49)
Reversal of impairment loss on property, plant and equipment	21,012	–	–	21,012
Reversal of impairment loss on right-of-use assets	178	–	–	178
Reversal of impairment loss on intangible assets	16,565	–	–	16,565
Reversal of allowance/(allowance) for trade and bills receivables	42	(1,865)	–	(1,823)
Allowance for deposits and other receivables	(3)	(3)	–	(6)
Allowance for due from a related party	–	(6)	–	(6)
Additions to segment non-current assets	<u>3,440</u>	<u>778</u>	<u>–</u>	<u>4,218</u>
As at 30 September 2022				
Segment assets	201,082	29,682	8	230,772
Segment liabilities	<u>(114,207)</u>	<u>(15,747)</u>	<u>(10)</u>	<u>(129,964)</u>

	Natural gas operations <i>HK\$'000</i>	Leasing business <i>HK\$'000</i>	Independent financial advisory <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 30 September 2021				
Revenue from external customers	60,834	10,512	140	71,486
Segment (loss)/profit	(4,870)	3,196	(1,260)	(2,934)
Interest revenue	–	3	–	3
Interest expense	(2,157)	–	–	(2,157)
Depreciation and amortisation	(9,325)	(1,968)	–	(11,293)
Net foreign exchange gain	130	–	–	130
Other material non-cash items:				
Impairment loss on goodwill	–	–	(580)	(580)
(Allowance)/reversal of allowance for trade receivables	(49)	(2,152)	1	(2,200)
Reversal of allowance for deposits and other receivables	4	–	–	4
Allowance for due from a related party	–	(22)	–	(22)
Additions to segment non-current assets	<u>1,986</u>	<u>4,161</u>	<u>–</u>	<u>6,147</u>
As at 30 September 2021				
Segment assets	182,423	26,748	15	209,186
Segment liabilities	<u>(126,379)</u>	<u>(8,167)</u>	<u>(935)</u>	<u>(135,481)</u>

(b) **Reconciliations of segment revenue and profit or loss:**

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue		
Consolidated revenue	<u><u>136,241</u></u>	<u><u>71,486</u></u>
Profit or loss		
Total profit or loss of reportable segments	37,301	(2,934)
Unallocated amounts:		
General and administrative expenses	(23,369)	(21,291)
Reversal of allowance/(allowance) for loan receivables	1,173	(121)
(Allowance)/reversal of allowance for deposits and other receivables	(7)	720
Finance costs	(1,487)	(2,047)
Other income	497	2,211
Other gains and losses	<u>23</u>	<u>52</u>
Consolidated profit/(loss) before tax	<u><u>14,131</u></u>	<u><u>(23,410)</u></u>
Reconciliations of segment assets and liabilities:		
Assets		
Total assets of reportable segments	230,772	209,186
Unallocated	<u>9,085</u>	<u>36,057</u>
Consolidated total assets	<u><u>239,857</u></u>	<u><u>245,243</u></u>
Liabilities		
Total liabilities of reportable segments	129,964	135,481
Unallocated	<u>27,556</u>	<u>37,130</u>
Consolidated total liabilities	<u><u>157,520</u></u>	<u><u>172,611</u></u>

Geographical information

All of the Group's revenue and non-current assets by location of customers or by location of assets are within the PRC, including Hong Kong.

7. INCOME TAX EXPENSE/(CREDIT)

Income tax has been recognised in profit or loss as following:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax – the PRC		
Provision for the year	<u>34</u>	<u>76</u>
Deferred tax	<u>3,416</u>	<u>(719)</u>
	<u>3,450</u>	<u>(643)</u>

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

Under the Law of the PRC on Enterprise Income Tax (the “EIT”) and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2021: 25%). Pursuant to relevant laws and regulations in the PRC, the effective EIT rate for a subsidiary which qualified as small and micro enterprises is 2.5% (for assessable profits below RMB1 million) for the period from 1 January 2021 to 30 September 2022. No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year ended 30 September 2022 (2021: Nil).

8. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 30 September 2022 (2021: Nil).

9. LOSS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the purpose of calculating basic and diluted loss per share	<u>(15,504)</u>	<u>(20,982)</u>
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>455,860</u>	<u>138,037</u>

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted loss per share are the same as the Company had no potential ordinary shares outstanding for the years ended 30 September 2021 and 2022.

10. TRADE AND BILLS RECEIVABLES

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables (<i>note</i>)	13,350	12,840
Bills receivables (<i>note</i>)	3,223	–
	16,573	12,840
<i>Less: impairment losses</i>	(7,653)	(6,264)
	8,920	6,576

Note:

Generally there is no credit period for customers of sales of natural gas as the customers need to prepay before the usage of the natural gas. For a few specific customers they can use the gas on credit and the Group allows an average credit period of 60 days. 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 upon completion. For sales and leasing business, the Group allows an average credit period of 180 days upon service rendered or goods sold. For independent financial advisory, the Group allows an average credit period of 30 days upon service rendered.

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	2,830	1,451
91 to 180 days	–	1,891
181 to 365 days	5,457	3,234
Over 365 days	633	–
	8,920	6,576

11. TRADE PAYABLES

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 90 days	621	–
91 to 180 days	–	1
181 to 365 days	109	695
Over 365 days	415	177
	<hr/> 1,145 <hr/>	<hr/> 873 <hr/>

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

The Group recorded revenue of approximately HK\$136,241,000 for the year ended 30 September 2022 (“YE2022”) as compared with approximately HK\$71,486,000 for the year ended 30 September 2021 (“YE2021”), gross profit of approximately HK\$20,287,000 for YE2022 against approximately HK\$20,263,000 for YE2021 and net profit of approximately HK\$10,681,000 for YE2022 as compared to net loss of approximately HK\$22,767,000 for YE2021. The substantial increase in net profit is mainly attributable to the significant reversal of impairment loss on property, plant and equipment, intangible assets and right-of-use assets of HK\$37,755,000 in aggregate, as a result of the recoverable amount of the cash-generating unit of Yichang Biaodian Natural Gas Utilisation Co. Ltd.* (宜昌市標典天然氣利用有限公司) (“Yichang Biaodian”) being higher than its carrying amount.

An analysis of the performance of the Group including the revenue and results of natural gas operations, sales and leasing business and independent financial advisory before allocation of the corporate overheads is set out in note 5 “Segment Information” to the consolidated financial statements.

For YE2022 the Group generated revenue from sales of natural gas and pipeline installation services of approximately HK\$120,162,000 and HK\$4,437,000, respectively, compared to approximately HK\$57,558,000 and HK\$3,276,000 for YE2021. The revenue generated from sales and leasing business and independent financial advisory business was in aggregate of HK\$11,622,000 and HK\$20,000 for YE2022 respectively as compared to YE2021, it recorded HK\$10,512,000 and HK\$140,000, in aggregate, respectively.

The total operating expenses, including selling and distribution costs, general and administrative expenses, for YE2022 was approximately HK\$41,691,000 as compared to approximately HK\$40,533,000 for the YE2021, representing an increase of 3% which was causing to increase in exchange losses due to depreciation of RMB over HKD balances resulting from the US Federal Reserve interest rate hikes.

Finance costs of the Group were approximately HK\$2,603,000 for YE2022 (YE2021: approximately HK\$4,204,000), which mainly consisted of interest on bank borrowings and non-convertible bonds. The decrease was mainly due to no imputed interest on loans from non-controlling shareholders and the decrease in interest on non-convertible bonds when the relevant balances were repaid.

UPDATE ON NATURAL GAS BUSINESS

The Group acquired Yichang Biaodian, which is engaged in natural gas supply operation, in 2016. The performance of Yichang Biaodian significantly improved from the following reasons:

- (i) With the planning under the guiding ideology of the “14th Five-Year Plan” in 2021, the central government vigorously promotes the utilization of clean resources, and pipeline natural gas has become the best choice for new enterprises to use as heating energy; since 2017, Yaojiagang Chemical Industry Park has been successively rated as key supporting parks for circular transformation by the National Development and Reform Commission and the Ministry of Finance; has been rated as pilot parks for third-party governance of environmental pollution by the National Development and Reform Commission and the Ministry of Ecology and Environment; the Ministry of Industry and Information Technology’s green industrial parks and China’s smart chemical park pilot demonstration units. Yaojiagang Chemical Industry Park has been promoting the advantages of green industrial parks for many years, and the effect of attracting investment is remarkable, driving the demand for industrial pipeline natural gas in the region; and
- (ii) In recent years, many large chemical companies have settled in the park to establish production bases. As the companies have formulated and adapted to the operating model under the new crown epidemic, the overall production capacity of new and old customers has been efficiently recovered and achieved ideal growth.

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 that belong 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 2022 changed from that of 2021:

- In 2022, the expected revenue growth rate estimated for the next five years was 8%. In 2021, the expected revenue growth rate estimated for the next five years was 13%; and
- In 2022, the expected average positive net profit margin estimated for the next five years was 7%. In 2021, the expected average positive net profit margin estimated for the next five years was 2%.

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; or (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 13.1% (2020: 13.23%) 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 2021 and 2022.

Based on the assessment, the recoverable amount of Yichang Biaodian was approximately HK\$179,788,000 and reversal of impairment losses on property, plant and equipment, intangible assets and right-of-use assets of approximately HK\$21,012,000, HK\$16,565,000 and the HK\$178,000 respectively in 2022.

On 16 March 2022, Yichang Biaodian, a subsidiary of the Company, entered into the Joint Venture Agreement with the Zhijiang Natural Gas Co., Ltd.* (枝江市天然氣有限責任公司) (“**Joint Venture Partner**”) under which the parties agreed to establish the Zhijiang Yuanheng Natural Gas Utilization Co., Ltd.* (枝江市源恒天然氣利用有限公司) (“**Joint Venture Company**”) as a production and operation platform to consolidate resources and jointly develop the natural gas comprehensive utilization market in Zhijiang Yaojiagang Chemical Industry Park, the PRC.

The Joint Venture Company was established on 18 March 2022. For the details of the establishment of the Joint Venture Company and related Joint Venture Agreement, please refer to the Company’s announcement dated 16 March 2022.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's operations are 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.

Amounts due to non-controlling shareholders of a subsidiary and its related parties

As at 30 September 2022, the amounts due to 湖北標典天然氣有限公司 (Hubei Biaodian Natural Gas Co., Ltd*) ("**Hubei Biaodian**") and its subsidiary, Mr. Xiong Songgan ("**Mr. Xiong**") and his controlled entities, and 宜昌地鉑港能源有限公司 (Yichang Dibogang Energy Co., Ltd.*) ("**Yichang Dibogang**") were approximately HK\$16,064,000, HK\$11,280,000 and nil respectively, when comparing approximately HK\$27,433,000, HK\$16,925,000 and HK\$65,000 at 30 September 2021 respectively. Hubei Biaodian owns 20.92% of Yichang Biaodian and Mr. Xiong is the controlling shareholder of Hubei Biaodian. Yichang Dibogang is the 24.49% non-controlling shareholder of Yichang Biaodian.

The advance made by the above non-controlling shareholders of the Group during the year was used for Yichang Biaodian's capital expenditure purpose.

Bank and other borrowings

The bank borrowings assigned RMB19,020,000 (equivalent to HK\$21,873,000) carry an interest at a fixed rate, with an effective interest rate of 5% to 12.24% per annum. The bank borrowings are pledged with natural gas supply exclusive rights of Yichang Biaodian and a property owned by Mr. Xiong. The bank borrowings are also jointly guaranteed by Mr. Xiong and the non-controlling shareholders of Yichang Biaodian.

As at 30 September 2022,

- (a) the Group's aggregate amount of bank and cash balances was approximately HK\$4,998,000 (as at 30 September 2021: approximately HK\$23,411,000).
- (b) the Group's total borrowings comprised (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 totalling approximately HK\$81,496,000 (as at 30 September 2021: HK\$95,735,000).
- (c) the Group's total gearing ratio was approximately 93% (as at 30 September 2021: 99%). The gearing ratio was calculated as the Group's borrowings net of cash available divided by total equity of the Group.

(d) the current ratio of the Group was approximately 0.33 (as at 30 September 2021: 0.57). The management will continue to closely monitor the financial position of the Group to maintain its financial capacity.

Rights Issue

On 20 November 2020, the Company announced a proposed rights issue (the “**Rights Issue**”) on the basis of four rights shares for every one adjusted share held on the record date at the subscription price of HK\$0.16 per rights share, to raise approximately HK\$58,350,000 by issuing 364,688,000 rights shares to the qualifying shareholders. Upon the Rights Issue was approved by shareholders’ resolution passed at an extraordinary general meeting on 21 April 2021 and completion of the Rights Issue on 31 August 2021. The gross proceeds raised from the Rights Issue were approximately HK\$58,350,000 and the net proceeds from the Rights Issue after deducting the expenses were approximately HK\$56,259,000. The net price per Rights Share was approximately HK\$0.15. The Company has fully utilised the net proceed as at 31 March 2022 in accordance with the said intention.

The breakdown of the Company’s proposed use of the Rights Issue Proceeds as disclosed in the Prospectus and its actual use of the Rights Issue Proceeds from the date of completion of the Rights Issue to 30 September 2022 were as follows:

Intended use	Net Rights Issue Proceeds <i>HK\$'000</i>	Balance of the unutilised Rights Issue Proceeds as at 30 September 2021 <i>HK\$'000</i>	Actual use of the Rights Issue Proceeds during the six months ended 31 March 2022 <i>HK\$'000</i>	Actual use of the Rights Issue Proceeds during the six months ended 30 September 2022 <i>HK\$'000</i>	Balance of the unutilised Rights Issue Proceeds as at 30 September 2022 <i>HK\$'000</i>
Legal and professional fee	3,000	1,684	1,684	–	–
Staff cost			449		
Rental			27		
Other operating expenses			1,279		
General working capital	5,259	1,755	1,755	–	–
Finance cost			929		
Settlement of bonds			20,918		
Redemption of outstanding bonds	48,000	21,847	21,847	–	–
	<u>56,259</u>	<u>25,286</u>	<u>25,286</u>	<u>–</u>	<u>–</u>

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 16 March 2022, Yichang Biaodian, a subsidiary of the Company, entered into a joint venture agreement with Joint Venture Partner under which the parties agreed to establish a joint venture company as a production and operation platform to consolidate resources and jointly develop the natural gas comprehensive utilization market in Zhijiang Yaojiagang Chemical Industry Park, the PRC.

Further details of the abovementioned joint venture are disclosed in the announcements of the Company dated 16 and 17 March 2022.

LW Insurance Brokers Limited

On 26 August 2022, 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\$30,000. The disposal was completed on 26 August 2022.

LW Manin Immigration Consultancy Limited

On 15 September 2022, the Company entered into a share transfer agreement with an independent third party to dispose its 60% equity interest in a wholly-owned subsidiary for a cash consideration of HK\$10,000. The disposal was completed on 15 September 2022.

LITIGATION

Yichang Biaodian Natural Gas Utilisation Co., Ltd

- (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 1**”) and on 14 December 2018, pursuant to the application from the Yichang Plaintiff 1, 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 1 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 1 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 1 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 1 and Yichang Biaodian.

On 20 November 2019, the Yichang Plaintiff 1 has exercised its rights to apply for a court order to enforce Yichang Biaodian for settlement of amount overdue and on 13 May 2022, RMB1,000,000 had been settled. On 19 May 2022, the Yichang Plaintiff 1 and Yichang Biaodian signed a mediation agreement which set out that the outstanding balance would be repaid in 25 monthly installments of RMB300,000 from June 2022 to July 2024, and it would be guaranteed by Mr. Xiong Songgan, a key management personnel of Yichang Biaodian. If Yichang Biaodian fail to repay as scheduled, default interest would be charged at 12% per annum on the outstanding balance owed to the Yichang Plaintiff 1 since 1 May 2019. The directors of the Company considered that as the full amount of the remaining debts of RMB6,387,000 (equivalent to HK\$7,353,000) claimed by Yichang Plaintiff 1 are fully provided as liability of the Group as at 30 September 2022, no further liability will be incurred.

- (b) During the year ended 30 September 2019, there was a dispute between Yichang Biaodian and one of its suppliers regarding the settlement of outstanding amounts for construction work performed by the supplier. Legal proceedings were initiated by the supplier (the “**Yichang Plaintiff 2**”). The Court of Sanxia Ba District denied the application of Yichang Plaintiff 2 for the settlement amount. Yichang Plaintiff 2 appealed to Intermediate People’s Court of Yichang City. On 29 October 2020, the Court issued civil ruling paper which set out the repayment of RMB1,036,000 (equivalent to HK\$1,261,000) from Yichang Biaodian to Yichang Plaintiff 2 within 15 days of the issuance of the civil ruling paper. Yichang Biaodian is required to pay double of the interest expenses for late payment (the “**Default Interest**”). Yichang Plaintiff 2 has the rights to apply for a court order to enforce Yichang Biaodian to settle all its debts if it fails to repay within 15 days of the issuance of the civil ruling paper.

On 7 January 2021, Yichang Plaintiff 2 has exercised its rights to apply for a court order to enforce Yichang Biaodian for settlement of the amount overdue. On 10 June 2021, the Court issued a consumption restriction order, to restrict Yichang Biaodian (including its legal representative, main person in charge, directly responsible personnel affecting the liability enforcement and the actual controller) and a senior management personnel from certain specified consumption activities. Yichang Biaodian was required to apply for permission from the court before carrying out those restricted consumption activities. For any acts violating the consumption restriction order, the Court has the rights to issue penalty or detention.

On 27 March 2022, the Yichang Plaintiff 2 and Yichang Biaodian signed a mediation agreement which set out that Yichang Biaodian agreed to repay the outstanding balance together with court fee and the Default Interest incurred up to 28 February 2022, amounted to RMB1,082,000 in aggregate, in two instalments of RMB541,000 each on or before 31 March 2022 and 15 July 2022 respectively. Yichang Plaintiff 2 agreed to assist in application for the release of consumption restriction order upon receipt of first instalment. Yichang Biaodian fully settled the balance during the year ended 30 September 2022.

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**”). 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. On 6 May 2021, the Court in Shenzhen concluded that the ownership of the building belongs to the Group. On 24 May 2021, the former director lodged an appeal against the decision made by the Court. On 16 December 2021, the Court in Shenzhen rejected the appeal from the former director. On 14 June 2022, the Court in Shenzhen decided to remove the preservation order on the building of Shenzhen Global. Up to the end of the reporting period, no further action was taken by the former director after the rejection from the Court in Shenzhen.

PLEDGE OF ASSETS

The Group pledged (i) natural gas supply exclusive rights amounted to approximately HK\$80,976,000 for bank borrowings of approximately HK\$21,873,000; (ii) a property amounted to approximately HK\$1,693,000 (2021: HK\$2,221,000) to an independent third party for obtaining an advance of HK\$115,000 as at 30 September 2022.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 30 September 2022 (2021: Nil).

PROSPECT

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

Natural gas operations

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

Sales and leasing business

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

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

EVENTS AFTER REPORTING PERIOD

On 25 November 2022, Senchou Environmental Technology (Shanghai) Co., Ltd.* (森籌環境科技(上海)有限公司) (“**Shanghai Senchou**”) has completed the acquisition of certain machinery with price of RMB24,270,000 from an independent third party vendor, which is included in the contracts signed with the vendor on 29 March 2022 and 3 August 2022. Deposits for acquisition of property, plant and equipment of RMB7,289,000 (equivalent to HK\$8,391,000) as at 30 September 2022 are utilised on that date. Details of the acquisition of machinery are disclosed in the Company's announcements dated 29 March 2022 and 3 August 2022.

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

As at 30 September 2022, the Group employed 58 staff members (at 30 September 2021: 50 staff). Remuneration is determined with reference to market terms and the performance, qualifications and experience of the individual employee. Remuneration includes monthly salaries, performance-linked bonuses, retirement benefits schemes and other benefits such as medical scheme and share option scheme. The Group's remuneration policies and packages are reviewed by management on regular basis. The Company has established a Human Resources and Remuneration Committee. The Directors' emoluments are determined with reference to Directors' duties, responsibilities and the operating performance of the Group.

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 during the year ended 30 September 2022.

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 the GEM Listing Rules in the year ended 30 September 2022 except for the following deviation:

Under code provision C.2.1 of the CG Code, the roles of chairman and the chief executive should be separate and should not be performed by the same individual. The Company did not appoint a chairman from 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 dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they had fully complied with the Required Standard of Dealings during the year ended 30 September 2022.

AUDIT COMMITTEE

The terms of reference of the Audit Committee, with the inclusion of the corporate governance functions, follow the guidelines set out in the Code. The Audit Committee is responsible for, among other things, having relationship with the Company's auditors, reviewing the Group's financial information and its financial reporting, financial reporting system, risk management and internal control systems and corporate governance, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function. The Audit Committee reports to the Board any significant issues relating to its terms of reference.

During the year ended 30 September 2022, the Audit Committee held four meetings and work performed included reviewing the Group's quarterly, half-yearly and annual results, its risk management and internal control systems, and corporate governance matters for inclusion in the Company's Annual Report.

OTHER INFORMATION

Scope of work of RSM Hong Kong

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 September 2022 as set out in this annual results announcement have been agreed by RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on this annual results announcement.

EXTRACTS FROM INDEPENDENT AUDITOR’S REPORT

The followings are extracted from the independent auditors report on the consolidated financial statements of the Group for the year ended 30 September 2022.

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Global Strategic Group Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out in the 2022 Annual Report, which comprise the consolidated statement of financial position as at 30 September 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

We draw attention to note 1 to the consolidated financial statements, which indicates that as at 30 September 2022, the Group’s current liabilities exceeded its current assets by HK\$51,022,000 and the Group had capital commitments amounting to HK\$30,353,000. The Group was also in default of non-convertible bonds of HK\$350,000 as of 30 September 2022.

These events and conditions indicate the existence of material uncertainties which may cast significant doubt about the Group’s ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the continuous financial support of Mr. Wu Guoming (“**Mr. Wu**”) and Mr. Wang Wenzhou (“**Mr. Wang**”) as disclosed in note 1. However, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that Mr. Wu and Mr. Wang had the financial resources to provide the required level of financial support to the Group. Mr. Wu and Mr. Wang both agreed to pledge their properties to provide financial support to the Group. Based on the market valuations of the properties, we considered that it was uncertain whether Mr. Wu and Mr. Wang would be able to borrow funds using the properties as collateral at the level necessary to support the Group’s liquidity requirements. In addition, we were unable to ascertain whether Mr. Wu and Mr. Wang had any personal liabilities which would affect their credit standing and ability to borrow against the pledged properties. Accordingly, we were unable to determine the validity of preparing the consolidated financial statements on a going concern basis.

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 these consolidated financial statements.

THE BOARD’S RESPONSE TO THE AUDITOR’S OPINION

In order to address the auditor’s concern, the Board is considering to take/has taken the following actions:

- (1) implementing stronger measures aiming at improving the liquidity and financial position of the Group, including but not limited to closely monitoring the operating costs;
- (2) reviewing and shortening the reporting intervals and improving follow up measures on receivables collection. As at 30 November 2022, approximately HK\$3,364,000, or 20% of our trade and bills receivables as at 30 September 2022 was settled;
- (3) negotiating with non-convertible bondholders to extend the maturity date of the bonds once mature. Subsequent to 30 September 2022, non-convertible bonds of HK\$3,850,000 as at 30 September 2022 has been renewed with maturity date extended to 30 September 2024;
- (4) negotiating with the Group’s suppliers and related companies to extend the payment terms;

- (5) the Directors of the Company, Mr. Wu and Mr. Wang will continue to provide financial support to the Group including the availability to pledge various properties in Tianjin and Shanghai, the PRC. According to a preliminary valuation summary prepared by an independent valuer, these properties worth over RMB50,000,000. They have undertaken not to require the Company to repay the loans until such time when repayment will not affect the ability of the Group to repay other creditors in the normal course of business; and
- (6) looking for new bank facilities from other banks.

Based on the above, and in preparing the consolidated financial statements, the Directors have reviewed the Group's financial and liquidity position, and planned to improve the liquidity by the above measures. As such, the Board considered the Group will have sufficient liquidity to finance its operations for the next eighteen months and therefore is of the view that the Group would be able to continue as a going concern.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A separate environmental, social and governance report is expected to be published on the Stock Exchange's website and the Company's website no later than two months after the annual report has been published.

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

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.globalstrategicgroup.com.hk. The Company's annual report for the year ended 30 September 2022 will be published on the above websites in due course.

By order of the Board
Global Strategic Group Limited
Wang Wenzhou
Executive Director and Chief Executive Officer

Hong Kong, 21 December 2022

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

This announcement, for which the Directors 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 of Hong Kong Limited 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 announcement 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 announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the Stock Exchange’s website at www.hkexnews.hk for at least seven days from the day of its publication and on the Company’s website at www.globalstrategicgroup.com.hk.

** For reference purposes only, the Chinese names of the PRC entities and terms have been translated into English in this announcement. 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.*