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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the "**Board**") of directors (the "**Directors**") of Global Strategic Group Limited (the "**Company**") is pleased to present the audited consolidated results of the Company and its subsidiaries (together the "**Group**"), which is audited by Deloitte Touche Tohmatsu, for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** **HK\$'000**	2015 HK\$'000
Revenue	*(4)*	**36,379**	217,068
Cost of sales		**(35,341)**	(216,775)
Gross profit		**1,038**	293
Other income		**38**	105
Selling and distribution cost		**(13,068)**	(2,881)
General and administrative expenses		**(28,369)**	(78,972)
Other gains and losses		**(374)**	–
Finance cost		**(39)**	–
Loss before taxation		**(40,774)**	(81,455)
Income tax credit	*(6)*	**1,585**	–

	Notes	**2016** **HK$'000**	2015 *HK$'000*
Loss for the year	*(7)*	**(39,189)**	(81,455)
Other comprehensive expense for the year			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements to presentation currency		**(9,553)**	(60)
Total comprehensive expense for the year		**(48,742)**	(81,515)
Loss for the year attributable to:			
Owners of the Company		**(33,224)**	(81,455)
Non-controlling interests		**(5,965)**	–
		(39,189)	(81,455)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(38,083)**	(81,515)
Non-controlling interests		**(10,659)**	–
		(48,742)	(81,515)
Loss per share – basic		**HK(0.62) cents**	HK(2.07) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	(8)	**224,270**	12,054
Prepaid lease payments		**1,678**	–
Goodwill	(9)	**4,328**	–
Intangible assets	(10)	**226,762**	10,220
Deposit paid for acquisition of Yichang Zhongyou (as defined in note 5)		**–**	35,001
		457,038	57,275
Current assets			
Inventories		**123**	–
Trade and other receivables	(11)	**3,727**	1,617
Prepaid lease payments		**33**	–
Valued-added tax ("VAT") recoverable		**6,797**	–
Bank balances and cash		**15,015**	24,869
		25,695	26,486
Current liabilities			
Trade and other payables	(12)	**36,665**	3,244
Bank borrowings		**17,100**	–
		53,765	3,244
Net current (liabilities) assets		**(28,070)**	23,242
Non-current liabilities			
Amount due to a shareholder of the Company	(13)	**9,093**	–
Amounts due to non-controlling shareholders of a subsidiary and its related parties	(13)	**142,933**	–
Deferred tax liabilities	(14)	**54,585**	–
		206,611	–
Net Assets		**222,357**	80,517
Capital and reserves			
Share capital		**28,275**	19,800
Share premium and reserves		**90,097**	60,717
Equity attributable to owners of the Company		**118,372**	80,517
Non-controlling interests		**103,985**	–
Total Equity		**222,357**	80,517

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company								
	Share capital	Capital reserve	Share premium	Other reserve	Translation reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	18,000	7,540	49,561	–	–	(37,960)	37,141	–	37,141
Exchange difference arising on translation of financial statements to presentation currency	–	–	–	–	(60)	–	(60)	–	(60)
Loss for the year	–	–	–	–	–	(81,455)	(81,455)	–	(81,455)
Loss and total comprehensive expense for the year	–	–	–	–	(60)	(81,455)	(81,515)	–	(81,515)
Issue of ordinary shares	1,800	–	125,640	–	–	–	127,440	–	127,440
Expenses incurred in connection with issue of ordinary shares	–	–	(2,549)	–	–	–	(2,549)	–	(2,549)
At 31 December 2015	19,800	7,540	172,652	–	(60)	(119,415)	80,517	–	80,517
Exchange difference arising on translation of financial statements to presentation currency	–	–	–	–	(4,859)	–	(4,859)	(4,694)	(9,553)
Loss for the year	–	–	–	–	–	(33,224)	(33,224)	(5,965)	(39,189)
Loss and total comprehensive expense for the year	–	–	–	–	(4,859)	(33,224)	(38,083)	(10,659)	(48,742)
Issue of ordinary shares	8,475	–	50,850	–	–	–	59,325	–	59,325
Acquisition of Yichang Zhongyou *(note 15)*	–	–	–	–	–	–	–	99,340	99,340
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 *(note 13)*	–	–	–	16,613	–	–	16,613	15,304	31,917
At 31 December 2016	**28,275**	**7,540**	**223,502**	**16,613**	**(4,919)**	**(152,639)**	**118,372**	**103,985**	**222,357**

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 year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
Operating activities		
Loss before taxation	**(40,774)**	(81,455)
Adjustments for:		
Depreciation of property, plant and equipment	**5,792**	1,789
Amortisation of intangible assets	**8,290**	300
Amortisation of prepaid lease payments	**33**	–
Finance cost	**39**	–
Interest income	**(4)**	(39)
Loss on disposal of property, plant and equipment	**374**	–
Operating cash flows before movements in working capital	**(26,250)**	(79,405)
Decrease in trade and other receivables	**138**	666
Increase in inventories	**(17)**	–
Increase in trade and other payables	**789**	2,191
Net cash used in operating activities	**(25,340)**	(76,548)
Investing activities		
Deposit paid for acquisition of a subsidiary	**–**	(35,001)
Acquisition of property, plant and equipment	**(82,689)**	(12,039)
Interest received	**4**	39
Proceeds from disposal of property, plant and equipment	**255**	–
Net cash outflow arising from acquisition of Yichang Zhongyou	**(54,971)**	(8,948)
Increase in VAT recoverable	**(711)**	–
Net cash used in investing activities	**(138,112)**	(55,949)
Financing activities		
Proceeds from issue of new ordinary shares	**59,325**	127,440
Share issue expenses	**–**	(2,549)
Advance from a shareholder of the Company	**11,000**	–
Advances from non-controlling shareholders of a subsidiary and its related parties	**86,934**	–
Repayment of bank borrowing	**(3,480)**	–

	2016	2015
	HK$'000	*HK$'000*
Net cash from financing activities	**153,779**	124,891
Net decrease increase in cash and cash equivalents	**(9,673)**	(7,606)
Cash and cash equivalents at the beginning of the year	**24,869**	32,475
Effect of foreign exchange rate changes	**(181)**	–
Cash and cash equivalents at the end of the year, represented by bank balances and cash	**15,015**	24,869

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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$39,189,000 for the year ended 31 December 2016 and, as of that date, the Group's current liabilities exceeded its current assets by HK$28,070,000. In addition, as at 31 December 2016, the Group had capital commitments amounting to HK$39,919,000 as disclosed in note 16.

As at 31 December 2016, Global Strategic (Holding) Group Limited, the immediate holding company of the Company, has agreed to provide sufficient funds to the Group so that the Group will be able to meet all current obligations as they fall due in the coming twelve months after the year ended 31 December 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 consolidated financial statements. Hence, the consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 11	*Accounting for Acquisitions of Interest in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012-2014 Cycle*

Except as disclosed below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 *Disclosure Initiative*

The Group has applied the amendments to HKAS 1 *Disclosure Initiative* for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. The grouping and ordering of capital risk management, financial instruments, revenue and segment information have been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Specifically, capital risk management, financial instruments, information in relation to revenue and segment information, were reordered. Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 7	*Disclosure Initiative*[4]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[4]

1 *Effective for annual periods beginning on or after 1 January 2018*

2 *Effective for annual periods beginning on or after 1 January 2019*

3 *Effective for annual periods beginning on or after a date to be determined*

4 *Effective for annual periods beginning on or after 1 January 2017*

HKFRS 15 Revenue from contracts with customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported (e.g. income from pipeline installation services) as the timing of revenue recognition may be affected, and more disclosures related to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the directors of the Company performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

The Directors consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18, however, the allocation of total consideration to the respective performance obligations will be based on relative fair values which will potentially affect the timing and amounts of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the directors of the Company performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$7,246,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The Directors anticipate that the application of HKFRS 7 in the future may result in more disclosures, however, the Directors anticipate that the application of HKFRS 7 will not have a material impact on the financial statement.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described below, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

Estimated impairment of intangible assets and goodwill

Determining whether intangible assets and goodwill are impaired requires an estimation of the recoverable amount of the intangible assets and the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. 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. 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.

As at 31 December 2016, the carrying amount of intangible asset is HK$226,762,000 (without recognition of impairment), while the carrying amount of goodwill is HK$4,328,000 (without recognition of impairment).

Useful lives of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, the management estimates the useful lives of various categories of property, plant and equipment according to the experiences over the usage of them and also by reference to the relevant industrial norm. If the actual useful lives of them are less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining useful life. As at 31 December 2016, the carrying amount of property, plant and equipment was HK$224,270,000 (2015: HK$12,054,000).

4. REVENUE

Revenue represents the amounts received and receivable for goods sold in respect of its commodity trading business, natural gas sales business and services rendered in establishing and providing secure electronic payment processing platform and pipeline installation.

An analysis of the Group's revenue for the year is as follows:

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Sales of goods		
Trading of copper	**32,293**	216,802
Sales of natural gas	**1,421**	–
	33,714	216,802
Rendering of services		
IT solution services	**1,428**	266
Pipeline installation services	**1,237**	–
	2,665	266
Total revenue	**36,379**	217,068

5. 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 (2015: two) operating and reportable segments including the natural gas operations, which is a new operating and reporting segment in the current period upon the completion of the Group's acquisition of 宜昌中油天然氣利用有限公司 (Yichang Zhongyou Natural Gas Utilisation Co., Ltd.) ("Yichang Zhongyou") on 24 February 2016.

- Trading of copper – including income from trading of copper

- IT solution services – including services rendered in establishing and providing secure electronic payment processing platform and the services rendered in establishing the mobile application platform for customer's design of garments

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

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment:

	Trading of copper *HK$'000*	**IT solution services** *HK$'000*	**Natural gas operations** *HK$'000*	**Consolidated** *HK$'000*
For the year ended 31 December 2016				
REVENUE				
External and total revenue	32,293	1,428	2,658	36,379
RESULTS				
Segment result	(104)	(2,254)	(13,316)	(15,674)
Other income				35
General and administrative expenses				(24,761)
Other gains and losses				(374)
Loss before taxation				(40,774)
For the year ended 31 December 2015				
REVENUE				
External and total revenue	216,802	266	N/A	217,068
RESULTS				
Segment result	(9)	(2,229)	N/A	(2,238)
Other income				74
Selling and distribution cost				(2,439)
General and administrative expenses				(76,852)
Loss before taxation				(81,455)

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment loss represent the loss from each segment without allocation of headquarter income and expenses (including other income, general and administrative expenses, selling and distribution cost and other gains and losses). This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Trading of copper	**3,184**	97
IT solution services	**8,162**	9,396
Natural gas operations	**447,985**	N/A
Total segment assets	**459,331**	9,493
Unallocated		
Deposit paid for acquisition of Yichang Zhongyou	**–**	35,001
Bank balances and cash	**10,611**	24,305
Other receivables	**2,420**	1,551
Property, plant and equipment	**8,851**	11,891
Intangible assets	**1,520**	1,520
Consolidated assets	**482,733**	83,761

Segment liabilities

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Trading of copper	**7**	13
IT solution services	**225**	262
Natural gas operations	**239,767**	N/A
Total segment liabilities	**239,999**	275
Unallocated		
Other payables	**11,284**	2,969
Amount due to a shareholder of the Company	**9,093**	N/A
Consolidated liabilities	**260,376**	3,244

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than bank balances and cash, other receivables, property, plant and equipment, and intangible assets used and held by the headquater; and

- all liabilities are allocated to operating segments other than other payables and amount due to a shareholder of the Company used by the headquarter.

Other segment information

	Trading of copper	**IT solution services**	**Natural gas operations**	**Unallocated**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2016					
Amounts included in the measure of segment profit or loss:					
Depreciation	–	56	3,556	2,180	5,792
Amortisation of intangible assets	–	1,800	6,490	–	8,290
Release of prepaid lease payments	–	–	33	–	33
For the year ended 31 December 2015					
Amounts included in the measure of segment profit or loss:					
Depreciation	–	–	–	1,789	1,789
Amortisation of intangible assets	–	300	–	–	300

Geographical information

All of the Group's revenue and non-current assets by location of customers or by location of assets are within the People's Republic of China (the "PRC"), including Hong Kong and Macau.

Information about major customers

The following table sets out the revenue from customers contributing over 10% of the total sales of the Group during the year.

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Customer A	**27,615**	128,936
Customer B	**4,678**	–
Customer C	**–**	68,699
	32,293	197,635

6. INCOME TAX CREDIT

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**38**	–
PRC Enterprise Income Tax	**–**	–
	38	–
Deferred tax credit *(note 14)*:	**(1,623)**	–
	(1,585)	–

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%. The tax rate of Hong Kong Profits tax in respect of the HK subsidiaries is 16.5%

No provision for PRC Enterprise Income Tax has been made in the consolidated financial statements for the year ended 31 December 2016, since the PRC subsidiaries had no assessable profits in the current year.

No provision for current Hong Kong Profits Tax and PRC Enterprise Income Tax has been made in the consolidated financial statements for the year ended 31 December 2015, since the Company and its subsidiaries in both Hong Kong and the PRC had no assessable profits in last year.

The income tax credit for the year can be reconciled to the loss per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Loss before tax	**(40,774)**	(81,455)
Tax credit at PRC Enterprise Income Tax rate of 25% (2015: Hong Kong Profits Tax rate of 16.5%) *(Note)*	**(10,194)**	(13,440)
Tax effect of expenses not deductible for tax purposes	**450**	2,508
Tax effect of income not taxable for tax purposes	**(42)**	(13)
Tax effect of tax losses not recognised	**7,618**	11,648
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(29)**	(210)
Others	**612**	(493)
Income tax credit for the year	**(1,585)**	–

Note: The PRC Enterprise Income Tax rate used for tax reconciliation purpose in 2016 has been changed to 25% as after the acquisition of Yichang Zhongyou in February 2016, it is the domestic tax rate in the jurisdiction where the operation of the Group is substantially based.

7. LOSS FOR THE YEAR

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Depreciation of property, plant and equipment		
– included in general and administrative expenses	**2,800**	1,789
– included in selling and distribution cost	**2,992**	–
	5,792	1,789
Amortisation of intangible assets (included in selling and distribution cost)	**8,290**	300
Release of prepaid lease payments (included in general and administrative expense)	**33**	–
Total depreciation and amortisation	**14,115**	2,089
Directors' remuneration	**7,395**	41,607
Salaries, allowance and other benefits (including directors)		
– Included in general and administrative expenses	**12,081**	47,357
– Included in research expenditures	**–**	422
Contribution to retirement benefit schemes (including directors)		
– Included in general and administrative expenses	**86**	139
– Included in research expenditures	**–**	14
	12,167	47,932
Auditor's remuneration	**971**	724
Minimum lease payments in respect of rented premises	**3,867**	4,344
Cost of inventories recognised as an expense	**33,295**	216,678
Loss on disposal of property, plant and equipment (included in other gains and losses)	**374**	–
Research and development expenditure (including staff cost of nil (2015: HK$436,000)) (included in general and administrative expenses)	**8**	459
and after crediting:		
Interest income	**4**	39

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings *HK$'000*	Computer system and equipment *HK$'000*	Furniture and fixtures *HK$'000*	Leasehold improvements *HK$'000*	Motor vehicles *HK$'000*	Pipeline and equipment *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
COST								
At 1 January 2015	–	1,087	115	720	807	–	–	2,729
Additions	3,302	328	190	1,999	6,220	–	–	12,039
Disposals	–	(762)	(8)	–	–	–	–	(770)
Exchange realignment	(79)	–	–	(44)	–	–	–	(123)
At 31 December 2015	3,223	653	297	2,675	7,027	–	–	13,875
Acquired on acquisition of Yichang Zhongyou *(note 15)*	6,184	–	880	–	603	58,492	62,482	128,641
Additions	–	166	111	51	–	710	99,412	100,450
Transfers	–	–	–	–	–	2,100	(2,100)	–
Disposals	–	(3)	(87)	(518)	(320)	–	–	(928)
Exchange realignment	(547)	(5)	(63)	(143)	(68)	(3,073)	(6,797)	(10,696)
At 31 December 2016	8,860	811	1,138	2,065	7,242	58,229	152,997	231,342
DEPRECIATION								
At 1 January 2015	–	768	10	12	13	–	–	803
Provided for the year	68	113	35	271	1,302	–	–	1,789
Eliminated on disposals	–	(762)	(8)	–	–	–	–	(770)
Exchange realignment	(1)	–	–	–	–	–	–	(1)
At 31 December 2015	67	119	37	283	1,315	–	–	1,821
Provided for the year	314	152	203	466	1,665	2,992	–	5,792
Eliminated on disposals	–	(1)	(26)	(155)	(117)	–	–	(299)
Exchange realignment	(19)	(1)	(13)	(24)	(48)	(137)	–	(242)
At 31 December 2016	362	269	201	570	2,815	2,855	–	7,072
CARRYING VALUES								
At 31 December 2016	8,498	542	937	1,495	4,427	55,374	152,997	224,270
At 31 December 2015	3,156	534	260	2,392	5,712	–	–	12,054

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis over the following estimated useful lives after taking into account the residual values:

Buildings	2.3% – 19%
Computer system and equipment	20% – $33^1/_3$%
Furniture and fixtures	9.5% – $33^1/_3$%
Leasehold improvements	20%
Motor vehicles	20% – 23.8%
Pipeline and equipment	4.8% – 9.5%

9. GOODWILL

	HK$'000
COST	
At 1 January 2015 and 31 December 2015	–
Arising on acquisition of Yichang Zhongyou *(note 15)*	4,556
Exchange realignment	(228)
At 31 December 2016	4,328
CARRYING VALUE	
At 31 December 2016	4,328
At 31 December 2015	–

10. INTANGIBLE ASSETS

	Car license *HK$'000*	Cost of mobile application *HK$'000*	Natural gas supply exclusive rights *HK$'000*	Total *HK$'000*
COST				
At 1 January 2015	–	–	–	–
Acquired on acquisition of a subsidiary	–	9,000	–	9,000
Transfer	1,520	–	–	1,520
At 31 December 2015	1,520	9,000	–	10,520
Acquired on acquisition of Yichang Zhongyou *(note 15)*	–	–	236,400	236,400
Exchange realignment	–	–	(11,820)	(11,820)
At 31 December 2016	1,520	9,000	224,580	235,100
AMORTISATION				
At 1 January 2015	–	–	–	–
Charge for the year	–	300	–	300
At 31 December 2015	–	300	–	300
Charge for the year	–	1,800	6,490	8,290
Exchange realignment	–	–	(252)	(252)
At 31 December 2016	–	2,100	6,238	8,338
CARRYING VALUE				
At 31 December 2016	1,520	6,900	218,342	226,762
At 31 December 2015	1,520	8,700	–	10,220

Notes:

(a) The amount of car license, representing the China/Hong Kong cross border car license acquired from an independent third party in 2015, was transferred from deposit for acquisitions placed in 2014. The Directors are of the opinion that the car license has an indefinite useful life as the car license is subjected to annual renewal and hence no amortisation is provided. At the end of the reporting period, the car license is carried at cost less any subsequent accumulated impairment losses.

(b) The mobile application represents the web-based and mobile application platform for customer's design of garments as acquired through acquisition of a subsidiary, namely Logo Plus Limited, of which was accounting for as acquisition of a subsidiary not constituting a business in November 2015. The mobile application has finite useful life and is amortised on a straight-line basis over 5 years.

(c) The natural gas supply exclusive rights arose from the Group's acquisition of Yichang Zhongyou completed on 24 February 2016 and is amortised over the remaining years of the contractual period of 30 years till the years ranging from 2041 to 2044.

11. TRADE AND OTHER RECEIVABLES

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**78**	11
Other receivables	**3,649**	1,606
	3,727	1,617

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits for customer. Limits attributed to customers are reviewed annually. In determining the recoverability of the trade receivables, the Group monitors any change in the credit quality of the trade receivables since the credit was granted and up to the reporting date.

The Group allows an average credit period of 30 days to 180 days for its IT solution business. For trading of copper, deposits are usually required and the remaining balance is usually receivable approximately within 10 days upon completion of the transaction. The Group recognises revenue for natural gas pipeline installation service by reference to the stage of completion and the Group allows an average credit period of 30 days upon completion.

The following is an aged analysis of trade receivables presented based on the invoice date which approximate the revenue recognition date, at the end of the reporting period:

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
0 – 60 days	**78**	11

Before accepting any new customer, the Group's finance and sales management team would assess the potential customer's credit quality and defines credit limits by customer. Limits attributable to customers are reviewed regularly with reference to past settlement history. The Group's finance and sales management team considers trade receivables that are neither past due nor impaired to be of good credit quality as continuous repayments have been received.

12. TRADE AND OTHER PAYABLES

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Trade payables	**284**	77
Payable for construction in progress	**19,177**	–
Consideration payable *(note 15)*	**9,999**	–
Receipt in advance	**591**	–
Other payables and accruals *(Note)*	**6,614**	3,167
	36,665	3,244

Note: The amount represented mainly by accrued charges and temporary short-term advances of RMB2,500,000 (equivalent to HK$2,850,000) for Yichang Zhongyou's development from an independent third party, which are unsecured, interest-free and repayable on demand.

The credit period granted by suppliers to the Group ranged from 30 to 60 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
1 to 30 days	**284**	77

13. AMOUNTS DUE TO A SHAREHOLDER OF THE COMPANY AND NON-CONTROLLING SHAREHOLDERS OF A SUBSIDIARY AND ITS RELATED PARTIES

Amount due to a shareholder of the Company

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Non-trade related	**9,093**	–

Non-trade related balances

Particulars of the amount due to a shareholder of the Company of which are non-trade related are as follows.

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Mr. Weng	**9,093**	–

Note: Mr. Weng is the chairman, executive director and a substantial shareholder under the definition of Listing Rules.

During the year, Mr. Weng advances HK$11,000,000 to the Group, and such amount was unsecured, interest-free and with a maturity period of 2 years. The balance is carried at amortised cost using effective interest method, with an effective interest rate of 10%. The proceeds raised during the current year were used for the Group's general working purpose.

Amounts due to non-controlling shareholders of a subsidiary and its related parties

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Non-trade related	**142,933**	–

Non-trade related balances

Particulars of the amounts due to non-controlling shareholders of a subsidiary and its related parties of which are non-trade related are as follows.

		Year ended 31 December	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
Hubei Biaodian Natural Gas Co., Ltd. ("Hubei Biaodian") and its subsidiary	*(i)*	**118,490**	–
Mr. Xiong and his controlled entities other than those in (i)	*(ii)*	**24,443**	–
		142,933	–

Notes:

(i) Hubei Biaodian is one of the non-controlling interests of Yichang Zahongyou who has 41% entity interest in Yichang Zhongyou.

(ii) Mr. Xiong is the controlling shareholder of Hubei Biaodian, a non-controlling interest of Yichang Zhongyou.

Prior to 31 December 2016, all advances from non-controlling shareholders and its related parties were unsecured, interest-free and repayable on demand, except for RMB65,000,000 (equivalent to HK$78,000,000) advanced from Hubei Biaodian which carried interest at a fixed rate of 12% per annum.

On 31 December 2016, taking into consideration of the development status of Yichang Zhongyou, Hubei Biaodian agreed to stop charging the Group interest since then, while all non-controlling shareholders and its related parties agreed to fix the loan repayment date to 31 December 2018. These balances were then carried at amortised cost using the effective interest method, with an effective interest rate of 10%.

The proceeds raised from non-controlling shareholders during the current year were used for Yichang Zhongyou's capital expenditure purpose.

14. DEFERRED TAXATION

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Deferred tax liabilities	**54,585**	–

The following are the deferred tax liabilities recognised and movements thereon during the current year:

	Revaluation of assets *HK$'000*
At 1 January 2015 and 31 December 2015	–
Acquisition of Yichang Zhongyou *(note 15)*	59,100
Credit to profit or loss	(1,623)
Exchange realignment	(2,892)
At 31 December 2016	54,585

At the end of the reporting period, the Group has unused tax losses of approximately HK$137,166,000 (2015: HK$104,508,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

These tax losses of HK$128,382,000 (2015: HK$104,508,000) in HK may be carried forward indefinitely and tax losses in the PRC of HK$8,784,000 (2015: nil) may be carried forward within 5 years.

The unrecognised tax losses which are not recognised as deferred tax assets will expire in the following years:

	Year ended 31 December	
	2016 ***HK$'000***	2015 *HK$'000*
2018	**(574)**	–
2019	**(1,190)**	–
2020	**(433)**	–
2021	**(6,587)**	–
	(8,784)	–

15. ACQUISITION OF YICHANG ZHONGYOU

On 23 April 2015 a wholly owned 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 was taken place on 24 February 2016 and 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, natural gas cooking appliance and accessories and pipeline installation. Yichang Zhongyou has been granted the approval of exclusive right to construct and operate the natural gas project in the industrial parks and commercial area around Wufeng National Industrial Zone and Yichang New and High (Technology) District Baiyang Industrial Zone 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 Company and the shareholders' wealth by exploring different business opportunities in other sectors.

Assets and liabilities at the date of acquisition on 24 February 2016:

	HK$'000
Property, plant and equipment	128,641
Prepaid lease payments	1,835
Intangible assets	236,400
Inventories	106
Deposits paid for non-current assets	4,038
VAT recoverable	6,413
Bank balances and cash	29
	377,462
Trade and other payables	(15,271)
Amounts due to non-controlling shareholders	(86,707)
Deferred tax liabilities	(59,100)
Bank borrowings	(21,600)
	(182,678)
Net assets acquired	194,784

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 *(Note i)*	9,999
– Deposit paid in the previous year	35,001
	100,000
Plus: Non-controlling interests	99,340
Less: Recognised amount of the fair value of identifiable net assets acquired (100%)	(194,784)
Goodwill arising on acquisition *(Note ii)*	4,556

Notes:

(i) Consideration payable was included in "Trade and other payables" in note 12 and will 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 liabilities, 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 year 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 year	55,000
Less: Cash and cash equivalents acquired	(29)
	54,971

Included in the loss for the year is HK$11,693,000 attributable to the business of Yichang Zhongyou. Revenue for the year includes HK$2,658,000 generated from Yichang Zhongyou.

Had the acquisition been completed on 1 January 2016, total group revenue for the year would have been HK$36,721,000, and loss for the year would have been HK$43,499,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Yichang Zhongyou been acquired at the beginning of the current year, the Directors have:

- calculated depreciation of property, plant and equipment and intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the preacquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

16. CAPITAL COMMITMENTS

	As at 31 December	
	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 accounted for	**39,419**	–
	39,919	500

17. EVENTS AFTER THE REPORTING PERIOD

On 11 October 2016, an indirect wholly-owned subsidiary of the Company entered into a subscription agreement (the "Subscription Agreement") with, among others, the founding shareholders of 新疆國力源投資有限公司 (Xinjiang Guoliyuan Investment Co., Ltd.*) ("Xinjiang Guoliyuan") ("Founding Shareholders") and Xinjiang Guoliyuan, both are independent third parties, pursuant to which the subsidiary of the Company has conditionally agreed to subscribe for and inject RMB105,000,000 (equivalent to HK$119,700,000) into Xinjiang Guoliyuan. Xinjiang Guoliyuan and its subsidiaries were principally engaged in the development, promotion and investment of paper-making industry and provision of technical and consultancy services.

Following completion of the Subscription Agreement, the subsidiary of the Company will hold 35% of the equity interest of Xinjiang Guoliyuan, and as assessed by the Director, Xinjiang Guoliyuan would then become an associate of the Group.

Subsequently, on 4 January 2017 and 24 January 2017, the Group and all the relevant contracting parties of the Subscription Agreement entered into the second and third supplemental agreements, pursuant to which, the contracting parties to the Subscription Agreement agreed to further extend the long stop date from 31 December 2016 to 30 April 2017 (or such later date as agreed by the Group).

As at the date of this report, the acquisition is still incomplete as conditions precedent as stated in the Subscription Agreement have not yet been fulfilled.

* *English name is for identification purpose only.*

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (31 December 2015: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

The Group's revenue was approximately HK$36,379,000 for the year ended 31 December 2016 as compared to approximately HK$217,068,000 for the year ended 31 December 2015.

Trading commodities for the Group has been facing great challenges in 2016. Its revenue has dropped to approximately HK$32,293,000 in 2016 as compared to approximately HK$216,802,000 in 2015.

The Group's solutions and technical consultation on e-commerce integration and application customisation business ("IT Solutions Business") had generated approximately HK$1,428,000 in 2016 as compared to approximately HK$266,000 in previous year. This increase was mainly contributed by the revenue from Logo Plus Limited ("Logo Plus"), the online sales platform for customer designed printed garments acquired by the Company on 6 November 2015.

As all the conditions precedent had been fulfilled, completion of the acquisition (the "Yichang Acquisition") of 49% equity interest in Yichang Zhongyou Natural Gas Utilization Co., Ltd. ("Yichang Zhongyou") 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, provision of natural gas consultation services and its cooking appliance and accessories. Yichang Zhongyou has been granted the approval to construct and operate the natural gas project in Zhijiang City, Hubei Province, the PRC by Hubei Provincial Development and Reform Commission.

Yichang Zhongyou currently supplies to the industrial parks and commercial area around Wufeng National Industrial Zone and Yichang New and High (Technology) District Baiyang Industrial Zone within Zhijiang City, Hubei Province, the PRC and is planning to extend its operation to Zhijiang Yaojiagang Chemical Industrial Zone. The pipeline for the supply of natural gas to the industrial and commercial areas around Zhijiang Yaojiagang Chemical Industrial Zone is under construction.

Upon completion of Yichang Acquisition, the Group generated sales of natural gas and pipeline installation services of approximately HK$2,658,000 for the year ended 31 December 2016. There has been a delay on the commencement of natural gas supply for certain intended customers of Yichang Zhongyou and the Company will monitor closely the sales operation of Yichang Zhongyou and will continue to implement the development and construction plan of natural gas pipeline in an efficient manner.

Analysis on the performance of the Group including revenue and results of commodities trading business, IT Solutions Business and supplying of natural gas pipeline business before allocation of the corporate overheads is set out in note 5 "Segment Information" to the consolidated financial statements.

The total operating expenses for the year ended 31 December 2016 decreased from approximately HK$81,853,000 to approximately HK$41,850,000, which was mainly attributable to the decrease in staff costs for the year ended 31 December 2016.

Finance costs of the Group were approximately HK$39,000 for the year ended 31 December 2016 (31 December 2015: Nil), which represented the imputed interest expense on non-current interest free loan from a related party and non-controlling shareholders of the Company.

Loss for the year ended 31 December 2016 was approximately HK$39,189,000, compared with loss of approximately HK$81,455,000 for year ended 31 December of 2015.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's operation is being financed by internally generated cashflows, bank borrowings and external financing.

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 (the "Subscription") 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 or in the total amount of HK$59,325,000 (the "Subscription") in order to finance for the settlement of part of the consideration for Yichang Acquisition and provide general working capital to the Group. The subscription price represented a discount of approximately 82.9% to the closing price of HK$0.205 per Share as quoted on the Stock Exchange on the date of the subscription agreement (i.e. 29 September 2015). 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. The net proceeds of approximately HK$58.8 million representating a net subscription price of HK$0.035 per share, were 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.

Amount due to a shareholder

During the year, Mr. Weng Lin Lei ("Mr. Weng"), the chairman, an executive Director and a substantial shareholder (as defined in the GEM Listing Rules) of the Company advanced HK$11,000,000 to the Group, and such amount was unsecured, interest-free and with a maturity period of 2 years. The advance was used for the Group's general working capital purpose during the year. As at 31 December 2016, the amount due to Mr. Weng was HK$9,093,000.

Amounts due to non-controlling shareholders of a subsidiary and its related parties

As at 31 December 2016, the amounts due to Hubei Biaodian Natural Gas Co., Ltd ("Hubei Biaodian") and its subsidiary and Mr. Xiong Songgan ("Mr. Xiong") and his controlled entities were approximately HK$118,490,000 and HK$24,443,000 respectively. Hubei Biaodian owns 41% of Yichang Zhongyou and Mr. Xiong is the controlling shareholder of Hubei Biaodian.

Prior to 31 December 2016, all advances from non-controlling shareholders of the Company were unsecured, interest-free and repayable on demand, except for RMB65,000,000 (equivalent to HK$78,000,000) advanced from Hubei Biaodian which carried interest at a fixed rate of 12% per annum. On 31 December 2016, Hubei Biaodian agreed to stop charging the Group interest since then.

All non-controlling shareholders and its related parties agreed to fix the loan repayment date to 31 December 2018.

The advance made by the above non-controlling shareholders of the Company during the year were used for Yichang Zhongyou's capital expenditure purpose.

Bank Borrowings

During the year, the Group assumed bank borrowings of RMB18,000,000 (equivalent to HK$21,600,000) upon completion of the Yichang Acquisition on 24 February 2016. The bank borrowings carry interest at a variable rate, with an effective interest rate of 8.48% per annum. RMB3,000,000 (equivalent to HK$3,480,000) of which has been repaid in November 2016 while the remaining balance of RMB15,000,000 (equivalent to HK$17,100,000) will be repayable in November 2017. The bank borrowings are guaranteed and pledged with several properties owned by Mr. Xiong, his spouse and certain companies held and controlled by him.

As at 31 December 2016,

(a) the Group's aggregate amount of bank and cash balances was approximately HK$15,015,000 (as at 31 December 2015: approximately HK$24,869,000).

(b) the Group's total borrowings comprised (i) amounts due to non-controlling shareholders of a subsidiary and its related parties; (ii) amount due to a shareholder of the Company; and (iii) bank borrowings, totalling approximately HK$169,126,000 (as at 31 December 2015: Nil).

(c) the Group's total gearing ratio was approximately 35% (as at 31 December 2015: Nil). The gearing ratio was calculated as the Group's total borrowings divided by total assets.

(d) the current ratio of the Group was approximately 0.5 (as at 31 December 2015: approximately 8.2).

The management will continue to closely monitor the financial position of the Group to maintain its financial capacity.

PLEDGE OF ASSETS

As at 31 December 2016, the Group had no pledge of assets (as at 31 December 2015: Nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2016 (as at 31 December 2015: Nil).

PROSPECT

The Group will remain full of challenges in the coming year. It is expected that the Group's commodities trading business remains difficult and the Group will seek expanding the network of suppliers to ensure a stable supply of quality commodities and developing our customer base in order to achieve better operating performance of the commodities trading business.

In respect of the IT Solutions Business, the Group acquired Logo Plus last year with a view to diversify and broaden the income stream of its IT Solutions Business. Performance of Logo Plus is on track and it achieved after-tax profit of approximately HK$455,000 for the year ended 31 December 2016. The Group will continue to focus on developing the e-commerce sales platform with an aim to enhance future earnings.

The Group commenced the natural gas operation in Hubei Province, the PRC upon completion of the Yichang Acquisition during the year. Coal remains cheaper to dispatch in the PRC, which slowing the demand on gas conversion by the target customers of Yichang Zhongyou during the year. The management will monitor closely the sales operation and formulate strategies to raise the conversion demand of the target customers. Over the longer haul, the Group believes that the demand for natural gas will expand due to state policies mandating environmental protection.

Possible Disposal

The Group intends to dispose of the entire registered capital of Honest (Macao Commercial Offshore) Limited ("Honest Macao"), a company established in Macau and an indirect wholly owned subsidiary of the Company. Honest Macao is principally engaged in the provision of consulting services, data processing and selling activities. The Group is now negotiating with a potential buyer, which is an independent third party, to dispose of the Honest Macao. If the disposal is completed, the proceeds from such disposal will bring an immediate cash inflow to the Group, which will improve the working capital position of the Group.

EVENTS AFTER REPORTING PERIOD

Possible Subscription

On 11 October 2016, Smart Target Billion Limited ("Smart Target"), an indirect wholly-owned subsidiary of the Company, entered into the subscription agreement (as amended and supplemented by the three supplemental agreements dated 30 November 2016, 4 January 2017 and 24 January 2017 respectively) with, among others, 張碧瓊 (Ms. Zhang Biqiong*) and 王延兵 (Mr. Wang Yanbing*), who are the founding shareholders of 新疆國力源投資有限公司 (Xinjiang Guoliyuan Investment Co., Ltd.*) ("Xinjiang Guoliyuan Investment"), and Xinjiang Guoliyuan Investment and its subsidiaries ("Xinjiang Guoliyuan Group") pursuant to which Smart Target has conditionally agreed to subscribe for and inject RMB105,000,000 (equivalent to HK$121,800,000) into Xinjiang Guoliyuan Investment (the "Xinjiang Guoliyuan Subscription").

As at 31 December 2016, the Xinjiang Guoliyuan Group is still in the progress of undergoing the examination and acceptance procedures for the new techniques of paper-making with stalks (not only limited to cotton) as well as sewage treatment during production. Further announcement(s) will be made by the Company in respect of the Xinjiang Guoliyuan Subscription as and when appropriate.

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

During the year ended 31 December 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, Hong Kong with effect from 16 June 2016.

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

As at 31 December 2016, the Group employed 46 staff members (2015: 28 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.

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 year ended 31 December 2016.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 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 year ended 31 December 2016.

AUDIT COMMITTEE

As at 31 December 2016, the audit committee of the Company (the "**Audit Committee**") has 4 members both of them are the 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 the accounting principles and practices adopted by the Group and has discussed auditing, internal controls, risk management and financial reporting matters, including the review of the annual results and annual report of the Company for the year ended 31 December 2016.

OTHER INFORMATION

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this annual results announcement have been agreed by Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this annual results announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL 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 annual report for the year ended 31 December 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, 22 March 2017

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 and Mr. Sun Zhi Jun and Ms. Huang Yu Jun.

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.

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