GLOBAL STRATEGIC GROUP LIMITED
環球戰略集團有限公司

環球戰略集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8007)

2018

Third Quarterly Report

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

The board (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, the "Group") for the nine months ended 30 September 2018 with comparative unaudited figures for the corresponding period in 2017 as follows:

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

For the nine months ended 30 September 2018

		Three months ended 30 September		Nine months ended 30 September	
		2018	2017	**2018**	2017
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	*4*	**15,864**	33,411	**33,906**	47,168
Cost of sales		**(16,194)**	(32,311)	**(30,674)**	(44,903)
Gross (loss) profit		**(330)**	1,100	**3,232**	2,265
Other income		**1,225**	1	**1,256**	314
Gain on disposal of a subsidiary		**–**	2,000	**–**	2,000
Other (losses) gains		**–**	(4)	**15**	(104)
Impairment loss on intangible assets	*5*	**–**	–	**(2,100)**	–
Loss of fair value change on convertible bond designated at fair value through profit or loss ("FVTPL")		**(5,219)**	–	**(2,534)**	–
Selling and distribution cost		**(5,014)**	(3,338)	**(15,938)**	(9,807)
General and administrative expenses		**(5,450)**	(5,662)	**(20,062)**	(19,065)
Finance costs		**(5,523)**	(591)	**(14,667)**	(5,076)
Loss before tax		**(20,311)**	(6,494)	**(50,798)**	(29,473)
Income tax credit	*6*	**508**	485	**1,531**	1,429
Loss for the period		**(19,803)**	(6,009)	**(49,267)**	(28,044)

	Notes	Three months ended 30 September 2018 HK$'000 (Unaudited)	Three months ended 30 September 2017 HK$'000 (Unaudited)	Nine months ended 30 September 2018 HK$'000 (Unaudited)	Nine months ended 30 September 2017 HK$'000 (Unaudited)
Other comprehensive expenses for the period					
Items that will not be reclassified to profit or loss:					
Exchange differences on translation of financial statements from functional currency to presentation currency		**(14,920)**	4,798	**(10,321)**	9,894
Total comprehensive expense for the period		**(34,723)**	(1,211)	**(59,588)**	(18,150)
Loss for the period attributable to:					
Owners of the Company		**(15,297)**	(4,888)	**(36,338)**	(22,700)
Non-controlling interests		**(4,506)**	(1,121)	**(12,929)**	(5,344)
		(19,803)	(6,009)	**(49,267)**	(28,044)
Total comprehensive expense for the period attributable to:					
Owners of the Company		**(24,061)**	(2,786)	**(43,980)**	(18,154)
Non-controlling interests		**(10,662)**	1,575	**(15,608)**	4
		(34,723)	(1,211)	**(59,588)**	(18,150)
Loss per share – basic and diluted *(HK cents)*	*10*	**(0.249)**	(0.086)	**(0.624)**	(0.401)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended 30 September 2018

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 GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

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$49,267,000 for the nine months period ended 30 September 2018, the Group's current liabilities exceeded its current assets by HK$15,775,000 and taking into account the capital commitments as of that date.

In order to enable the Group can continue as a going concern, as disclosed in note 14, the Company subsequently on 2 October 2018 received a net proceed of approximately HK$28,900,000 as a result of the 300,000,000 shares of the Company placed at HK$0.10 each. In addition, as at 30 September 2018, Mr. Lao Yusheng, a major shareholder of the Company ("Mr. Lao"), and an entity which is 60% owned and controlled by Mr. Lao, both 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 in the coming twelve months after the nine months period ended 30 September 2018.

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

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 except for convertible bonds designated at FVTPL and the share options granted in this current interim period, which are measured at fair value, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the nine months period ended 30 September 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*
Amendments to HKAS 40	*Transfers of Investment Property*

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "*Revenue*" and HKAS 11 "*Construction Contracts*" and the related interpretations.

The Group recognises revenue from the following major sources:

- Trading of copper – including income from trading of copper

- IT solution services – including services rendered in establishing the mobile application platform for customer's design of garments

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

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "*Revenue*" and HKAS 11 "*Construction Contracts*" and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Except for the classification in respect of consideration received in advance from the customer from "other payables" to "contract liabilities" since 1 January 2018, the application of HKFRS 15 in the current interim period has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 "*Financial Instruments*" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "*Financial Instruments: Recognition and Measurement*".

Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

Classification and measurement of financial liabilities

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

The application of HKFRS 9 in the current interim period has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these condensed consolidated financial statements.

3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying accounting policies

The following is the critical judgements, apart from those involving estimations (see below), that the management of the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the condensed consolidated financial statements.

Judgement of the Group's trading of copper as a principal

The Group recognises revenue generated from trading of copper on a gross basis acting as a principal. Significant judgement is made by the management of the Group in determining whether the Group is acting as a principal or agent in the Group's copper trading business.

Considering that (a) the Group is the contracting party primarily responsible for fulfilling the contracts with its suppliers and customers in purchasing and selling the goods; (b) the Group has inventory risk before or after the goods have been ordered by a customer; (c) the Group has discretion in establishing prices for the goods and can receive the benefit from the sale of such goods; (d) the Group's consideration is not in the form of a commission and (e) the Group is exposed to credit risk for the amount receivable from a customer in exchange for the goods, the management of the Group assessed that the Group controls the copper purchased from the supplier before the Group transfers the copper to its customers, and such control is assessed not to be momentary before legal title is transferred.

Accordingly, the management of the Group assessed that the Group is a principal and upon satisfaction of a performance obligation, the Group recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for those goods transferred.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months after the end of the reporting period.

Estimated impairment of intangible asset

Intangible assets are reviewed at the end of each reporting period to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

The recoverable amount of an intangible asset is the higher of its fair value less costs of disposal and value in use calculated based on its present value of expected future cash flows. In assessing value in use, significant judgments on preparation of future cash flows are exercised over the selling price, the production estimation, related operating expenses and a suitable discount rate to calculate the present value. All relevant information and materials which can be obtained are used for estimation of the recoverable amount, including the selling price, estimation of the production, and related operating expenses based on reasonable and supportable assumptions. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, a material impairment loss/further impairment loss may arise. On the contrary, a reversal of impairment may become necessary.

Fair value measurements and valuation process

Some of the Group's liabilities and equity instruments (including convertible bonds designated at FVTPL and share options granted in this current interim period) are measured at fair value for financial reporting purposes. The Directors authorised the financial department headed up by the Chief Financial Officer of the Group to determine the appropriate valuation techniques and inputs for fair value. In estimating the fair value of a liability or an equity instrument, the Group uses market-observable data to the extent it is available. Where the Level 1 inputs are not available, the Group engages third-party qualified valuation experts to perform the valuation. The valuation team works closely with the qualified external valuation experts to establish the appropriate valuation techniques and inputs to the model. The valuation team reports the findings to the Directors of the Group every quarter to explain the cause of the fluctuations in the fair value of the liabilities and equity instruments.

4. REVENUE

Analysis of revenue of the Group for the three months ended and nine months ended 30 September 2018 and 2017 is set forth below:

	Three months ended 30 September		**Nine months ended 30 September**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Types of goods or services (recognised at a point in time)				
Sales of goods				
Trading of copper	**4,963**	30,968	**4,963**	41,842
Sales of natural gas	**10,454**	1,609	**26,798**	2,969
	15,417	32,577	**31,761**	44,811
Rendering of services				
IT solution services	**–**	149	**22**	500
Pipeline installation services	**447**	685	**2,123**	1,857
	447	834	**2,145**	2,357
Total	**15,864**	33,411	**33,906**	47,168

All the Group's revenue by location of customers are within People's Republic of China, including Hong Kong and Macau.

5. IMPAIRMENT LOSS ON INTANGIBLE ASSETS

During the current interim period, in light of continuous losses incurred by and the scale down of the online sales platform, the Directors have assessed that the estimated recoverable amount had been less than the carrying amount of the intangible assets. Thus, a partial impairment loss of HK$2,100,000 had been recognised for the online sales platform during the current interim period.

6. INCOME TAX CREDIT

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current tax charge:				
Hong Kong Profits Tax	**–**	(1)	**–**	(1)
PRC Enterprise Income Tax	**–**	–	**–**	–
Deferred tax:				
Current period credit	**508**	486	**1,531**	1,430
	508	485	**1,531**	1,429

PRC Enterprise Income Tax was charged at 25% on the estimated assessable profits in the periods presented for all of the subsidiaries in the PRC. No provision for PRC Enterprise Income Tax has been made since the Company's subsidiaries in the PRC have no assessable profits for the periods presented.

Hong Kong Profits Tax was charged at 16.5% on the estimated assessable profits in the periods presented for all of the subsidiaries in Hong Kong. No provision for Hong Kong Profits Tax has been made as the subsidiaries in Hong Kong have no assessable profits for the nine months period ended 30 September 2018, while there was available tax profits for the nine months period ended 30 September 2017.

7. SHARE CAPITAL

	Number of shares		Share capital	
	As at 30 September 2018	As at 31 December 2017	**As at 30 September 2018**	As at 31 December 2017
	'000	*'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Authorised:				
16,000,000,000 ordinary Shares of HK$0.005 each	**16,000,000**	16,000,000	**80,000**	80,000
Issued and fully paid:				
At beginning of period	**5,655,000**	5,655,000	**28,275**	28,275
Exercise of share options *(a)*	**7,000**	–	**35**	–
Placing of new shares *(b)*	**555,200**	–	**2,776**	–
At end of the period	**6,217,200**	5,655,000	**31,086**	28,275

Notes:

(a) This represented 7,000,000 shares options which had been exercised at a price of HK$0.1112 each by the eligible participants of the Group.

(b) This represented an aggregate of 555,200,000 placing shares issued on 13 July 2018 at a price of HK$0.071 each, resulting in a credit to share capital and share premium by HK$2,776,000 and HK$35,543,000, respectively, netting off the placing cost of HK$1,100,000.

8. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme

On 30 November 2012, the Company adopted a share option scheme (the "Scheme"). The purpose of the Scheme is to attract and to retain quality personnel and other persons and to provide them with incentive to contribute to the business and operation of the Group.

On 30 September 2018, the total number of shares of the Company available for issue under the Scheme adopted by the Company on 30 November 2012 is 186,000,000 (31 December 2017: 233,000,000) shares of HK$0.005 each in the share capital of the Company, representing approximately 2.99% (31 December 2017: 4.12%) of the issued share capital of the Company. Unless otherwise determined by the Directors, there is no minimum period required under the Scheme for the holding of an option before it can be exercised. There is no consideration for the application or acceptance of an option under the Scheme. The remaining life of the Scheme is approximately four years and to be expired on 30 November 2022.

Details of specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price	Exercise dates
2017	21/12/2017	N/A	21/12/2017- 21/12/2019	0.1112	N/A
2018	18/01/2018	N/A	18/01/2018- 18/01/2020	0.1570	N/A

The following table discloses movements of the Company's share options held by employees during the period:

	Outstanding at 01/01/2018	Granted during period	Exercised during period	Forfeited during period *(note)*	Expired during period	Outstanding at 30/09/2018
2017	67,000,000	–	7,000,000	15,000,000	–	45,000,000
2018	–	62,000,000	–	–	–	62,000,000
	67,000,000	62,000,000	7,000,000	15,000,000	–	107,000,000
Exercisable at the end of the period						107,000,000
Weighted average exercise price	0.1112	0.1570	0.1112	0.1112	–	0.1377

Note: The forfeiture represented the share options granted to the eligible participants of the Group, which were forfeited upon their resignations during the period.

In respect of the share options exercised during the period, the weighted average share price at the dates of exercise was HK$0.1477 (31 December 2017: nil).

During the period ended 30 September 2018, options were granted on 18 January 2018. The estimated fair values of the options granted on that date was HK$2,947,000. During the year ended 31 December 2017, options were granted on 21 December 2017. The estimated fair values of the options granted on that date was HK$2,446,000.

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

	2018	2017
Weighted average share price	**HK$0.1480**	HK$0.1112
Exercise price	**HK$0.1570**	HK$0.1112
Expected volatility	**61.88%**	60.22%
Expected life	**2 years**	2 years
Risk-free rate	**1.324%**	1.393%
Expected dividend yield	**0%**	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 2 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of HK$2,947,000 for the period ended 30 September 2018 (30 September 2017: nil) in relation to share options granted by the Company.

9. CONVERTIBLE BOND DESIGNATED AT FVTPL

	HK$'000
At 1 January 2018	–
Issue of convertible bond	20,000
Issue cost	(2,636)
Loss arising on change in fair value	2,534
At 30 September 2018	19,898

During the period, the Group issued a convertible bond with principal value of HK$20,000,000 which carries coupon interest at the rate of 10% per annum payable annually in arrears.

The bond matures two years from the date of issue of bond at their principal value or can be converted into ordinary shares at the holder's option at rate HK$0.108 per conversion share. The maximum number of ordinary shares to be converted is 185,185,185 shares and none of them was converted up to 30 September 2018. The Group intends to use the proceeds for general working capital purpose.

The entire convertible bond is designated as a financial liability at fair value through profit or loss and classified as non-current liability as at 30 September 2018.

The Group's convertible bond is valued by an independent valuer using binomial model with the following key assumptions:

	At 30 September 2018	At 3 May 2018
Share price of the Company	**HK$0.092**	HK$0.100
Exercise price	**HK$0.108**	HK$0.108
Risk-free rate	**2.037%**	1.610%
Expected volatility	**48.876%**	54.848%
Expected dividend yield	**0.000%**	0.000%

10. LOSS PER SHARE – BASIC AND DILUTED

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

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	**2018**	2017
	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	**(15,297)**	(4,888)	**(36,338)**	(22,700)
	'000	*'000*	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**6,143,000**	5,655,000	**5,821,000**	5,655,000

The computation of diluted loss per share for the period ended 30 September 2018 does not assume the exercise of the Company's outstanding share options and the conversion of the convertible bonds issued, as this would result in the decrease in the loss per share. Diluted loss per share was the same as basic loss per share as there were no potential ordinary shares in issue for the period ended 30 September 2017.

11. RESERVES

	Attributable to owners of the Company									
	Share capital	Capital reserve	Share premium	Other reserve	Translation reserve	Share Options reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2017 (audited)	28,275	7,540	223,502	16,613	(4,919)	–	(152,639)	118,372	103,985	222,357
Exchange difference arising on translation of financial statements to presentation currency	–	–	–	–	4,546	–	–	4,546	5,348	9,894
Loss for the period	–	–	–	–	–	–	(22,700)	(22,700)	(5,344)	(28,044)
Total comprehensive Income (expense) for the period	–	–	–	–	4,546	–	(22,700)	(18,154)	4	(18,150)
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	–	–	–	5,298	–	–	–	5,298	2,395	7,693
At 30 September 2017(unaudited)	28,275	7,540	223,502	21,911	(373)	–	(175,339)	105,516	106,384	211,900
At 1 January 2018 (audited)	28,275	7,540	223,502	32,102	(347)	2,446	(185,864)	107,654	113,453	221,107
Exchange difference arising on translation of financial statements to presentation currency	–	–	–	–	(7,642)	–	–	(7,642)	(2,679)	(10,321)
Loss for the period	–	–	–	–	–	–	(36,338)	(36,338)	(12,929)	(49,267)
Total comprehensive expense for the period	–	–	–	–	(7,642)	–	(36,338)	(43,980)	(15,608)	(59,588)
Recognition of share-based payments	–	–	–	–	–	2,947	–	2,947	–	2,947
Exercise of share options	35	–	743	–	–	–	–	778	–	778
Forfeiture of share options	–	–	–	–	–	(542)	542	–	–	–
Adjustment of deemed capital contribution arising from early repayment of non-current interest free loan from a shareholder of the Company and non-controlling shareholders of a subsidiary and its related parties	–	–	–	(3,812)	–	–	–	(3,812)	(193)	(4,005)
Deemed contribution arising from acquisition of a subsidiary *(note 12)*	–	–	–	54	–	–	–	54	–	54
Placing of new shares *(note 7)*	2,776	–	36,643	–	–	–	–	39,419	–	39,419
Placing shares issue cost	–	–	(1,100)	–	–	–	–	(1,100)	–	(1,100)
At 30 September 2018 (unaudited)	31,086	7,540	259,788	28,344	(7,989)	4,851	(221,660)	101,960	97,652	199,612

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.

12. ACQUISITIONS, DISPOSAL AND SIGNIFICANT INVESTMENTS

On 6 October 2017, 帝航能源（深圳）有限公司 (Dihang Energy (Shenzhen) Company Limited*) ("Dihang Energy"), an indirect wholly-owned subsidiary of the Company, entered into the equity transfer agreement with 上海奢冠國際貿易有限公司 (Shanghai Sheguan International Trading Company Limited*), a related company which was owned as to 61% by and controlled by Mr. Weng Lin Lei, a shareholder of the Company as at that date, and 深圳安捷能特分布式能源有限公司 (Shenzhen Energynt Co. Ltd.) ("Shenzhen Energynt"), pursuant to which Dihang Energy agreed to acquire the entire equity interests in Shenzhen Energynt at a nominal consideration of RMB1.

Shenzhen Energynt and its subsidiaries were inactive when acquired on date of acquisition and intended to engage in design and construction of new energy power generation equipment, energy storage systems and power equipment, technology development, technical services and technology transfer.

On 3 January 2018, the Group had completed the acquisition of Shenzhen Energynt which then became a 100% owned subsidiary of the Group. Total fair value of the identified net assets on that date was amounted to HK$54,000, the surplus of the fair value of identified net assets acquired over the nominal consideration, amounting to HK$54,000, had therefore been accounted for as deemed capital contribution and credited in other reserve.

There were no other acquisitions, disposal and significant investments completed in this period.

13. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2018 (nine months ended 30 September 2017: nil).

14. EVENT AFTER THE REPORTING PERIOD

On 11 September 2018, the Company entered into a placing agreement to place maximum number of 300,000,000 shares of the Company to not less than six independent third parties at HK$0.10 per share. On 2 October 2018, 300,000,000 shares of the Company at HK$0.10 per share have been placed. The net proceeds from the placing received by the Company is approximately HK$28,900,000. For further details, please refer to the announcement published by the Company on the website of the Stock Exchange on 2 October 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

The Group's unaudited revenue for the nine months ended 30 September 2018 was approximately HK$33,906,000 (nine months ended 30 September 2017: HK$47,168,000). Approximately HK$28,921,000 was generated from the sales of natural gas and pipeline installation services, and the remaining of approximately HK$4,963,000 and HK$22,000 were from the trading of commodities and IT solution services for the nine months ended 30 September 2018 respectively.

The Group's total operating expenses, which include selling and distribution costs and administrative expenses, for the nine months period ended 30 September 2018 increased to approximately HK$36,000,000 from approximately HK$28,976,000 for the last corresponding period, which was mainly attributable to the increase in selling and distribution cost from segment sales of natural gas and administrative costs of new segment on energy business.

Finance costs of the Group was approximately HK$14,667,000 for the nine months period ended 30 September 2018 (nine months ended 30 September 2017: HK$5,076,000), 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 and interest on bank borrowings.

During the period ended 30 September 2018, 62,000,000 share options were granted on 18 January 2018. The estimated fair value of the options granted on that date is HK$2,947,000 which had been included in the Group's administrative expenses as share based payments.

Loss attributable to the Company for the nine months period ended 30 September 2018 was approximately HK$49,267,000, compared with loss of approximately HK$28,044,000 for the last corresponding period.

On 1 February 2018, the Group entered into the non-legally binding memorandum of understanding (the"MOU") with 上海協同科技股份有限公司 (Shanghai Xietong Technology Inc.) ("Shanghai Xietong") and 安徽征聖智慧科技有限公司 (Anhui Zhengsheng Intelligent Technology Co., Ltd.*) ("Anhui Zhengsheng", together with Shenzhen Energynt and Shanghai Xietong as the "Parties").

Pursuant to the MOU, the Parties have agreed, in using each of their own competitive advantage, to establish strategic cooperation in the aspect of integrated energy management services, so as to promote the provision of integrated energy management services by the Company in various industries. As at the date of this report, no formal agreement has been entered into among the Parties. Details of the MOU was disclosed in the Company's announcement dated 1 February 2018.

On 6 February 2018 and 13 February 2018, Shenzhen Energynt Co. Ltd.（深圳安捷能特分布式能源有限公司）(a wholly-owned subsidiary of the Group) the Group entered into the pre-acquisition agreements (the "PAA") of Shanghai Xinshu and Dezhou Xueyuan respectively in relation to the possible acquisition. Details of the PAA was disclosed in the Company's announcements dated 6 February 2018 and 13 February 2018.

As the National Development and Reform Commission, Ministry of Finance and National Energy Administration had published the notice on matters related to photovoltaic power generation in 2018 on 31 May 2018, which sets out that the scale of construction of ordinary photovoltaic power stations in 2018 will not be fixed and before the state government issues documents to commence the construction of the ordinary power station, all local governments shall not arrange for the construction of ordinary power stations that require state subsidies, Shenzhen Energynt decided not to proceed with the possible acquisitions of the equity interests in Shanghai Xinshu and Dezhou Xueyuan on 17 August 2018. Details was disclosed in the Company's announcement dated 7 September 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 30 September 2018, the Group's total borrowings comprised (i) amounts due to non-controlling shareholders of a subsidiary and its related parties; (ii) convertible bond; and (iii) bank borrowings, totaling approximately HK$220,966,000.

The Group had no material contingent liabilities as at 30 September 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group had employed 50 staff (as at 30 September 2017: 42 staff), including 30 staff in the PRC, 20 staff in Hong Kong. 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. The Company has established a Human Resources and Remuneration Committee, which considers factors such as the Company's operating results, individual performance, salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

PROSPECT

The Group will continue to seek for new development projects to diversify investment risks and maximise value for shareholders, particularly business opportunities in new energy sector.

Under the fears of trade war between China and the United States of America, the economy of China is expected to be affected negatively. As a result, the management will strengthen the Group's risk management in order to ensure stable and steady on the Group's operations.

The management of the Group is still cautious of the outlook of trading of copper business and natural gas operations business. The Group will continue to explore effective cost-saving measure and expand their distribution networks.

The Group has successfully launched its new leasing business of the steel support axial force servo system in third quarter of 2018. The management of the Group considered that the prospect of the leasing business of the steel support axial force servo system is promising taking into account the increasing demand for such services in relation to the construction of railways in the PRC.

Looking into the future, the Group will seek opportunities and focus on clean energy development and integrating state-owned capital investment as its approach. In addition to expanding both domestic and international energy markets, it will also strive to develop into an innovative, international and integrated energy group.

FUND RAISING ACTIVITIES

Convertible bond

On 3 May 2018, the Company placed convertible bond of HK$20,000,000 to an Independent Third Parties. The net proceeds from the placing was approximately HK$19,880,000 had be applied in accordance with the plans as set out in the Company's circular dated 3 May 2018.

Placing of new shares

1. On 21 June 2018, the Company entered into a placing agreement with Grand China Securities Limited. Pursuant to the placing agreement, the Company appointed the Placing Agent to procure not less than six placees who are independent third parties to subscribe for up to 600,000,000 placing shares at a price of HK$0.071 per placing share.

   The Placing was completed on 13 July 2018 where 555,200,000 placing shares were subscribed for in full pursuant to the terms and conditions of the placing agreement. The net proceeds arising from the Placing were approximately HK$38,300,000 had be applied in accordance with the plans as set out in the Company's circular dated 21 September 2018.

2. On 11 September 2018, the Company entered into a placing agreement with ChaoShang Securities Limited. Pursuant to the placing agreement, the Company appointed the Placing Agent to procure not less than six placees who are independent third parties to subscribe for up to 300,000,000 placing shares at a price of HK$0.10 per placing share.

   The Placing was completed on 2 October 2018 where 300,000,000 placing shares were subscribed for in full pursuant to the terms and conditions of the placing agreement. The net proceeds arising from the Placing were approximately HK$28,900,000 will be applied in accordance with the plans as set out in the Company's circular dated 2 October 2018.

GRANT OF SHARE OPTIONS

On 9 October 2018, the Company granted 186,000,000 share options to an executive Director and certain employees of the Company to subscribe for 186,000,000 ordinary shares of HK$0.005 each of the Company with exercise price of HK$0.0932 per share. Details of the grant of share options are set out in the Company's announcement dated 9 October 2018.

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.

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

As at 30 September 2018, 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 corporations (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:

Directors/chief executive	Corporate interests	Number of underlying shares held under equity derivatives	Total interests	Long (L) or short (S) position	Percentage of interests
Mr. Cheung Tuen Ting	280,000,000	30,000,000 *(Note)*	310,000,000	L	4.99%
Mr. Wu Guoming	–	30,000,000 *(Note)*	30,000,000	L	0.48%
Mr. Long Wenming	–	20,000,000 *(Note)*	20,000,000	L	0.32%
Mr. Chen Hualiang	–	20,000,000 *(Note)*	20,000,000	L	0.32%
Mr. Han Leiping	–	20,000,000 *(Note)*	20,000,000	L	0.32%

Directors/chief executive	Corporate interests	Number of underlying shares held under equity derivatives	Total interests	Long (L) or short (S) position	Percentage of interests
Ms. Kwan Sin Yee	–	3,000,000 *(Note)*	3,000,000	L	0.05%
Mr. Leung Oh Man Martin	–	3,000,000 *(Note)*	3,000,000	L	0.05%
Ms. Huang Yujun	–	3,000,000 *(Note)*	3,000,000	L	0.05%
Mr. Sun Zhijun	–	3,000,000 *(Note)*	3,000,000	L	0.05%

Note:

These interests represented the interests in underlying shares in respect of the share options granted by the Company to the directors.

Save as disclosed above, as at 30 September 2018, 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 30 September 2018, 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:

	Number of shares held, capacity and nature of interest			
Name of shareholder	Directly beneficially owned	Through controlled corporation	Total	Approximate percentage of the issued share capital
Hong Kong Hao Yue International Trading Co., Limited	1,116,000,000 (L) *(Note)*	–	1,116,000,000 (L)	17.95%
Mr. Zhang Hai Ping	–	1,116,000,000 (L) *(Note)*	1,116,000,000 (L)	17.95%
Mr. Lao Yu Sheng	860,000,000 (L)	–	860,000,000 (L)	13.83%

L: *Long position*

Note:

Hong Kong Hao Yue International Trading Co., Limited is wholly-owned by Mr. Zhang Hai Ping.

Save as disclosed above, none of the substantial shareholders or other (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 30 September 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the nine months ended 30 September 2018.

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 nine months ended 30 September 2018, 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 nine months ended 30 September 2018.

AUDIT COMMITTEE

As at 30 September 2018, 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 internal controls, financial reporting matters, accounting principles and practices adopted by the Group, including the review of the unaudited quarterly results and quarterly report of the Company for the nine months ended 30 September 2018.

PUBLICATION OF THIRD QUARTERLY RESULTS AND THIRD 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 nine months ended 30 September 2018 will be published on the above websites in due course.

By Order of the Board
Global Strategic Group Limited
Cheung Tuen Ting
Executive Director and Chief Executive Director

Hong Kong, 13 November 2018

As at the date of this report, the executive Directors are Mr. Cheung Tuen Ting (Chief Executive Officer), Mr. Wu Guoming, Mr. Long Wenming, Mr. Chen Hualiang and Mr. Han Leiping; 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 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.*