



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)

2017
FIRST
QUARTERLY
REPORT

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK 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 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. 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 condensed consolidated results of the Company and its subsidiaries (collectively referred as the "Group") for the three months ended 31 March 2017 with comparative unaudited figures for the corresponding period in 2016 as follows:

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

For the three months ended 31 March 2017

	Notes	Three months ended 31 March	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	1,095	27,967
Cost of sales		<u>(854)</u>	<u>(27,862)</u>
Gross profit		241	105
Other income		313	25
Selling and distribution cost		(3,213)	(1,441)
General and administrative expenses		(6,462)	(10,147)
Finance cost		<u>(3,822)</u>	<u>—</u>
Loss before taxation		(12,943)	(11,458)
Income tax credit	4	<u>469</u>	<u>—</u>
Loss for the period		<u>(12,474)</u>	<u>(11,458)</u>
Other comprehensive expense for the period			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements to presentation currency		<u>1,462</u>	<u>(136)</u>
Total comprehensive expense for the period		<u>(11,012)</u>	<u>(11,594)</u>

	Three months ended	
	31 March	
<i>Notes</i>	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period attributable to:		
Owners of the Company	(9,238)	(10,674)
Non-controlling interests	(3,236)	(784)
	<u>(12,474)</u>	<u>(11,458)</u>
 Total comprehensive expense for the period attributable to:		
Owners of the Company	(8,554)	(10,810)
Non-controlling interests	(2,458)	(784)
	<u>(11,012)</u>	<u>(11,594)</u>
 Loss per share – basic	5	
	<u>HK(0.163) cents</u>	<u>HK(0.235) cents</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2017

1. BASIS OF PREPARATION

A. General Information

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 "Stock Exchange") (the "GEM Listing Rules").

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

In prior years and up to the acquisition of 宜昌中油天然氣利用有限公司 (Yichang Zhongyou Natural Gas Utilization Co., Ltd.*) ("Yichang Zhongyou") in February 2016, the Group's functional currency was Hong Kong Dollars ("HK\$"). The Directors had evaluated the primary economic environment in which the Group operates, including the underlying investment activities and strategy of the Group after the acquisition of Yichang Zhongyou in February 2016 and have determined that the functional currency of the Company changed from HK\$ to Renminbi ("RMB"). The effects of the change of the functional currency of the Company had been accounted for prospectively during the period. The unaudited condensed consolidated financial statements are continued to be presented in HK\$ which is considered to be more relevant as the shares of the Company are listed in the Stock Exchange.

B. Basis of Preparation

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\$12,474,000 for the three months period ended 31 March 2017, the Group's current liabilities exceeded its current assets and taking into account of the capital commitments as of that date.

As at 31 March 2017, Global Strategic (Holding) Group Limited, the immediate holding company of the Company, has agreed to provide sufficient funds to the Group so that the Group will be able to meet all current obligations as they fall due in the coming twelve months after the three months period ended 31 March 2017.

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

* English name is for identification purpose only.

2. PRINCIPAL ACCOUNTING POLICIES

The amounts included in these unaudited condensed consolidated financial statements have been prepared 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. In addition, the unaudited condensed consolidated financial statements include the applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance. However, it does not contain sufficient information to constitute an interim financial report as defined in HKFRSs.

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

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the three months ended 31 March 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

3. REVENUE

Analysis of revenue of the Group for the three months ended 31 March 2017 and 2016 is set forth below:

	For the three months ended 31 March	
	2017 HK\$'000	2016 HK\$'000
Sales of goods		
Trading of copper	–	27,615
Sales of natural gas	<u>716</u>	<u>162</u>
	<u>716</u>	<u>27,777</u>
Rendering of services		
IT solution services	170	190
Pipeline installation services	<u>209</u>	<u>–</u>
	<u>379</u>	<u>190</u>
Total	<u>1,095</u>	<u>27,967</u>

4. INCOME TAX CREDIT

	For the three months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	–	–
	<u>–</u>	<u>–</u>
Deferred tax:		
Current period credit	469	–
	<u>469</u>	<u>–</u>
Deferred tax credit	<u>469</u>	<u>–</u>

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

5. LOSS PER SHARE

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

	For the three months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	<u>(9,238)</u>	<u>(10,674)</u>
	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>5,655,000</u>	<u>4,537,417</u>

Diluted loss per share is the same as basic loss per share as there were no potential ordinary shares in issue throughout both periods presented.

6. RESERVES

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Other reserve	Translation reserve	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016 (audited)	19,800	172,652	7,540	-	(60)	(119,415)	80,517	-	80,517
Exchange differences arising on translation of financial statements to presentation currency	-	-	-	-	(136)	-	(136)	-	(136)
Loss for the period	-	-	-	-	-	(10,674)	(10,674)	(784)	(11,458)
Loss and total comprehensive expense for the period	-	-	-	-	(136)	(10,674)	(10,810)	(784)	(11,594)
Acquisition of Yichang Zhongyou	-	-	-	-	-	-	-	99,340	99,340
Issue of ordinary shares	8,475	50,850	-	-	-	-	59,325	-	59,325
At 31 March 2016 (unaudited)	28,275	223,502	7,540	-	(196)	(130,089)	129,032	98,556	227,558
At 1 January 2017 (audited)	28,275	223,502	7,540	16,613	(4,919)	(152,639)	118,372	103,985	222,357
Exchange differences arising on translation of financial statements to presentation currency	-	-	-	-	684	-	684	778	1,462
Loss for the period	-	-	-	-	-	(9,238)	(9,238)	(3,236)	(12,474)
Loss and total comprehensive expense for the period	-	-	-	-	684	(9,238)	(8,554)	(2,458)	(11,012)
Deemed capital contribution arising from non-current interest free loan from a shareholder of the Company and non-controlling shareholders of a subsidiary and its related parties	-	-	-	1,729	-	-	1,729	537	2,266
At 31 March 2017 (unaudited)	28,275	223,502	7,540	18,342	(4,235)	(161,877)	111,547	102,064	213,611

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.

7. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2017 (three months ended 31 March 2016: nil).

8. EVENT AFTER THE REPORTING PERIOD

On 11 October 2016, an indirect wholly-owned subsidiary of the Company entered into a subscription agreement (the "Subscription Agreement") with, among others, the founding shareholders of 新疆國力源投資有限公司 (Xinjiang Guoliyuan Investment Co., Ltd.*) ("Xinjiang Guoliyuan") ("Founding Shareholders") and Xinjiang Guoliyuan, both are independent third parties, pursuant to which the subsidiary of the Company has conditionally agreed to subscribe for and inject RMB105,000,000 (equivalent to HK\$120,750,000) into Xinjiang Guoliyuan. Xinjiang Guoliyuan and its subsidiaries were principally engaged in the development, promotion and investment of paper-making industry and provision of technical and consultancy services.

As more than one of the conditions for completion set out in the Subscription Agreement could not be fulfilled on or before the long stop date of 30 April 2017, the Subscription Agreement has been lapsed since then.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2017 (three months ended 31 March 2016: nil).

FINANCIAL AND BUSINESS REVIEW

The Group's unaudited revenue for the three months ended 31 March 2017 was approximately HK\$1,095,000 (three months ended 31 March 2016: HK\$27,967,000), of which approximately HK\$925,000 was generated from the sales of natural gas and pipeline installation services and the remaining of approximately HK\$170,000 was from the Group's IT solution services. No revenue was generated from trading of commodities for the three months ended 31 March 2017 as compared to HK\$27,615,000 for the corresponding period last year.

The Group's total operating expenses, which include selling and distribution costs and general and administrative expenses, for the three months period ended 31 March 2017 decreased to approximately HK\$9,675,000 from approximately HK\$11,588,000 for the last corresponding period, which was mainly attributable to the decrease in staff cost and other administrative expenses as a result of cost saving measures implemented.

Finance cost of the Group was approximately HK\$3,822,000 for the three months period ended 31 March 2017 (three months ended 31 March 2016: HK\$nil), which represented the imputed interest expense on non-current interest free loan from a substantial shareholder of the Company and non-controlling shareholders of a non-wholly-owned subsidiary.

Loss for the three months period ended 31 March 2017 was approximately HK\$12,474,000, compared with loss of approximately HK\$11,458,000 for the last corresponding period.

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LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 31 March 2017, the Group's total borrowings comprised (i) amounts due to non-controlling shareholders of a subsidiary and its related parties; (ii) amount due to a shareholder of the Company; and (iii) bank borrowings, totalling approximately HK\$185,484,000.

The Group had no material contingent liabilities as at 31 March 2017.

PROSPECTS

In addition to trading of commodities and the IT business, the Group commenced its natural gas operation in 2016, though the pace of growth is slower than expected as the demand of coal-to-gas conversion falls short of the expectation. The management will remain vigilant to the changing market situation and strive to improve the Group's overall operating performance.

The Company will continue look for new business opportunities with a view to achieve a balanced growth and enhance the shareholders' value in the long run.

LAPSE OF THE SUBSCRIPTION AGREEMENT IN RELATION TO THE SUBSCRIPTION FOR AND INJECTION OF THE REGISTERED CAPITAL OF RMB105,000,000 INTO XINJIANG GUOLIYUAN INVESTMENT

The Company announced on 30 April 2017 that the subscription for and injection of the registered capital of RMB105,000,000 into Xinjiang Guoliyuan Investment) has not been completed as certain conditions for completion set out in the Subscription Agreement dated 11 October 2016 (as supplemented by the three supplemental agreements dated 30 November 2016, 4 January 2017 and 24 January 2017 respectively) could not be fulfilled on or before the long stop date stipulated in the Subscription Agreement.

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 2017, 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 the GEM Listing Rules were as follows:

Interests in the Company

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

Name of Director	Capacity	Number of shares held through controlled corporation	Approximate percentage of the issued share capital
Mr. Weng Lin Lei	Interest in controlled corporation	1,802,580,000 (L) (Note)	31.88%

L: Long position

Note: As at 31 March 2017, 1,802,580,000 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. Hotex Holdings Limited is wholly-owned by Mr. Weng Lin Lei. Liang Tan Yi Xing International Foundation Company Limited is wholly-owned by Mr. Wei Yue Tong.

Save as disclosed above, as at 31 March 2017, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 31 March 2017, 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 shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Number of shares held, capacity and nature of interest			Approximate percentage of the issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Mr. Wei Yue Tong	4,480,000 (L)	1,802,580,000 (L) <i>(Note 1)</i>	1,807,060,000 (L) <i>(Note 1)</i>	31.96%
Global Strategic (Holding) Group Limited	1,802,580,000 (L) <i>(Note 1)</i>	–	1,802,580,000 (L)	31.88%
Global Strategic Fund Holdings Limited	–	1,802,580,000 (L) <i>(Note 1)</i>	1,802,580,000 (L)	31.88%
Hotex Holdings Limited	–	1,802,580,000 (L) <i>(Note 1)</i>	1,802,580,000 (L)	31.88%
Liang Tan Yi Xing International Foundation Company Limited	–	1,802,580,000 (L) <i>(Note 1)</i>	1,802,580,000 (L)	31.88%
Mr. Kan Che Kin, Billy Albert	–	1,116,000,000 (L) <i>(Note 2)</i>	1,116,000,000 (L)	19.73%
Key Fit Group Limited	1,116,000,000 (L) <i>(Note 2)</i>	–	1,116,000,000 (L)	19.73%
China LNG Group Limited	–	1,116,000,000 (L) <i>(Note 2)</i>	1,116,000,000 (L)	19.73%

L: Long position

Note:

1. 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. Hotex Holdings Limited is wholly-owned by Mr. Weng Lin Lei. Liang Tan Yi Xing International Foundation Company Limited is wholly owned by Mr. Wei Yue Tong. Accordingly, each of Global Strategic Fund Holdings Limited, Hotex Holdings Limited and Liang Tan Yi Xing International Foundation Company Limited are deemed to be interested in the 1,802,580,000 shares of the Company under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
2. Key Fit Group Limited is a non-wholly owned subsidiary of China LNG Group Limited. China LNG Group Limited is a company listed on the Main Board of the Stock Exchange and is owned as to approximately 69.79% by Mr. Kan Che Kin, Billy Albert.

Save as disclosed above, none of the substantial shareholders or other (other than Directors and chief executive of the Company) 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 31 March 2017.

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 three months ended 31 March 2017.

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.

CORPORATE GOVERNANCE CODE

Throughout the three months ended 31 March 2017, the Company complied with the code provisions of the Corporate Governance Code set out in Appendix 15 of the 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 three months ended 31 March 2017.

AUDIT COMMITTEE

As at 31 March 2017, the audit committee of the Company (the "Audit Committee") has four members comprising independent non-executive Directors, namely, Ms. Kwan Sin Yee, Mr. Leung Oh Man, Martin, Mr. Sun Zhi Jun and Ms. Huang Yu Jun. The chairman of the Audit Committee is Mr. Leung Oh Man, Martin. The Audit Committee is accountable to the Board and the principal duties of the Audit Committee are, among other things, to assist the Board to review the Group's financial information, its financial and corporate governance reporting process and to supervise the Group's internal controls and risk management matters.

The Audit Committee and the management of the Company have reviewed the accounting principles and practices adopted by the Group and have discussed auditing, internal controls and financial reporting matters, including the review of the unaudited quarterly results and quarterly report of the Company for the three months ended 31 March 2017.

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

This report 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 quarterly report for the three months ended 31 March 2017 will be published on the above websites in due course.

By Order of the Board
GLOBAL STRATEGIC GROUP LIMITED
Weng Lin Lei
Chairman and Executive Director

Hong Kong, 10 May 2017

As at the date of this report, the executive Directors are Mr. Weng Lin Lei (Chairman) and Ms. Leung Tsz Man; and the independent non-executive Directors are Ms. Kwan Sin Yee, Mr. Leung Oh Man, Martin, Mr. Sun Zhi Jun and Ms. Huang Yu Jun.

For illustration purposes only and unless otherwise stated, all amounts denominated in RMB in this report has been translated into HK\$ at the exchange rate of RMB1 = HK\$1.15.

* *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.*