环球战略集团有限公司

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)

2019
First Quarterly Report

CHARACTERISTICS OF 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 ("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 three months ended 31 March 2019 with comparative unaudited figures for the corresponding period in 2018 as follows:

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

For the three months ended 31 March 2019

		Three months ended 31 March	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	*4*	**89,986**	6,107
Cost of sales		**(87,664)**	(4,609)
Gross profit		**2,322**	1,498
Other income		**940**	–
Other gains and losses		**26**	–
Gain on fair value change on convertible bond designated at fair value through profit or loss ("FVTPL")		**3,501**	–
Selling and distribution costs		**(5,107)**	(5,661)
General and administrative expenses		**(9,975)**	(9,882)
Finance costs		**(2,393)**	(4,686)
Loss before tax		**(10,686)**	(18,731)
Income tax credit	*5*	**466**	510
Loss for the period from continuing operations		**(10,220)**	(18,221)
Discontinued operations			
Loss for the period from discontinued operations	*6*	**(1)**	(505)
Loss for the period		**(10,221)**	(18,726)

	Notes	Three months ended 31 March 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of financial statements to presentation currency		**10,460**	8,014
Other comprehensive income for the period, net of tax		**10,460**	8,014
Total comprehensive income for the period		**239**	(10,712)
Loss for the period attributable to:			
Owners of the Company		**(5,904)**	(14,268)
Non-controlling interests		**(4,317)**	(4,458)
		(10,221)	(18,726)
Total comprehensive income for the period attributable to:			
Owners of the Company		**(161)**	(10,844)
Non-controlling interests		**400**	132
		239	(10,712)
Loss per share			
From continuing and discontinued operations			
Basic and diluted *(HK cents)*	*10*	**(0.453)**	(1.261)
From continuing operations			
Basic and diluted *(HK cents)*	*10*	**(0.453)**	(1.216)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2019

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$10,221,000 for the three months ended 31 March 2019, the Group's current liabilities exceeded its current assets by HK$3,855,000 and taking into account the capital commitments as of that date.

As at 31 March 2019, Mr. Wu Guoming, a substantial shareholder 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 ended 31 March 2019.

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 bond designated at FVTPL and the share options granted, 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 unaudited condensed consolidated financial statements for the three months ended 31 March 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

(a) Application of new and amendments to HKFRSs

During the three months ended 31 March 2019, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory to be adhered to and effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's unaudited condensed consolidated financial statements:

HKFRS 16	Leases
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

(b) Changes in accounting policies

Except for the HKFRS 16 mentioned below, the application of all other new and amendments to HKFRSs in the current period has had no material impact on these unaudited condensed consolidated financial statements.

The Group applied HKFRS 16 with a date of initial application on 1 January 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new and amended requirements with respect to lease accounting are therefore recognised in the opening statement of financial position on 1 January 2019.

(i) Adjustments recognised on adoption of HKFRS 16

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease rental expenses were recognised in the consolidated statement of profit or loss over the lease period on a straight-line basis.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The difference between the present value and the total remaining lease payments represents the cost of financing. Such finance cost will be charged to the consolidated statement of profit or loss in the period in which it is incurred using effective interest method.

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities, adjusted by certain items as set out in note 2(b)(ii). The right-of-use assets were recognised in the consolidated statement of financial position. Depreciation was charged on a straight-line basis over the shorter of the asset's useful life or the lease term.

(ii) Accounting policies adopted since 1 January 2019

The Group leases several office premises. Rental contract is typically entered into for fixed period of two years.

Until the year ended 31 December 2018, these leases were classified as operating leases. Payments made under operating leases were recognised as an expense on a straight-line basis over the lease term.

From 1 January 2019 onwards, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;

- variable lease payment that are based on an index or a rate;

- amounts expected to be payable by the lessee under residual value guarantees;

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;

- any lease payments made at or before the commencement date less any lease incentives received;

- any initial direct costs, and

- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise car parking spaces, office equipment and small items of office furniture.

For avoidance of doubt, prepaid lease payment in respect of the land use right in the People's Republic of China ("PRC") should be reclassified as right-of-use assets under HKFRS 16.

3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(a) 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 unaudited condensed consolidated financial statements.

(i) Going concern basis

These unaudited condensed consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon measures taken by the directors to improve the Group's financial position, cash flows and profitability and the financial support of a major shareholder, at a level sufficient to finance the working capital requirements of the Group as explained in note 1(b) to the unaudited condensed consolidated financial statements.

(ii) Consolidation of entity with less than 50% equity interest holding

Although the Group owns less than 50% of the equity interest in 宜昌市標典天然氣利用有限公司 ("Yichang Biaodian"), Yichang Biaodian is treated as a subsidiary because the Group is able to control the relevant activities of Yichang Biaodian as a result of the shareholders' agreement between the Group and other shareholders of Yichang Biaodian. For details please refer to note 12(a).

(iii) Significant increase in credit risk

Expected credit loss ("ECL") is measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

(iv) Judgement of the Group's trading of copper and petrochemical as a principal

The Group recognises revenue generated from trading of copper and petrochemical 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 and petrochemical trading business.

Considering that the Group controls the copper and petrochemical before it is transferred to the customer as (i) the Group has primary responsibility for fulfilling the promise to provide the copper and petrochemical including responsibility for the acceptability of the copper and petrochemical and (ii) the Group has discretion to establish the price of the copper and petrochemical, management of the Group has assessed that the Group acts as principal.

The Group recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for those goods transferred.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that 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, are discussed below.

(i) 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.

(ii) Fair value measurements and valuation process

Some of the Group's liabilities and equity instruments (including convertible bond designated at FVTPL and share options granted) are measured at fair value for financial reporting purposes. The Directors authorised the financial department headed up by the Group's financial controller 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.

(iii) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

(iv) Income taxes

The Group is subject to income taxes mainly in statutory jurisdictions of Hong Kong and the PRC. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(v) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

(vi) Impairment of trade receivables

Prior to the adoption of HKFRS 9 on 1 January 2018, the management of the Group assesses at the end of each reporting period whether there is any objective evidence that trade receivables are impaired. The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of trade receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

Since the adoption of HKFRS 9 on 1 January 2018, the management of the Group estimates the amount of impairment loss for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment loss based on ECL model is measured 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. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

4. REVENUE

The Group's revenue is derived from contracts with customers.

In the following table, revenue is disaggregated by primary geographical market and timing of revenue recognition.

For the three months ended 31 March (Unaudited)	Trading of copper		Trading of petrochemical		Sales of natural gas		Pipeline installation services		Provision of technology support services		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Primary geographical markets												
– PRC except Hong Kong	**48,158**	–	**33,518**	–	**7,010**	5,990	**872**	117	**428**	–	**89,986**	6,107
Revenue from external customers	**48,158**	–	**33,518**	–	**7,010**	5,990	**872**	117	**428**	–	**89,986**	6,107
Timing of revenue recognition												
Products transferred at a point in time	**48,158**	–	**33,518**	–	**–**	2,223	**872**	117	**–**	–	**82,548**	2,340
Products and services transferred over time	**–**	–	**–**	–	**7,010**	3,767	**–**	–	**428**	–	**7,438**	3,767
Total	**48,158**	–	**33,518**	–	**7,010**	5,990	**872**	117	**428**	–	**89,986**	6,107

5. INCOME TAX CREDIT

	Three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax charge:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax	**15**	–
	15	–
Deferred tax:		
Current period credit	**(481)**	(510)
	(481)	(510)
Income tax credit	**(466)**	(510)

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% (three months ended 31 March 2018: 25%). The tax rate of Hong Kong Profits tax in respect of Hong Kong subsidiaries is 16.5% (three months ended 31 March 2018: 16.5%).

PRC Enterprise Income Tax has been provided at a rate of 25% for the three months ended 31 March 2019.

No provision for the PRC Enterprise Income Tax has been made in the unaudited condensed consolidated financial statements for the three months ended 31 March 2018 since the PRC subsidiaries had no assessable profits.

No provision for Hong Kong Profits Tax is required since the Company and its subsidiaries has no assessable profits for the three months ended 31 March 2019 (three months ended 31 March 2018: HK$Nil).

6. DISCONTINUED OPERATIONS

During the year ended 31 December 2018, the Group ceased its business in provision of IT solution services due to deterioration of operating results and financial performance during the year. The analysis of the results of discontinued operations is as follows:

	Three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period from discontinued operations:		
Revenue	**–**	21
Cost of sales	**–**	(45)
Gross loss	**–**	(24)
Selling and distribution costs	**–**	(472)
General and administrative expenses	**(1)**	(9)
Loss before tax	**(1)**	(505)
Income tax expense	**–**	–
	(1)	(505)
Loss for the period from discontinued operations (attributable to owners of the Company)	**(1)**	(505)

7. SHARE CAPITAL

	As at 31 March 2019		As at 31 December 2018	
	Number of shares	**Amount**	Number of shares	Amount
	'000	***HK$'000***	*'000*	*HK$'000*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Authorised:				
Ordinary shares of HK$0.005 each	**16,000,000**	**80,000**	16,000,000	80,000
Share consolidation *(note (d))*	**(12,800,000)**	**–**	(12,800,000)	–
Ordinary shares of HK$0.025 each	**3,200,000**	**80,000**	3,200,000	80,000
Issued and fully paid:				
At beginning of period/year	**1,303,440**	**32,586**	5,655,000	28,275
Exercise of share options *(note (a))*	**–**	**–**	7,000	35
Placing of new shares *(note (b))*	**–**	**–**	555,200	2,776
Placing of new shares *(note (c))*	**–**	**–**	300,000	1,500
Share consolidation *(note (d))*	**–**	**–**	(5,213,760)	–
At end of the period/year	**1,303,440**	**32,586**	1,303,440	32,586

Note:

(a) This represented 7,000,000 share options 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$35,504,000, respectively, netting off the placing cost of HK$1,139,000.

(c) This represented an aggregate of 300,000,000 placing shares issued on 2 October 2018 at a price of HK$0.1 each, resulting in a credit to share capital and share premium by HK$1,500,000 and HK$27,433,000, respectively, netting off the placing cost of HK$1,067,000.

(d) On 19 November 2018, every five issued and unissued shares of HK$0.005 each in the Company were consolidated into one consolidated share of HK$0.025 each.

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 31 March 2019, no shares of the Company available for issue under the Scheme adopted by the Company on 30 November 2012 (31 December 2018: Nil) of HK$0.025 each in the share capital of the Company, representing approximately 0% (31 December 2018: 0%) 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. The offer of a grant of share options may be accepted within 21 days from the date of the offer upon payment of a nominal consideration of HK$1 in total by grantee. 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:

Year	Date of grant	Vesting period	Exercise period	Exercise price *(HK$)*	Exercise dates
2017	21 December 2017	N/A	21 December 2017 – 21 December 2019	0.556	N/A
2018	18 January 2018	N/A	18 January 2018 – 18 January 2020	0.785	N/A
2018	9 October 2018	N/A	9 October 2018 – 9 October 2020	0.466	N/A

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

Year of grant	Outstanding at 1 January 2019	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 31 March 2019
2017	9,000,000	–	–	–	9,000,000
2018	49,600,000	–	–	–	49,600,000
	58,600,000	–	–	–	58,600,000
Exercisable at the end of the period					58,600,000
Weighted average exercise price *(HK$)*	0.547	–	–	–	0.547

In respect of the share options exercised during the three months ended 31 March 2018, the weighted average share price at the dates of exercise was HK$0.7. The options outstanding at the end of the period have a weighted average remaining contractual life of 1.25 years.

During the three months ended 31 March 2019, no options were granted. During the three months ended 31 March 2018, options were granted on 18 January 2018. The estimated fair values of the options granted on that date is HK$2,947,000.

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

	18 January 2018
Share price	HK$0.740
Exercise price	HK$0.785
Expected volatility	61.88%
Expected life	2 years
Risk-free rate	1.32%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous two 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$Nil for the three months ended 31 March 2019 (three months ended 31 March 2018: HK$2,947,000) in relation to share options granted by the Company.

Note: The number of shares and share price have been adjusted pursuant to share consolidation effective on 19 November 2018.

9. CONVERTIBLE BOND DESIGNATED AT FVTPL

During the year ended 31 December 2018, the Group issued a convertible bond with principal value of HK$20,000,000 with interest of 10% per annum. 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 of HK$0.54 per conversion share. The maximum number of ordinary shares to be converted is 37,037,037 shares and none of them was converted up to 31 March 2019.

The entire convertible bond is designated as a financial liability through profit or loss and classified as non-current liability as at 31 March 2019.

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

Convertible Bond

	4 June 2018 (date of initial recognition)	31 March 2019
Share price of the Company	HK$0.46	HK$0.34
Conversion price	HK$0.54	HK$0.54
Expected volatility	54.27%	50.72%
Time to maturity	2 years	1.18 years
Risk-free rate	1.84%	1.52%
Dividend yield	0.00%	0.00%

The directors estimate the fair value of the convertible bond designated at FVTPL at 31 March 2019 to be approximately HK$21,178,000.

The movements of the components of the convertible bond are as follows:

	Convertible bond *HK$'000*
At 1 January 2019	24,186
Interest charged	493
Gain arising on change of fair value	(3,501)
At 31 March 2019	21,178

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 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the purpose of calculating basic and diluted loss per share from continuing and discontinued operations	**(5,904)**	(14,268)
Loss for the purpose of calculating basic and diluted loss per share from continuing operations	**(5,903)**	(13,763)
	'000	*'000*
		(Restated)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,303,440**	1,131,511

For the three months ended 31 March 2019, basic and diluted loss per share from the discontinued operations is HKNil cents per share (three months ended 31 March 2018: HK0.045 cents per share), based on the loss for the period from discontinued operations attributable to the owners of the Company of approximately HK$1,000 (three months ended 31 March 2018: approximately HK$505,000) and the denominators used are the same as those detailed above for both basic and diluted loss per share.

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for both of the periods presented have been adjusted for the share consolidation mentioned in note 7(d). Basic and diluted loss per share for the three months ended 31 March 2018 was restated for this purpose.

The computation of diluted loss per share for the three months ended 31 March 2019 and three months ended 31 March 2018 does not assume the exercise of the Company's outstanding share options and the conversion of the convertible bond issued as this would result in the decrease in the loss per share.

11. RESERVES

	Attributable to owners of the Company										
	Share capital *HK$'000*	Capital reserve *HK$'000*	Share premium *HK$'000*	Other reserve *HK$'000*	Translation reserve *HK$'000*	Share options reserve *HK$'000*	Subsidiary shares to be issued *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests ("NCI") *HK$'000*	Total equity *HK$'000*
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 differences arising on translation of financial statements to presentation currency	–	–	–	–	3,424	–	–	–	3,424	4,590	8,014
Loss for the period	–	–	–	–	–	–	–	(14,268)	(14,268)	(4,458)	(18,726)
Profit/(loss) and total comprehensive income for the period	–	–	–	–	3,424	–	–	(14,268)	(10,844)	132	(10,712)
Recognition of share-based payments *(note 8)*	–	–	–	–	–	2,947	–	–	2,947	–	2,947
Exercise of share options	25	–	531	–	–	–	–	–	556	–	556
Forfeiture of share options granted	–	–	–	–	–	(432)	–	432	–	–	–
Adjustment of 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	–	–	–	(508)	–	–	–	–	(508)	(529)	(1,037)
Deemed contribution arising from acquisition of a subsidiary	–	–	–	54	–	–	–	–	54	–	54
At 31 March 2018 (unaudited)	28,300	7,540	224,033	31,648	3,077	4,961	–	(199,700)	99,859	113,056	212,915

	Attributable to owners of the Company										
	Share capital HK$'000	Capital reserve HK$'000	Share premium HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Share options reserve HK$'000	Subsidiary shares to be issued HK$'000	Accumulated Losses HK$'000	Total HK$'000	NCI HK$'000	Total equity HK$'000
At 1 January 2019 (audited)	32,586	7,540	287,434	32,972	(3,551)	9,457	153,377	(255,882)	263,933	93,482	357,415
Exchange differences arising on translation of financial statements to presentation currency	-	-	-	-	5,743	-	-	-	5,743	4,717	10,460
Loss for the period	-	-	-	-	-	-	-	(5,904)	(5,904)	(4,317)	(10,221)
Profit/(loss) and total comprehensive income for the period	-	-	-	-	5,743	-	-	(5,904)	(161)	400	239
Subsidiary shares issued	-	-	-	-	-	-	(153,377)	-	(153,377)	153,377	-
Disposal of interest to NCI	-	-	-	-	-	-	-	(43,684)	(43,684)	43,684	-
Adjustment of deemed capital contribution arising from non-current interest-free loan from non-controlling shareholders of a subsidiary and its related parties	-	-	-	37	-	-	-	-	37	113	150
At 31 March 2019 (unaudited)	32,586	7,540	287,434	33,009	2,192	9,457	-	(305,470)	66,748	291,056	357,804

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. SIGNIFICANT TRANSACTIONS

(a) On 4 January 2019, Hong Kong Global Billion Access Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into the Capital Contribution Agreement with 湖北標典天然氣有限公司 ("Hubei Biaodian") and the Subscribers pursuant to which the Subscribers agreed to make capital contribution in the aggregate amount of RMB134,695,000 (as to RMB13,475,000 by Mr. Li Wanqing, RMB67,347,500 by Yichang Platinum Port Energy Co., Ltd. and RMB53,872,500 by Yichang Meiyan Energy Co., Ltd.) into Yichang Biaodian. Upon completion, the Group's interest in Yichang Biaodian is diluted from 49% to 25%. However, it remains as a subsidiary of the Group since the Group as the Directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Yichang Biaodian under the new agreements with the shareholders and therefore the Group has control over Yichang Biaodian.

(b) On 22 February 2019, 浙江自貿區安鑄能源有限公司 ("Zhejiang Anzhu"), a wholly-owned subsidiary of the Company, entered into a purchasing contract with 中化石化銷售有限公司 ("China Petrochemical"), pursuant to which Zhejiang Anzhu has agreed to sell and China Petrochemical has agreed to purchase 12,000 tonnes of methanol at the consideration of RMB29,430,000. Further details regarding the transaction are set out in the Company's announcement dated 27 February 2019.

(c) There were no other acquisitions, disposal and significant transactions completed in this period.

13. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2019 (three months ended 31 March 2018: HK$Nil).

14. EVENT AFTER THE REPORTING PERIOD

There are no significant events affecting the Group after the reporting period and up to the date of this report.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation to provide a more appropriate presentation of the state of affairs of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

During the year ended 31 December 2018, the Group regarded the solutions and technical consultation on e-commerce integration and application customisation business ("IT Solutions") as discontinued operations.

As a result of the above changes, the Group's unaudited revenue of continuing operations for the three months ended 31 March 2019 was approximately HK$89,986,000 (three months ended 31 March 2018: HK$6,107,000), mainly due to the revenue from trading of copper and petrochemical of approximately HK$48,158,000 and HK$33,518,000 respectively during the period. During the three months ended 31 March 2019, revenue of approximately HK$7,010,000 (three months ended 31 March 2018: HK$5,990,000) was generated from the sales of natural gas.

The Group's total operating expenses, which include selling and distribution costs and general and administrative expenses, for the three months ended 31 March 2019 decreased to approximately HK$15,082,000 from approximately HK$15,543,000 for the last corresponding period.

Finance cost of the Group was approximately HK$2,393,000 for the three months period ended 31 March 2019 (three months ended 31 March 2018: HK$4,686,000), which represented the imputed interest expense on non-current interest free loan from the non-controlling shareholders of a subsidiary, interest on convertible bond and non-convertible bonds, and bank loan.

Loss for the three months ended 31 March 2019 was approximately HK$10,221,000, compared with loss of approximately HK$18,726,000 for the last corresponding period.

Capital contribution on Yichang Biaodian Natural Gas Utilization Co., Ltd.

On 4 January 2019, Hong Kong Global Billion Access Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into the Capital Contribution Agreement with 湖北標典天然氣有限公司 (Hubei Biaodian Natural Gas Co., Ltd.*) ("Hubei Biaodian") and the Subscribers pursuant to which the Subscribers agreed to make capital contribution in the aggregate amount of RMB134,695,000 (as to RMB13,475,000 by Mr. Li Wanqing, RMB67,347,500 by 宜昌地鉑港能源有限公司 (Yichang Platinum Port Energy Co., Ltd.*) ("Yichang Platinum") and RMB53,872,500 by 宜昌美岩能源有限公司 (Yichang Meiyan Energy Co., Ltd.*) ("Yichang Meiyan")) into 宜昌市標典天然氣利用有限公司 (Yichang Biaodian Natural Gas Utilization Co., Ltd.*) ("Yichang Biaodian"). Upon completion, the Group's interest in Yichang Biaodian will be diluted from 49% to 25%. However, it remains as a subsidiary of the Group as the Directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Yichang Biaodian under the new agreements with the shareholders and therefore the Group has control over Yichang Biaodian. Further details regarding the transaction are set out in the Company's announcement dated 4 January 2019.

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 2019, the Group's total borrowings comprised (i) amounts due to non-controlling shareholders of a subsidiary and its related parties, (ii) bank borrowings, (iii) non-convertible bonds and (iv) convertible bond designated at fair value through profit or loss, totaling approximately HK$107,207,000.

The Group had no material contingent liabilities as at 31 March 2019.

PROSPECT

In the backdrop of the market uncertainties by the US-China trade war, the Group will face number of challenges ahead. The management of the Group will embrace those challenges and will continue to optimise the operation efficiency in all Group's current business segments, in particular emphasizing the development of the leasing business of steel support axial force servo system, and the newly developed chemical commodity trading business in the first quarter of 2019 for developing the services of commodities network step by step. Meanwhile, the Group will look for new potential growth opportunities in a very diligent manner through merger & acquisition, business integration and expansion in order to sustain the growth and profitability of the Group.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

The Group's foreign currency exposure is limited as most of its transactions, assets and liabilities are denominated in Hong Kong dollars and Renminbi.

HUMAN RESOURCES AND REMUNERATION POLICY OF THE GROUP

As at 31 March 2019, the Group employed 50 staff (as at 31 March 2018: 52 staff). Remuneration is determined with reference to market terms and the performance, qualifications and experience of the individual employee. Remuneration includes monthly salaries, performance-linked bonuses, retirement benefits schemes and other benefits such as medical scheme and share option scheme. The Group's remuneration policies and packages are reviewed by management on regular basis. The Company has established a Human Resources and Remuneration Committee. The Directors' emoluments are determined with reference to Directors' duties, responsibilities and the operating performance of the Group.

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

As at 31 March 2019, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of GEM Listing Rules were as follows:

Interests in the Company

The table below sets out the aggregate long positions in the shares, underlying shares and debentures of the Company held by the Directors and chief 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	56,000,000	6,000,000 *(Note)*	62,000,000	L	4.76%
Mr. Wu Guoming	137,200,000	6,000,000 *(Note)*	143,200,000	L	10.99%
Mr. Long Wenming	–	4,000,000 *(Note)*	4,000,000	L	0.31%
Mr. Chen Hualiang	–	4,000,000 *(Note)*	4,000,000	L	0.31%
Mr. Han Leiping	–	4,000,000 *(Note)*	4,000,000	L	0.31%
Ms. Kwan Sin Yee	–	600,000 *(Note)*	600,000	L	0.05%
Mr. Leung Oh Man Martin	–	600,000 *(Note)*	600,000	L	0.05%
Ms. Huang Yu Jun	–	600,000 *(Note)*	600,000	L	0.05%
Mr. Sun Zhi Jun	–	600,000 *(Note)*	600,000	L	0.05%

L: Long position

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 31 March 2019, 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 Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of GEM Listing Rules.

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

As at 31 March 2019, other than the interests and short positions of the Directors disclosed above, the following person (not being a Director or chief executive of the Company) had interests or short positions in the share or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

	Number of shares held, capacity and nature of interest			Approximate percentage of the issued share capital
Name of shareholder	Directly beneficially owned	Through controlled corporation	Total	
Hong Kong Hao Yue International Trading Co., Limited	223,200,000 (L) *(Note)*	–	223,200,000 (L)	17.12%
Mr. Zhang Hai Ping	–	223,200,000 (L) *(Note)*	223,200,000 (L)	17.12%
Mr. Wu Guoming	137,200,000 (L)	–	137,200,000 (L)	10.53%

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 31 March 2019.

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 2019.

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 three months ended 31 March 2019.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices. It met all the code provisions of the Corporate Governance Code ("CG Code") set out in Appendix 15 of GEM Listing Rules in the three months ended 31 March 2019 except for the following deviation:

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

DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 31 March 2019.

SHARE OPTION SCHEME

The Company had adopted a share option scheme ("the Scheme") on 30 November 2012. The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. As at 31 March 2019, the total number of shares options of the Company available for issue under the Scheme had been fully granted.

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 2019.

AUDIT COMMITTEE

As at 31 March 2019, 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 three months ended 31 March 2019.

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 2019 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, 10 May 2019

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.*