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環球戰略集團有限公司

GLOBAL STRATEGIC GROUP LIMITED

環球戰略集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8007)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board (the “Board”) of directors (the “Directors”) of Global Strategic Group Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016 with comparative unaudited figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	4	598	47,907	28,565	135,846
Cost of sales		(427)	(47,824)	(28,289)	(135,634)
Gross profit		171	83	276	212
Other income		3	52	28	257
General and administrative expenses		(7,487)	(12,769)	(13,883)	(18,009)
Marketing and promotion expenses		–	(750)	(4)	(1,987)
Other expenses and losses		(216)	–	(216)	–
Staff costs		(3,529)	(3,280)	(7,922)	(40,642)
Finance costs		(2,376)	–	(3,171)	–
Loss before taxation		(13,434)	(16,664)	(24,892)	(60,169)
Taxation	5	–	–	–	–
Loss for the period	6	(13,434)	(16,664)	(24,892)	(60,169)

		Three months ended 30 June		Six months ended 30 June	
		2016	2015	2016	2015
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other comprehensive expenses					
Items that may be subsequently reclassified to profit or loss:					
Exchange differences on translation of financial statements of foreign operations					
		<u>54</u>	<u>(12)</u>	<u>(48)</u>	<u>(12)</u>
Total comprehensive expense for the period					
		<u>(13,380)</u>	<u>(16,676)</u>	<u>(24,940)</u>	<u>(60,181)</u>
Loss for the period attributable to:					
Owners of the Company					
		<u>(10,078)</u>	<u>(16,664)</u>	<u>(20,752)</u>	<u>(60,169)</u>
Non-controlling interests					
		<u>(3,356)</u>	<u>–</u>	<u>(4,140)</u>	<u>–</u>
		<u>(13,434)</u>	<u>(16,664)</u>	<u>(24,892)</u>	<u>(60,169)</u>
Total comprehensive expense for the period attributable to:					
Owners of the Company					
		<u>(10,024)</u>	<u>(16,676)</u>	<u>(20,834)</u>	<u>(60,181)</u>
Non-controlling interests					
		<u>(3,356)</u>	<u>–</u>	<u>(4,106)</u>	<u>–</u>
		<u>(13,380)</u>	<u>(16,676)</u>	<u>(24,940)</u>	<u>(60,181)</u>
Loss per share – basic and diluted					
	7	<u>HK(0.178) cents</u>	<u>HK(0.420) cents</u>	<u>HK(0.407) cents</u>	<u>HK(1.540) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

		As at 30 June 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	8	210,816	12,054
Intangible assets	9	243,093	10,220
Deposit paid for acquisition of Yichang Zhongyou (as defined in note 3)		–	35,001
Prepaid lease payments		1,800	–
Goodwill		4,556	–
		<u>460,265</u>	<u>57,275</u>
Current assets			
Inventories		107	–
Trade and other receivables	10	2,779	1,617
Prepaid lease payments		35	–
Value-added tax (“VAT”) recoverable		6,859	–
Bank balances and cash		12,589	24,869
		<u>22,369</u>	<u>26,486</u>
Current liabilities			
Trade and other payables		28,065	3,244
Amount due to a related party	11	15,865	–
Amounts due to non-controlling shareholders	11	144,419	–
Bank borrowings	11	3,600	–
		<u>191,949</u>	<u>3,244</u>
Net Current (Liabilities) Assets		<u>(169,580)</u>	<u>23,242</u>
Total Assets less Current Liabilities		<u>290,685</u>	<u>80,517</u>

		As at 30 June 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current liabilities			
Bank borrowings	11	18,000	—
Deferred tax liabilities		<u>58,443</u>	<u>—</u>
		<u>76,443</u>	<u>—</u>
Net Assets		<u><u>214,242</u></u>	<u><u>80,517</u></u>
Capital and Reserves			
Share capital	12	28,275	19,800
Share premium and reserves		<u>90,733</u>	<u>60,717</u>
Equity attributable to owners of the Company		119,008	80,517
Non-controlling interests		<u>95,234</u>	<u>—</u>
Total Equity		<u><u>214,242</u></u>	<u><u>80,517</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Translation reserve	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015 (audited)	18,000	49,561	7,540	–	(37,960)	37,141	–	37,141
Exchange difference arising on translation of foreign operation	–	–	–	(12)	–	(12)	–	(12)
Loss for the period	–	–	–	–	(60,169)	(60,169)	–	(60,169)
Total comprehensive expense for the period	–	–	–	(12)	(60,169)	(60,181)	–	(60,181)
Issue of new ordinary shares	1,800	123,091	–	–	–	124,891	–	124,891
At 30 June 2015 (unaudited)	<u>19,800</u>	<u>172,652</u>	<u>7,540</u>	<u>(12)</u>	<u>(98,129)</u>	<u>101,851</u>	<u>–</u>	<u>101,851</u>
At 1 January 2016 (audited)	19,800	172,652	7,540	(60)	(119,415)	80,517	–	80,517
Exchange difference arising on translation of foreign operation	–	–	–	(82)	–	(82)	34	(48)
Loss for the period	–	–	–	–	(20,752)	(20,752)	(4,140)	(24,892)
Total comprehensive expense for the period	–	–	–	(82)	(20,752)	(20,834)	(4,106)	(24,940)
Acquisition of Yichang Zhongyou (note 13)	–	–	–	–	–	–	99,340	99,340
Issue of new ordinary shares	8,475	50,850	–	–	–	59,325	–	59,325
At 30 June 2016 (unaudited)	<u>28,275</u>	<u>223,502</u>	<u>7,540</u>	<u>(142)</u>	<u>(140,167)</u>	<u>119,008</u>	<u>95,234</u>	<u>214,242</u>

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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(21,159)	(60,058)
Investing activities		
Interest received	2	34
Proceeds from disposal of property, plant and equipment	211	—
Net cash outflow arising from acquisition Yichang Zhongyou (note 13)	(54,971)	—
Addition of property, plant and equipment	(68,737)	(6,528)
Increase in VAT recoverable	(446)	—
Net cash used in investing activities	(123,941)	(6,494)
Financing activities		
Proceed from issue of new ordinary shares	59,325	124,891
Advance from a related party	5,166	—
Advance from non-controlling shareholders	68,411	—
Cash from financing activities	132,902	124,891
Net (decrease) increase in cash and cash equivalents	(12,198)	58,339
Cash and cash equivalents at the beginning of the period	24,869	32,475
Effect of foreign exchange rate changes	(82)	(12)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	12,589	90,802

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

A. General Information

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants as well as the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

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

In prior years and up to the acquisition of Yichang Zhongyou in February 2016, the Group’s functional currency was Hong Kong Dollars (“HK\$”). The directors of the Company (the “Directors”) had evaluated the primary economic environment in which the Group operates, including the underlying investment activities and strategy of the Group after the acquisition of Yichang Zhongyou in February 2016 and have determined that the functional currency of the Company changed from HK\$ to Renminbi (“RMB”). The effects of the change of the functional currency of the Company had been accounted for prospectively during the period. The condensed consolidated financial statements are continued to be presented in HK\$ which is considered to be more relevant as the shares of the Company are listed in the Stock Exchange of Hong Kong Limited.

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\$24,892,000 for the six months period ended 30 June 2016 and, as of that date, the Group’s current liabilities exceeded its current assets by HK\$169,580,000. In addition, as at 30 June 2016, the Group had capital commitments amounting to HK\$58,605,000 as disclosed in note 15.

As at 30 June 2016, Global Strategic (Holding) Group Limited, the major substantial shareholder of the Company, will 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 six months period ended 30 June 2016.

In addition, a related party which has granted loans to the Group totaling RMB13,221,000 (equivalent to HK\$15,865,000) as at 30 June 2016, and the non-controlling shareholders which have granted loans to the Group totaling RMB120,349,000 (equivalent to HK\$144,419,000) as at 30 June 2016, have committed not to demand the Group for repayment for the coming twelve months after the six months period ended 30 June 2016.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities assumed by the Group and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with Hong Kong Accounting Standard ("HKAS") 12 Income Taxes and HKAS 19 Employee Benefits respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standards.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Prepaid lease payments

The land use rights arising from business combination are initially recognised on the condensed consolidated statement of financial position as "prepaid lease payments" at its fair value on date of acquisition. Prepaid lease payments are classified as operating leases and are amortised over the lease term on a straight-line basis.

Foreign currencies

For the purposes of presenting the unaudited condensed consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) at the rates of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

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

3. CRITICAL ACCOUNTING JUDGEMENT

Control over 宜昌中油天然氣利用有限公司 (Yichang Zhongyou Natural Gas Utilization Co., Ltd.*) (“Yichang Zhongyou”)

Note 13 describes that Yichang Zhongyou is a subsidiary of the Group even though the Group has only 49% ownership interest in Yichang Zhongyou.

The Group has held 49% equity interest in Yichang Zhongyou since 24 February 2016 and 湖北標典天然氣有限公司 (Hubei Biaodian Natural Gas Co., Ltd.*) and Mr. Li Wan Qing (collectively the “Non-controlling Shareholders”), both were independent third parties to the Group, owned 41% and 10% equity interest in Yichang Zhongyou respectively.

The Directors, with the assistance of the legal counsel in the People’s Republic of China (the “PRC”), assessed whether or not the Group has control over Yichang Zhongyou based on whether the Group has the practical ability to direct the relevant activities of Yichang Zhongyou unilaterally. In making their judgement, the Directors considered the Group’s power to affect the Board of Directors (the “BOD”) of Yichang Zhongyou. The BOD of Yichang Zhongyou, responsible for all relevant activities of Yichang Zhongyou, consisted of 6 directors, of which 3 were appointed by the Group while the other 3 directors were appointed by the Non-controlling Shareholders. BOD resolutions of Yichang Zhongyou were reached by simple majority. In accordance with the terms of a further shareholders’ agreement entered into between the Group and the Non-controlling Shareholders, in any events where the Group and the Non-controlling Shareholders have diversified views in the BOD meetings, the Group, as the single largest shareholder of Yichang Zhongyou, has the power to make the final decision.

After assessment, the Directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Yichang Zhongyou and therefore the Group has control over Yichang Zhongyou.

4. REVENUE AND SEGMENT INFORMATION

Analysis of revenue of the Group for the three months ended and six months ended 30 June 2016 and 2015 is set forth below:

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Trading of copper	–	47,836	27,615	135,702
IT solution service fee	221	71	411	144
Sales of natural gas	377	–	539	–
	<u>598</u>	<u>47,907</u>	<u>28,565</u>	<u>135,846</u>
Total	<u>598</u>	<u>47,907</u>	<u>28,565</u>	<u>135,846</u>

* English name is for identification purpose only.

Segment information

The operating segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conforming to HKFRSs, that are regularly reviewed by the executive Directors of the Company, who are identified as the chief operating decision makers (“CODM”) for the purpose of allocating resources to segments and assessing their performance. The Group has three (for the six months ended 30 June 2015: two) operating and reportable segments including the natural gas operation, which is a new operating and reporting segment in the current period upon the completion of the Group’s acquisition of Yichang Zhongyou on 24 February 2016.

- Trading of copper – including income from the trading of copper
- IT solution services – including services rendered in establishing and providing secure electronic payment processing platform
- Natural gas operations – including investment in natural gas projects and sales of natural gas and natural gas cooking appliance and accessories

The accounting policies of the operating and reportable segments are the same as the Group’s accounting policies. Segment results represent the (loss) profit before taxation earned by each segment, excluding unallocated expenses such as central administration costs and Directors’ salaries. This is the measure reported to the CODM, for the purpose of resource allocation and assessment of segment performance.

Information regarding the above segments is reported below:

	Trading of copper <i>HK\$’000</i> (Unaudited)	IT solution services <i>HK\$’000</i> (Unaudited)	Sales of natural gas <i>HK\$’000</i> (Unaudited)	Consolidated <i>HK\$’000</i> (Unaudited)
<u>For the period from 1 January 2016 to 30 June 2016</u>				
REVENUE				
External and total revenue	<u>27,615</u>	<u>411</u>	<u>539</u>	<u>28,565</u>
RESULTS				
Segment loss	(80)	(1,296)	(8,118)	(9,494)
Unallocated expenses, net				<u>(15,398)</u>
Loss before taxation				<u><u>(24,892)</u></u>

Trading of copper <i>HK\$'000</i> (Unaudited)	IT solution services <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
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For the period from 1 January 2015 to 30 June 2015

REVENUE

External and total revenue	<u>135,702</u>	<u>144</u>	<u>135,846</u>
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RESULTS

Segment profit (loss)	243	(809)	(566)
Unallocated expenses, net			<u>(59,603)</u>

Loss before taxation			<u><u>(60,169)</u></u>
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No assets and liabilities are included in segment reporting as they are not regularly reviewed by the executive Directors of the Company.

5. TAXATION

No provision for Hong Kong Profits Tax and PRC Enterprise Income Tax has been made since the Company and its subsidiaries in both Hong Kong and the PRC have no assessable profits for the six months period ended 30 June 2016, while there was available tax loss for the six months period ended 30 June 2015.

6. LOSS FOR THE PERIOD

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:				
Auditor's remuneration	200	180	400	300
Depreciation and amortisation				
– Property, plant and equipment	1,648	427	2,575	734
– Intangible assets	2,436	–	3,541	–
	<u>4,084</u>	<u>427</u>	<u>6,116</u>	<u>734</u>
Minimum lease payment in respect of rented premises	1,105	978	2,308	1,762
Salaries, allowance and other benefits				
– Included in staff costs	3,502	3,203	7,863	40,132
– Included in research expenditures	–	40	–	422
Contribution to retirement benefit schemes				
– Included in staff costs	27	35	59	74
– Included in research expenditures	–	2	–	14
	<u>3,529</u>	<u>3,280</u>	<u>7,922</u>	<u>40,642</u>
and after crediting:				
Interest income	<u>2</u>	<u>30</u>	<u>2</u>	<u>34</u>

7. 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 June		Six months ended 30 June	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(10,078)</u>	<u>(16,664)</u>	<u>(20,752)</u>	<u>(60,169)</u>
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>5,655,000</u>	<u>3,960,000</u>	<u>5,096,209</u>	<u>3,960,000</u>

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

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired property, plant and equipment amounting to HK\$128,641,000 through the acquisition of Yichang Zhongyou and incurred expenditure of HK\$73,226,000 (six months ended 30 June 2015: HK\$6,528,000) to acquire property, plant and equipment for its operation.

9. INTANGIBLE ASSETS

As at 30 June 2016, the amounts represented mainly the carrying amount of the natural gas supply exclusive rights for a period of 30 years till the years ranging from 2041 to 2044, as arose from the Group's acquisition of Yichang Zhongyou completed on 24 February 2016 amounting to HK\$233,773,000.

Intangible assets also included the carrying amount of an online sales platform amounting to HK\$7,800,000 (31 December 2015: HK\$8,700,000) and a license for Guangzhou/Hong Kong cross-boundary private car amounting to HK\$1,520,000 (31 December 2015: HK\$1,520,000).

10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Trade receivables (<i>Note</i>)	–	11
Prepayment, deposits and other receivables	<u>2,779</u>	<u>1,606</u>
	<u><u>2,779</u></u>	<u><u>1,617</u></u>

Note:

Except for the sales of natural gas which the Group receives prepayment from its customers in advance, the Group allows credit period ranging from 30 days to 180 days for its other trade customers depending on their credit worthiness, nature of services and conditions of the market. The aging analysis of trade receivables based on the invoice date which approximate the revenue recognition date, at the end of the reporting period is as follows:

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
0 – 60 days	<u>–</u>	<u>11</u>

11. AMOUNTS DUE TO A RELATED PARTY, NON-CONTROLLING SHAREHOLDERS AND BANK BORROWINGS

During the current interim period, the Group assumed bank borrowings of HK\$21,600,000 and advances from a related party of HK\$10,699,000 and non-controlling shareholders of HK\$76,008,000 as a result of its acquisition of Yichang Zhongyou completed on 24 February 2016. In addition, the Group obtained additional advances from its related party amounting to HK\$5,166,000 and non-controlling shareholders of HK\$68,411,000.

The bank borrowings carry interest at the variable market rate, with effective interest rate of 9.74% per annum (31 December 2015: nil) over the current interim period. HK\$3,600,000 of which will be repayable in November 2016 while HK\$18,000,000 of which will be repayable in November 2017.

The amount due to a related party were unsecured, interest-free and repayable on demand.

Included in the amounts due to non-controlling shareholders, RMB65,000,000 (equivalent to HK\$78,000,000) was unsecured, carried interest at a fixed rate of 12% per annum and repayable on demand, while the remaining balance was unsecured, interest-free and repayable on demand.

The proceeds raised during the current interim period were used for Yichang Zhongyou's capital expenditure purpose.

12. SHARE CAPITAL

	Number of shares		Amount	
	As at 30 June 2016 '000 (Unaudited)	As at 31 December 2015 '000 (Audited)	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
<i>Authorised:</i>				
16,000,000,000 Ordinary shares of HK\$0.005 each	16,000,000	16,000,000	80,000	80,000
<i>Issued and fully paid:</i>				
At beginning of year	3,960,000	180,000	19,800	18,000
Share subdivision (<i>Note a</i>)	–	3,420,000	–	–
Issue of ordinary shares (<i>Note b</i>)	1,695,000	360,000	8,475	1,800
At end of period	5,655,000	3,960,000	28,275	19,800

Notes:

- (a) Pursuant to a resolution passed at an extraordinary general meeting of the Company held on 9 January 2015, the ordinary shares of the Company of HK\$0.1 each were subdivided into 20 ordinary shares of HK\$0.005 each.
- (b) During the period, an aggregate of 1,695,000,000 (year ended 31 December 2015: 360,000,000) ordinary shares of the Company have been placed to independent third parties at the placing price of HK\$0.035 (year ended 31 December 2015: HK\$0.354) per each placing share. The placing shares shall rank pari passu in all respects among themselves and with the existing issued shares. The net proceeds from the placing were mainly used to settle the consideration for the Group's acquisition of Yichang Zhongyou completed on 24 February 2016 and for the Group's daily operation.

13. ACQUISITION OF YICHANG ZHONGYOU

On 23 April 2015 a subsidiary of the Group, has entered into a share transfer agreement for the acquisition of 49% equity interest of the Yichang Zhongyou for a cash consideration of HK\$100,000,000 (the "Acquisition"). With all the conditions precedent having been fulfilled and obtaining control, completion of the Acquisition took place on 24 February 2016 and was accounted for as business combination using the acquisition method. Yichang Zhongyou became a 49% indirectly-owned subsidiary of the Company since then.

The business scope of Yichang Zhongyou includes investment in natural gas projects, sales of natural gas and natural gas cooking appliance and accessories. Yichang Zhongyou has been granted with the natural gas supply exclusive rights in relation to natural gas projects in Zhijiang City, Hubei Province, the PRC by Hubei Provincial Development and Reform Commission (湖北省發展和改革委員會). The Acquisition is to enhance the development of the Group by exploring different business opportunities in the PRC.

Assets and liabilities of Yichang Zhongyou on 24 February 2016:

HK\$'000
(Unaudited)

Property, plant and equipment	128,641
Prepaid lease payments	1,835
Intangible assets	236,400
Inventories	106
Deposits paid for non-current assets	1,701
Prepayment	2,337
VAT recoverable	6,413
Bank balances and cash	<u>29</u>
	<u>377,462</u>
Trade and other payables	(15,271)
Amounts due to a related party	(10,699)
Amounts due to non-controlling shareholders	(76,008)
Deferred tax liabilities	(59,100)
Bank borrowings	<u>(21,600)</u>
	<u>(182,678)</u>
Net assets acquired	<u><u>194,784</u></u>

Non-controlling interests

The non-controlling interests recognised at the acquisition date represent the interests held by non-controlling shareholders of Yichang Zhongyou and was measured by reference to the proportionate share of recognised amounts of net assets of Yichang Zhongyou.

Goodwill arising on Acquisition

HK\$'000

Consideration

– Cash paid in the current period	55,000
– Consideration payable (<i>Note i</i>)	9,999
– Deposit paid in the previous year	<u>35,001</u>

100,000

<i>Plus:</i> Non-controlling interests	99,340
<i>Less:</i> Recognised amount of the fair value of identifiable net assets acquired (100%)	<u>(194,784)</u>

Goodwill arising on acquisition (<i>Note ii</i>)	<u><u>4,556</u></u>
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Notes:

- (i) Consideration payable was included in “Trade and other payable” and shall be payable by the Group within 12 months from the acquisition completion date according to the share transfer agreement and was accounted for as current liability, accordingly.
- (ii) Goodwill arose in the Acquisition because the consideration paid for the combination effectively included the benefit of revenue growth, future market development and the assembled workforce of Yichang Zhongyou. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Acquisition-related costs amounting to HK\$5,921,000 have been excluded from the cost of acquisition and have been recognised directly as expenses in both current interim period and the year ended 31 December 2015 in the amount of HK\$770,000 and HK\$5,151,000 respectively.

Net cash outflow arising on acquisition

HK\$'000

Consideration paid in cash in the current period	55,000
<i>Less:</i> Cash and cash equivalents acquired	<u>(29)</u>
	<u><u>54,971</u></u>

14. RELATED PARTY DISCLOSURES

Related party transactions

Saved as disclosed elsewhere in the condensed consolidated financial statements, during the period, the Group has the following significant transactions with related parties.

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Finance cost incurred in respect of loan from a non-controlling shareholder	<u>2,360</u>	<u>–</u>	<u>3,155</u>	<u>–</u>

In respect of the bank borrowings of the Group, the related parties and non-controlling shareholders of the Group have provided guarantee in favor of the bank. They have also pledged their interests in certain land and buildings as to enable the Group to obtain this bank borrowings.

Compensation of key management personnel

The remuneration of Directors and other members of key management during the periods is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Salaries and other benefits	2,299	2,444	5,783	4,818
Performance related bonus (<i>Note</i>)	–	–	–	31,541
Retirement benefits schemes contribution	<u>14</u>	<u>9</u>	<u>27</u>	<u>18</u>
	<u>2,313</u>	<u>2,453</u>	<u>5,810</u>	<u>36,377</u>

Note: Performance related bonus is determined with reference to the Group's operating results, individual performance and comparable market statistics.

15. CAPITAL COMMITMENTS

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment, development of systems and networks		
– authorised but not contracted for	500	500
– contracted but not provided for	58,105	64,999
	<u>58,605</u>	<u>65,499</u>

16. EVENT AFTER THE REPORTING PERIOD

On 8 July 2016, the Company entered into a non-legally binding memorandum of understanding with 新疆國力源投資有限公司 (Xinjiang Guoliyuan Investment Co., Ltd.*) (“Xinjiang Guoliyuan”), an independent third party, pursuant to which the Company will invest in Xinjiang Guoliyuan and its subsidiaries (collectively referred to as the “Xinjiang Guoliyuan Group”) in view of the development potential of Xinjiang Guoliyuan Group in the fields of innovative technology for new energy and comprehensive utilisation of resources as well as environmental products.

Further details of the transaction have been set out in the Company’s announcement published on the website of the Stock Exchange of Hong Kong Limited on 8 July 2016.

As at the date of this announcement, the Group was still conducting due diligence review and feasibility study on this potential investment and the details of transaction was not yet finalised nor completed.

* English name is for identification purpose only

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

FINANCIAL AND BUSINESS REVIEW

The Group recorded an unaudited revenue for the six months ended 30 June 2016 which was decreased by approximately 79.0% to approximately HK\$28,565,000 as compared to approximately HK\$135,846,000 for the corresponding period in 2015. The revenue of the Group was generated from (i) the trading of commodities business, (ii) the IT business and (iii) the supply of natural gas business. Such decrease in the revenue was due to the decline in trading of commodities business with low margin in the competitive market. The Group has started to generate revenue from the supply of natural gas business stably since from end of February 2016 upon the completion of the Acquisition of 49% equity interest in Yichang Zhongyou. Performance of the IT business was satisfactory since end of 2015, the revenue generated from online sales channel is gradually increased during the period.

During the period, the unaudited operating expenses of the Group for the six months period ended 30 June 2016 decreased by approximately 77.6% to approximately HK\$13,608,000 as compared to approximately HK\$60,638,000 for the last corresponding period. The decrease was mainly due to the decrease in staff costs from the corresponding period in 2015 of approximately HK\$40,642,000 to approximately HK\$7,922,000 for this period in order to enhance cost management.

The unaudited net loss of the Group for the six months ended 30 June 2016 was approximately HK\$24,892,000 in which represented a decrease of approximately 58.6% when comparing with approximately HK\$60,169,000 for the last corresponding period.

CHANGE OF HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

During the six months ended 30 June 2016, the Company has moved its head office and principal place of business of the Company in Hong Kong to Room 1216, 12/F., North Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui East, Kowloon with effect from 16 June 2016.

COMPLETION OF THE ACQUISITION OF 49% EQUITY INTEREST IN YICHANG ZHONGYOU

With all the conditions precedent having been fulfilled, completion of the Acquisition took place on 24 February 2016. Following completion, Yichang Zhongyou became a 49% indirectly-owned subsidiary of the Company and its financial results has been consolidated into the financial statements of the Group.

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has bank borrowings of approximately HK\$21,600,000 as at 30 June 2016. The Group's operation is being financed by internally generated cashflows, bank borrowings and external financing. Due to the careful consideration to the going concern of the Group by the Directors of the Company, as at 30 June 2016, Global Strategic (Holding) Group Limited, the major substantial shareholder of the Company, has provided 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 six months period ended 30 June 2016. In addition, as at 30 June 2016, a related party, which has granted loans to the Group totaling approximately HK\$15,865,000, and the non-controlling shareholders, which have granted loans to the Group totaling approximately HK\$144,419,000, have committed not to demand the Group for repayment for the coming twelve months after the six months period ended 30 June 2016. The Group will continue to follow a policy of prudence in managing its working capital. Further financing activities will be made by the Company as and when appropriate.

The Group had no material contingent liabilities as at 30 June 2016.

Completion of the Subscription

On 29 September 2015, the Company entered into a subscription agreement (as amended and supplemented by the two supplemental agreements dated 26 November 2015 and 9 December 2015 respectively) (the "Subscription Agreement") with Mr. KAN Che Kin, Billy Albert (the "Subscriber"), pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 1,695,000,000 ordinary shares at the subscription price of HK\$0.035 per share (the "Subscription"). The Subscription was conditional upon, among other things, the completion of the Acquisition. The subscription price of the Subscription in the total amount of HK\$59,325,000 was to be paid by the Subscriber to the Company in cash upon completion of the Subscription. The net proceeds of approximately HK\$58.8 million were to be utilised as to (i) HK\$37.6 million for settlement of part of the consideration for the Yichang Acquisition; and (ii) approximately HK\$21.2 million for the Group's general working capital. The Subscription was approved by the shareholders of the Company at the Company's extraordinary general meeting held on 11 January 2016.

On 29 February 2016, the conditions precedent under the Subscription Agreement had been fulfilled and completion of the Subscription took place.

EVENTS AFTER REPORTING PERIOD

Memorandum of understanding

As disclosed in the Company's announcement dated 8 July 2016, the Company entered into the non-legally binding memorandum of understanding (the "MOU") with Xinjiang, pursuant to which the Company will invest in Xinjiang Guoliyuan in view of the development potential of Xinjiang Guoliyuan Group in the fields of innovative technology for new energy and comprehensive utilisation of resources as well as environmental products.

The Group is currently conducting due diligence review and project evaluation on Xinjiang Guoliyuan Group, which is expected to be completed within two months. Further announcement in respect of the MOU will be made by the Company as and when appropriate.

PROSPECT

The Group reiterates its commitment to maximizing shareholders' wealth. Periodically reviewing our strategic directions and operations by the senior management team anticipates to enhance long term corporate strategy and growth. With the efforts bring from the Group, supplying of pipeline natural gas business has been started from previous quarter and gradually strengthen the revenue stream of the Group as well as the online sales channel e-commerce platform business. However, the Group is not so optimistic on the commodity trading business given the current challenging business environment. The Group will continue to explore more investment opportunities in order to synergize with existing business portfolio and involvement in IT, energy and resource sectors.

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, Renminbi, Macau Pataca and United States dollars.

HUMAN RESOURCES AND REMUNERATION POLICY OF THE GROUP

As at 30 June 2016, the Group had employed 35 staff, including 21 staff in PRC, 11 staff in Hong Kong and 3 staff in Macau. 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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2016, the interests of the Directors in the shares of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Interests in the Company

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

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

L: *Long position*

Note:

As at 30 June 2016, 1,802,580,000 shares of the Company were held by Global Strategic (Holding) Group Limited, a company incorporated in Samoa with limited liability and is wholly-owned by Global Strategic Fund Holdings Limited, which in turn is owned as to 49% of its issued share capital by Hotex Holdings Limited and as to 51% of its issued share capital by Liang Tan Yi Xing International Foundation Company Limited ("Liang Tan Yi Xing Foundation"). Hotex Holdings Limited is wholly-owned by Mr. WENG Lin Lei. Liang Tan Yi Xing Foundation is owned by Mr. WEI Yue Tong, as to 90% of its issued share capital and by Mr. ZHENG Zhu Ping, as to 10% of its issued share capital.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, other than the interests and short positions of the Directors disclosed above, the following person (not being a Director or chief executive of the Company) had interests in the share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares	Approximate Percentage of the issued share capital
Global Strategic (Holding) Group Limited	Beneficial owner	1,802,580,000(L) (Note 1)	31.88%
Global Strategic Fund Holdings Limited	Interest in controlled corporation	1,802,580,000(L) (Note 1)	31.88%
Hotex Holdings Limited	Interest in controlled corporation	1,802,580,000(L) (Note 1)	31.88%
Liang Tan Yi Xing Foundation	Interest in controlled corporation	1,802,580,000(L) (Note 1)	31.88%
Mr. KAN Che Kin, Billy Albert	Beneficial owner	1,695,000,000(L) 1,125,000,000(S) (Note 2)	29.97% 19.89%
Key Fit Group Limited	Beneficial owner	1,125,000,000(L) (Note 2)	19.89%
China LNG Group Limited	Interest in controlled corporation	1,125,000,000(L) (Note 2)	19.89%

L: Long position

S: Short position

Notes:

- Global Strategic (Holding) Group Limited, a company incorporated in Samoa with limited liability and is wholly-owned by Global Strategic Fund Holdings Limited, which in turn is owned as to 49% of its issued share capital by Hotex Holdings Limited and as to 51% of its issued share capital by Liang Tan Yi Xing Foundation. Hotex Holdings Limited is wholly-owned by Mr. WENG Lin Lei. Liang Tan Yi Xing Foundation is owned by Mr. WEI Yue Tong, as to 90% of its issued share capital and by Mr. ZHENG Zhu Ping, as to 10% of its issued share capital. Accordingly, each of Global Strategic Fund Holdings Limited, Hotex Holdings Limited and Liang Tan Yi Xing Foundation are deemed to be interested in the 1,802,580,000 shares of the Company under the SFO.

2. Key Fit Group Limited is owned as to approximately 60.42% by China LNG Group Limited. China LNG Group Limited is a company listed on the Main Board of the Stock Exchange and is owned directly as to approximately 68.10% by Mr. KAN Che Kin, Billy Albert as at 20 May 2016.

Save as disclosed above, no person had any interest or short position in the shares or underlying shares of the Company according to the register required to be kept by the Company under Section 336 of the SFO as at 30 June 2016.

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 six months ended 30 June 2016.

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 six months ended 30 June 2016, 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 six months ended 30 June 2016.

AUDIT COMMITTEE

As at 30 June 2016, the audit committee of the Company (the “Audit Committee”) has four members who are 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 of the Group’s financial information, its financial and corporate governance reporting process and to supervise over the Group’s internal controls and risk management matters.

The Audit Committee has reviewed with the management of the Company and Deloitte Touche Tohmatsu, the auditors of the Company, the accounting principles and practices adopted by the Group and has discussed auditing, internal controls and financial reporting matters, including the review of the unaudited interim results and interim report of the Company for the six months ended 30 June 2016.

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

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company’s website at www.globalstrategicgroup.com.hk. The Company’s interim report for the six months ended 30 June 2016 will be published on the above websites in due course.

By Order of the Board
Global Strategic Group Limited
Weng Lin Lei
Chairman and executive Director

Hong Kong, 9 August 2016

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website at “www.hkgem.com” on the “Latest Company Announcements” page for 7 days from the day of its posting and the Company’s website at “www.globalstrategicgroup.com.hk”.

** For reference purposes only, the Chinese names of the PRC entities and terms have been translated into English in this announcement. In the event of any discrepancies between the Chinese names of the PRC entities and terms and their English translation, the Chinese version shall prevail.*