



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)

Third Quarterly Report

2015

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE EXCHANGE

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Global Strategic Group Limited (the “Company”) 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 (the "Board") of directors (the "Directors") of Global Strategic Group Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the nine months ended 30 September 2015 with comparative unaudited figures for the corresponding period in 2014 as follows:

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

For the nine months ended 30 September 2015

	Three months ended 30 September		Nine months ended 30 September		
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	
Turnover	62,818	682	198,664	2,605	
Cost of sales	(62,788)	-	(198,422)	-	
Gross profit	30	682	242	2,605	
Other income	-	-	151	5	
General and administrative expenses	(4,939)	(1,267)	(22,842)	(2,370)	
Marketing and promotion expenses	(247)	(47)	(2,234)	(137)	
Staff costs	(3,374)	(806)	(44,016)	(2,479)	
Loss before taxation	(8,530)	(1,438)	(68,699)	(2,376)	
Taxation	3	-	-	-	
Loss for the period	(8,530)	(1,438)	(68,699)	(2,376)	
Other comprehensive expense					
Item that may be reclassified subsequently to profit or loss:					
Exchange difference arising on translation of foreign operation	(72)	-	(84)	-	
Total comprehensive expense for the period	(8,602)	(1,438)	(68,783)	(2,376)	
		(restated)		(restated)	
Loss per share – basic	4	HK(0.218) cents	HK(0.048) cents	HK(1.752) cents	HK(0.079) cents

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended 30 September 2015

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The principal accounting policies applied in preparing these unaudited condensed consolidated financial statements are set out in note 2.

2. PRINCIPAL ACCOUNTING POLICIES

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

The unaudited condensed consolidated financial statements have been prepared on the historical basis.

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's audited consolidated financial statements for the period from 1 July 2014 to 31 December 2014.

In the current interim period, the Group has applied a number of amendments issued by the HKICPA that are mandatorily effective for the current interim period. The application of these amendments in the current interim period has had no material impact on the amounts reported in these unaudited condensed consolidated financial statements.

3. TAXATION

No provision for Hong Kong Profits Tax has been made since the Company and its subsidiaries have no assessable profits for both periods.

4. LOSS PER SHARE

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	<u>(8,530)</u>	(1,438)	<u>(68,699)</u>	(2,376)
	'000	'000	'000	'000
		(restated)		(restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>3,920,440</u>	<u>3,000,000</u>	<u>3,920,440</u>	<u>3,000,000</u>

The weighted average number of shares for the purpose of calculating basic loss per share for the nine months ended 30 September 2014 has been retrospectively adjusted in connection to the one-for-twenty subdivision of shares which became effective in January 2015.

No diluted loss per share is presented as there were no potential ordinary shares in issue throughout both periods.

5. RESERVES

	Capital reserve <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2013 (audited)	7,540	8,461	–	(25,334)	(9,333)
Loss and total comprehensive expense for the period	–	–	–	(1,117)	(1,117)
At 31 December 2013 and 1 January 2014 (unaudited)	7,540	8,461	–	(26,451)	(10,450)
Loss and total comprehensive expense for the period	–	–	–	(2,376)	(2,376)
At 30 September 2014 (unaudited)	7,540	8,461	–	(28,827)	(12,826)
At 1 January 2015 (audited)	7,540	49,561	–	(37,960)	19,141
Exchange difference arising on translation of foreign operation	–	–	(84)	–	(84)
Loss for the period	–	–	–	(68,699)	(68,699)
Total comprehensive expense for the period	7,540	49,561	(84)	(106,659)	(49,642)
Issue of ordinary shares	–	123,091	–	–	123,091
At 30 September 2015 (unaudited)	7,540	172,652	(84)	(106,659)	73,449

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 reorganization in March 2000.

6. EVENT AFTER THE REPORTING PERIOD

On 29 September 2015, the Company entered into a subscription agreement with Mr. KAN Che Kin, Billy Albert (the "Subscriber"), pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 1,695,000,000 shares at the subscription price of HK\$0.035 per subscription share. The subscription price of the subscription in the total amount of HK\$59,325,000 shall be payable by the Subscriber to the Company in cash upon completion of the subscription. The completion of the subscription is subject to the fulfillment of the conditions precedent under the subscription agreement and the subscription is yet to complete as at the date of this report.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2015 (2014: Nil).

FINANCIAL AND BUSINESS REVIEW

The Group recorded an unaudited turnover of approximately HK\$198,664,000 for the nine months ended 30 September 2015 as compared to HK\$2,605,000 for the corresponding period of the previous year. Such increase in revenue was mainly generated from the trading of commodities.

During the period, the unaudited operating expenses increased to approximately HK\$68,941,000 from approximately HK\$4,981,000 for the last corresponding period, which was mainly attributable to the preceding months' legal and professional fees incurred for the Acquisition (as defined below) as well as the increase in staff costs from the last corresponding period of approximately HK\$2,479,000 to approximately HK\$44,016,000 this period.

The unaudited net loss with other comprehensive expenses of the Group for the nine months ended 30 September 2015 was approximately HK\$68,783,000, compared with loss of approximately HK\$2,376,000 for the last corresponding period.

ACQUISITION OF 49% EQUITY INTEREST IN YICHANG ZHONGYOU ("ACQUISITION")

On 16 January 2015, the Company entered into a memorandum of understanding with 宜昌中油天然氣利用有限公司 (Yichang Zhongyou Natural Gas Utilization Co., Ltd.)* ("Yichang Zhongyou"), 湖北標典天然氣有限公司 (Hubei Biaodian Natural Gas Co., Ltd.)* ("Hubei Biaodian" and formerly known as 湖北天能天然氣利用有限責任公司 (Hubei Tianneng Natural Gas Utilization Co., Ltd.)) and Mr. Xiong Songgan ("Mr. Xiong"), the ultimate controlling shareholder of both Hubei Biaodian and Yichang Zhongyou in relation to the possible Acquisition.

On 23 April 2015, an equity transfer agreement (the "Equity Transfer Agreement") was entered into among Hong Kong Global Billion Access Investments Limited (the "Purchaser"), an indirect wholly-owned subsidiary of the Company, Hubei Biaodian and Mr. Xiong, pursuant to which the Purchaser shall acquire from Hubei Biaodian 49% of the equity interest in Yichang Zhongyou at the consideration (the "Consideration") of HK\$100 million.

* *The English translation of Chinese names of the entities are included for information purpose only, and should not be regarded as the official translation of such Chinese names.*

On 12 June 2015, the Company issued a circular relating to the Acquisition (the "Circular"). Global Strategic (Holding) Group Limited, the controlling shareholder of the Company has given written approval to the Equity Transfer Agreement and the Acquisition. The written approval has been accepted in lieu of holding a general meeting pursuant to Rule 19.44 of the GEM Listing Rules.

On 17 September 2015, the Purchaser, the Vendor and Mr. Xiong entered into a supplemental agreement to change the payment terms of the installment of the Consideration and amend certain terms and conditions of the Equity Transfer Agreement.

The business scope of Yichang Zhongyou includes investment in natural gas project, provision of natural gas technology consultation services and sales of natural gas cooking appliance and accessories. Yichang Zhongyou has been granted the approval to construct and operate the first phase of a natural gas project in Zhijiang City, Hubei Province, the People's Republic of China (the "PRC") by Hubei Provincial Development and Reform Commission (湖北省發展和改革委員會).

Upon completion of the Acquisition, Yichang Zhongyou will be regarded as being controlled by the Group in accordance with the Group's accounting policies and Yichang Zhongyou will become a 49% indirectly-owned subsidiary of the Company.

Further details of the business and financial information of Yichang Zhongyou have been set out in the Circular.

As at the date of this report, Yichang Zhongyou is in the process of undergoing the examination and acceptance procedures for the first phase of the natural gas pipeline construction project operated by it and further announcement(s) will be made by the Company regarding the Acquisition as and when appropriate.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group follows a policy of prudence in managing its working capital. The Group did not have any bank borrowings as at 30 September 2015. Operation was primarily financed by internally generated cashflows and external financing.

During the period, the Group had no material contingent liabilities as at 30 September 2015.

Share Subdivision

Pursuant to an ordinary resolution passed by the shareholders at the extraordinary general meeting of the Company held on 9 January 2015, each existing issued share of the Company of HK\$0.1 each was subdivided into twenty (20) subdivided shares of the Company of HK\$0.005 each ("Share Subdivision").

Placing of Shares

On 30 January 2015, the Company completed a placing of 360,000,000 shares of the Company at a price of HK\$0.354 each (the "Placing"). The gross and net proceeds from the Placing were approximately HK\$127.4 million and approximately HK\$124.8 million respectively. Following the Share Subdivision became effective on 12 January 2015 and the completion of the Placing on 30 January 2015, the Company had an aggregate of 3,960,000,000 shares of HK\$0.005 each in issue.

The Subscription

On 29 September 2015, the Company entered into the Subscription Agreement with Mr. Kan Che Kin, Billy Albert ("the Subscriber"), pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 1,695,000,000 ordinary shares ("the Subscription Shares") at the subscription price of HK\$0.035 per Subscription Share. The subscription price of the Subscription in the total amount of HK\$59,325,000 shall be payable by the Subscriber to the Company in cash upon completion of the Subscription. Details please refer to the announcement dated on 29 September 2015.

As at the date of this report, the Subscription is yet to complete and further announcement(s) will be made by the Company to update the Shareholders the progress of the Subscription.

PROSPECT

The Group is not optimistic on the recovery of its existing IT business. Apart from the commodity trading business and the Acquisition, the Board will continue to explore IT and other investment opportunities in order to widen the revenue stream of the Group and support its long-term growth.

On 28 October 2015, Hong Kong Global Billion Access Investments Limited (the "Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding with Mr. Wong Man Chon and Mr. Kung Ho Wai (the "Vendors") in relation to the possible acquisition (the "Possible Acquisition") of the entire issued share capital of a company incorporated in Hong Kong which is principally engaged in e-commerce retailing business. The Possible Acquisition is subject to further negotiation as at the date of this report, which may or may not be materialised. If materialised, the Possible Acquisition is expected to constitute a notifiable transaction on the part of the Company under the GEM Listing Rules. The Company will comply with the relevant requirements under the GEM Listing Rules and publish further announcement(s) in relation thereto, as and when appropriate.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 September 2015, the interests of the Directors in the shares 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 Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

1. Interests in the Company

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

Name of Director	Number of shares held, capacity and nature of interest			Approximate percentage of the issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Mr. WEI Yue Tong	135,000,000	2,160,429,580 <i>(Note)</i>	2,295,429,580	57.97%
Mr. WENG Lin Lei	–	2,160,429,580 <i>(Note)</i>	2,160,429,580	54.56%

Note:

As at 30 September 2015, 2,160,429,580 shares of the Company were held by Global Strategic (Holding) Group Limited, a company incorporated in Samoa with limited liability and is wholly-owned by Global Strategic Fund Holdings Limited, which in turn is owned as to 49% of its issued share capital by Hotex Holdings Limited and as to 51% of its issued share capital by Liang Tan Yi Xing International Foundation Company Limited (“Liang Tan Yi Xing Foundation”). Hotex Holdings Limited is wholly-owned by Mr. WENG Lin Lei. Liang Tan Yi Xing Foundation is owned by Mr. WEI Yue Tong, as to 90% of its issued share capital and by Mr. ZHENG Zhu Ping, as to 10% of its issued share capital.

2. Interest in an Associated Corporation of the Company

The table below sets out the aggregate long positions in Liang Tan Yi Xing Foundation held by a Director:

Name of Director	Capacity	Number of shares in the associated corporation	Approximate percentage of the issued share capital of the associated corporation
Mr. ZHENG Zhu Ping	Beneficial owner	11,666,667	10%

Save as disclosed above, as at 30 September 2015, none of the Directors had any interest or short position 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 Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2015, 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 in the share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares	Approximate Percentage of the issued share capital
Global Strategic (Holding) Group Limited	Beneficial owner	2,160,429,580 <i>(Note)</i>	54.56%
Global Strategic Fund Holdings Limited	Interest in controlled corporation	2,160,429,580 <i>(Note)</i>	54.56%
Hotex Holdings Limited	Interest in controlled corporation	2,160,429,580 <i>(Note)</i>	54.56%
Liang Tan Yi Xing Foundation	Interest in controlled corporation	2,160,429,580 <i>(Note)</i>	54.56%

Note:

Global Strategic (Holding) Group Limited, a company incorporated in Samoa with limited liability and is wholly-owned by Global Strategic Fund Holdings Limited, which in turn is owned as to 49% of its issued share capital by Hotex Holdings Limited and as to 51% of its issued share capital by Liang Tan Yi Xing Foundation. Hotex Holdings Limited is wholly-owned by Mr. WENG Lin Lei. Liang Tan Yi Xing Foundation is owned by Mr. WEI Yue Tong, as to 90% of its issued share capital and by Mr. ZHENG Zhu Ping, as to 10% of its issued share capital. Accordingly, each of Global Strategic Fund Holdings Limited, Hotex Holdings Limited and Liang Tan Yi Xing Foundation are deemed to be interested in the 2,160,429,580 shares of the Company under the SFO.

Save as disclosed above, no person had any interest or short position in the shares or underlying shares of the Company according to the register required to be kept by the Company under Section 336 of the SFO as at 30 September 2015.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the nine months ended 30 September 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

COMPETING INTERESTS

None of the Directors, the controlling shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates had any business or interest which competed or might compete with the business of the Group nor had any other conflict of interests with the Group during the period under review.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the above unaudited third quarterly results of the Group for the nine months ended 30 September 2015.

By Order of the Board
GLOBAL STRATEGIC GROUP LIMITED
WEI Yue Tong
Chairman

Hong Kong, 2 November 2015

As at the date of this report, the executive Directors are Mr. WEI Yue Tong (Chairman), Mr. WENG Lin Lei, Mr. FAN Wei Guo, Mr. ZHENG Jian Peng and Ms. LEUNG Tsz Man; the non-executive Director is Mr. ZHENG Zhu Ping; and the independent non-executive Directors are Mr. CHIU Wai Piu, Mr. LEUNG Oh Man, Martin, Ms. KWAN Sin Yee, Mr. SUN Zhi Jun and Ms. HUANG Yu Jun.