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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 2017**

The board (the “**Board**”) of directors (the “**Directors**”) of Global Strategic Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) announces the unaudited interim results of the Group for the six months ended 30 June 2017. This announcement, containing the full text of the 2017 interim report of the Company (the “**2017 Interim Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to the information to accompany preliminary announcement of interim results. Printed version of the 2017 Interim Report containing the information required by the GEM Listing Rules will be despatched to the shareholders of the Company in due course.

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

Hong Kong, 9 August 2017

As at the date of this announcement, the executive Directors are Mr. Weng Lin Lei (Chairman) and Mr. Cheung Tuen Ting; 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 at least 7 days from the day of its posting and the Company’s website at www.globalstrategicgroup.com.hk.

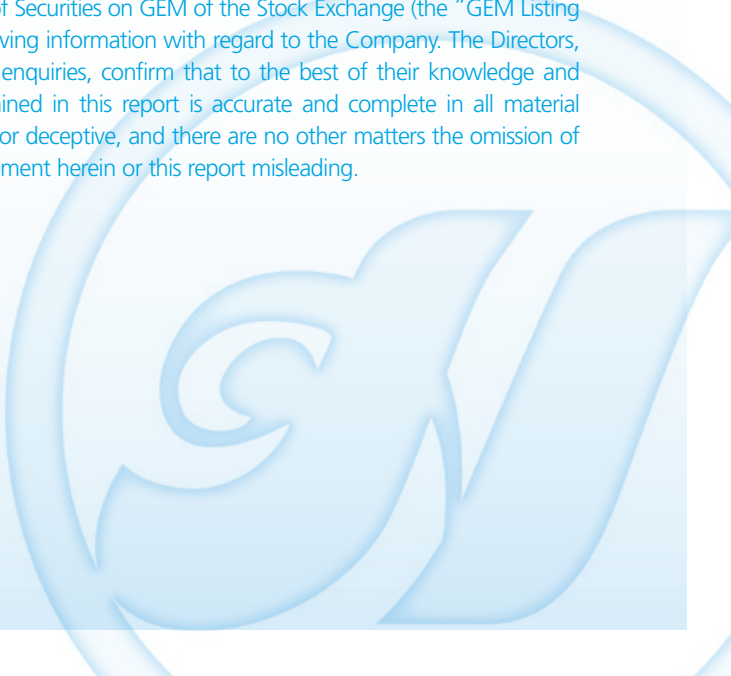
CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF GLOBAL STRATEGIC GROUP LIMITED

Deloitte.
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Introduction

We have reviewed the condensed consolidated financial statements of Global Strategic Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 4 to 23, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS34.

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

Hong Kong

9 August 2017



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Three months ended 30 June		Six months ended 30 June	
		2017	2016	2017	2016
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	3	12,662	598	13,757	28,565
Cost of sales		(11,738)	(427)	(12,592)	(28,289)
Gross profit		924	171	1,165	276
Other income		–	3	313	28
Selling and distribution cost		(3,256)	(4,109)	(6,469)	(5,550)
General and administrative expenses		(6,941)	(9,283)	(13,403)	(19,430)
Other losses		(100)	(216)	(100)	(216)
Finance cost	12	(663)	–	(4,485)	–
Loss before taxation		(10,036)	(13,434)	(22,979)	(24,892)
Income tax credit	5	475	–	944	–
Loss for the period	6	(9,561)	(13,434)	(22,035)	(24,892)
Other comprehensive expenses for the period					
Items that will not be reclassified to profit or loss:					
Exchange differences on translation of financial statements to presentation currency		3,634	54	5,096	(48)
Total comprehensive expense for the period		(5,927)	(13,380)	(16,939)	(24,940)

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Notes	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period attributable to:				
Owners of the Company	(8,574)	(10,078)	(17,812)	(20,752)
Non-controlling interests	(987)	(3,356)	(4,223)	(4,140)
	<u>(9,561)</u>	<u>(13,434)</u>	<u>(22,035)</u>	<u>(24,892)</u>
Total comprehensive expense				
for the period attributable to:				
Owners of the Company	(6,814)	(10,024)	(15,368)	(20,834)
Non-controlling interests	887	(3,356)	(1,571)	(4,106)
	<u>(5,927)</u>	<u>(13,380)</u>	<u>(16,939)</u>	<u>(24,940)</u>
Loss per share – basic	7			
	<u>HK(0.152) cents</u>	<u>HK(0.178) cents</u>	<u>HK(0.315) cents</u>	<u>HK(0.407) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

		As at 30 June 2017 <i>HK\$'000</i> (Unaudited)	As at 31 December 2016 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	8	252,770	224,270
Prepaid lease payments		1,723	1,678
Goodwill	9	4,442	4,328
Intangible assets	10	227,930	226,762
		<u>486,865</u>	<u>457,038</u>
Current assets			
Inventories		9,802	123
Trade and other receivables	11	1,952	3,727
Prepaid lease payments		34	33
Value-added tax ("VAT") recoverable		7,036	6,797
Bank balances and cash		2,922	15,015
		<u>21,746</u>	<u>25,695</u>
Current liabilities			
Trade and other payables		40,407	36,665
Bank borrowings	12	17,550	17,100
		<u>57,957</u>	<u>53,765</u>
Net current liabilities		<u>(36,211)</u>	<u>(28,070)</u>
Total assets less current Liabilities		<u>450,654</u>	<u>428,968</u>

		As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
	<i>Notes</i>		
Capital and reserves			
Share capital	13	28,275	28,275
Share premium and reserves		78,379	90,097
Equity attributable to owners of the Company		106,654	118,372
Non-controlling interests		103,268	103,985
Total equity		209,922	222,357
Non-current liabilities			
Amount due to a shareholder of the Company	12	23,910	9,093
Amounts due to non-controlling shareholders of a subsidiary and its related parties	12	161,719	142,933
Deferred tax liabilities		55,103	54,585
		240,732	206,611
		450,654	428,968

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000		
At 1 January 2016 (audited)	19,800	172,652	7,540	–	(60)	(119,415)	80,517	–	80,517
Exchange difference arising on translation of financial statements to presentation currency	–	–	–	–	(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 14)	–	–	–	–	–	–	–	99,340	99,340
Issue of new ordinary shares	8,475	50,850	–	–	–	–	59,325	–	59,325
At 30 June 2016 (unaudited)	28,275	223,502	7,540	–	(142)	(140,167)	119,008	95,234	214,242
At 1 January 2017 (audited)	28,275	223,502	7,540	16,613	(4,919)	(152,639)	118,372	103,985	222,357
Exchange difference arising on translation of financial statements to presentation currency	–	–	–	–	2,444	–	2,444	2,652	5,096
Loss for the period	–	–	–	–	–	(17,812)	(17,812)	(4,223)	(22,035)
Total comprehensive expense for the period	–	–	–	–	2,444	(17,812)	(15,368)	(1,571)	(16,939)
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	–	–	–	3,650	–	–	3,650	854	4,504
At 30 June 2017 (unaudited)	28,275	223,502	7,540	20,263	(2,475)	(170,451)	106,654	103,268	209,922

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 2017

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Net cash used in operating activities	(21,519)	(21,159)
Investing activities		
Interest received	2	2
Proceeds from disposal of property, plant and equipment	–	211
Net cash outflow arising from acquisition Yichang Zhongyou (note 14)	(9,999)	(54,971)
Addition of property, plant and equipment	(4,378)	(68,737)
Increase in VAT recoverable	(239)	(446)
Net cash used in investing activities	(14,614)	(123,941)
Financing activities		
Proceed from issue of new ordinary shares	–	59,325
Advance from a shareholder of the Company	16,500	–
Repayment of proceeds from non-controlling shareholders of a subsidiary and its related parties	(2,116)	–
Advance from non-controlling shareholders of a subsidiary and its related parties	11,331	73,577
Net cash from financing activities	25,715	132,902
Net decrease in cash and cash equivalents	(10,418)	(12,198)
Cash and cash equivalents at 1 January	15,015	24,869
Effect of foreign exchange rate changes	(1,675)	(82)
Cash and cash equivalents at 30 June, represented by bank balances and cash	2,922	12,589

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. BASIS OF PREPARATION

A. General Information

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

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

In prior years and up to the acquisition of 宜昌中油天然氣利用有限公司 (Yichang Zhongyou Natural Gas Utilization Co., Ltd.*) ("Yichang Zhongyou") in February 2016, the Group's functional currency was Hong Kong Dollars ("HK\$"). The directors (the "Directors") of Global Strategic Group Limited (the "Company") had evaluated the primary economic environment in which the Company and its subsidiaries (the "Group") operates, including the underlying investment activities and strategy of the Group after the acquisition of Yichang Zhongyou in February 2016 and had 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 were continued to be presented in HK\$ which was considered to be more relevant as the shares of the Company were listed in the Stock Exchange.

B. Basis of Preparation

The Directors have given careful consideration to the going concern of the Group in light of the fact that the Group incurred a net loss of HK\$22,035,000 for the six months period ended 30 June 2017 and, as of that date, the Group's current liabilities exceeded its current assets by HK\$36,211,000. In addition, as at 30 June 2017, the Group had capital commitments amounting to HK\$21,236,000 as disclosed in note 16.

* English name is for identification purpose only.

As at 30 June 2017, Global Strategic (Holding) Group Limited, the immediate holding company of the Company, has agreed to provide sufficient funds to the Group so that the Group will be able to meet all current obligations as they fall due in the coming twelve months after the six months period ended 30 June 2017.

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

2. PRINCIPAL ACCOUNTING POLICIES

The amounts included in these condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") applicable to interim periods. In addition, the condensed consolidated financial statements include the applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinances. However, it does not contain sufficient information to constitute an interim financial report as defined in HKFRSs.

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 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

Application of amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 7

Disclosure Initiative

Amendments to HKAS 12

Recognition of Deferred Tax Assets for Unrealised Losses

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

3. REVENUE

Analysis of revenue of the Group for the three months ended and six months ended 30 June 2017 and 2016 is set forth below:

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of goods				
Trading of copper	10,874	–	10,874	27,615
Sales of natural gas	644	377	1,360	539
	11,518	377	12,234	28,154
Rendering of services				
IT solution service fee	181	221	351	411
Pipeline installation services	963	–	1,172	–
	1,144	221	1,523	411
Total revenue	12,662	598	13,757	28,565

4. 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 operating and reportable segments as follow:

- 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 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

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

Information regarding the above segments is reported below:

	Trading of copper HK\$'000 (Unaudited)	IT solution services HK\$'000 (Unaudited)	Natural gas operations HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
For the period from 1 January 2017 to 30 June 2017				
REVENUE				
External and total revenue	<u>10,874</u>	<u>351</u>	<u>2,532</u>	<u>13,757</u>
RESULTS				
Segment profit (loss)	10	(1,489)	(9,225)	(10,704)
Other income				42
General and administrative expenses				(11,575)
Finance cost				<u>(742)</u>
Loss before taxation				<u>(22,979)</u>

Trading of copper HK\$'000 (Unaudited)	IT solution services HK\$'000 (Unaudited)	Natural gas operations HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
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Six months ended 30 June 2016

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)
Other income				28
General and administrative expenses				(15,210)
Other losses				<u>(216)</u>
Loss before taxation				(24,892)

No assets and liabilities are included in segment reporting as they are not regularly reviewed by the executive Directors of the Company.

5. INCOME TAX CREDIT

	For the three months ended 30 June		For the six months ended 30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax:				
Hong Kong Profits Tax	-	-	-	-
PRC Enterprise Income Tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax:				
Current period credit	<u>475</u>	<u>-</u>	<u>944</u>	<u>-</u>
	<u>475</u>	<u>-</u>	<u>944</u>	<u>-</u>

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

6. LOSS FOR THE PERIOD

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:				
Depreciation of property, plant and equipment				
– included in general and administrative expenses	701	746	1,410	1,377
– included in selling and distribution cost	923	902	1,804	1,198
	1,624	1,648	3,214	2,575
Amortisation of intangible assets (included in selling and distribution cost)	2,343	2,436	4,665	3,541
Total depreciation and amortisation	3,967	4,084	7,879	6,116

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Salaries, allowance and other benefits (including directors)				
– Included in general and administrative expenses	2,003	3,502	4,782	7,863
Contribution to retirement benefit schemes (including directors)				
– Included in general and administrative expenses	21	27	41	59
	<u>2,024</u>	<u>3,529</u>	<u>4,823</u>	<u>7,922</u>
Auditor's remuneration	225	200	450	400
Minimum lease payment in respect of rented premises	773	1,105	1,545	2,308
Cost of inventories recognised as an expense	11,314	–	11,854	28,013
Loss on disposal of property, plant and equipment (included in other losses)	100	216	100	216
and after crediting:				
Interest income	<u>1</u>	<u>2</u>	<u>2</u>	<u>2</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	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	<u>(8,574)</u>	<u>(10,078)</u>	<u>(17,812)</u>	<u>(20,752)</u>
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>5,655,000</u>	<u>5,655,000</u>	<u>5,655,000</u>	<u>5,096,209</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 2017, the Group incurred capital expenditure of HK\$26,211,000 (including the construction cost in relation to the natural gas project conducted by Yichang Zhongyou and acquisition of property, plant and equipment for its operation).

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 capital expenditure of HK\$73,226,000.

9. GOODWILL

For the purposes of impairment testing, goodwill has been allocated to one individual cash generating unit (CGU), i.e. the subsidiary Yichang Zhongyou. The carrying amount of goodwill (net of accumulated impairment losses) as at 30 June 2017 and 31 December 2016 allocated to the unit are as follows:

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Yichang Zhongyou – natural gas operations	<u>4,442</u>	<u>4,328</u>

The recoverable amount of this unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period (31 December 2016: 5-year period), and discount rate of 16.32% (31 December 2016: 14.23%). Yichang Zhongyou's cash flows beyond the 5-year period (31 December 2016: 5-year period) are extrapolated using a steady 3% (31 December 2016: 3%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry in which Yichang Zhongyou operates. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on Yichang Zhongyou's past performance and management's expectations for the market development.

10. INTANGIBLE ASSETS

As at 30 June 2017, the amounts represented mainly the carrying amount of the natural gas supply exclusive rights arising from the Group's acquisition of Yichang Zhongyou completed on 24 February 2016 with a carrying amount of HK\$220,410,000 (31 December 2016: HK\$218,342,000). This intangible asset is amortised over the remaining years of the contractual period of 30 years till the years ranging from 2041 to 2044..

Intangible assets also included the carrying amount of an online sales platform amounting to HK\$6,000,000 (31 December 2016: HK\$6,900,000) and a license for Guangzhou/Hong Kong cross-boundary private car amounting to HK\$1,520,000 (31 December 2016: HK\$1,520,000).

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Trade receivables (<i>Note</i>)	110	78
Other receivables	1,842	3,649
	<u>1,952</u>	<u>3,727</u>

Note:

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 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 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
0 – 60 days	<u>110</u>	<u>78</u>

12. AMOUNTS DUE TO A SHAREHOLDER OF THE COMPANY AND NON-CONTROLLING SHAREHOLDERS OF A SUBSIDIARY AND ITS RELATED PARTIES, BANK BORROWINGS AND FINANCE COST

During the current interim period, Mr. Weng advanced additionally HK\$16,500,000 (31 December 2016: HK\$11,000,000) to the Group, and such amount was unsecured, interest-free and with a maturity period of 2 years. The balance totalling HK\$27,500,000 (31 December 2016: HK\$11,000,000) 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.

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 湖北標典天然氣有限公司 (Hubei Biaodian Natural Gas Co., Ltd.*) ("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%.

During the current interim period, the Group obtained additionally RMB9,780,000 (original equivalent to HK\$11,331,000) from the non-controlling shareholder of a subsidiary and its related parties and repaid RMB1,815,000 (original equivalent to HK\$2,116,000) to the non-controlling shareholder of a subsidiary and its related parties. Such balance was unsecured, interest-free and with an original 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.

The bank borrowings carry interest at the variable market rate of 8.48% per annum (31 December 2016: 8.48%) and was repayable in November 2017.

13. SHARE CAPITAL

Number of shares		Amount	
As at 30 June 2017 '000 (Unaudited)	As at 31 December 2016 '000 (Audited)	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 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	5,655,000	3,960,000	28,275
Issue of ordinary shares (Note)	–	1,695,000	–
At end of period	5,655,000	5,655,000	28,275

Note:

During the year ended 31 December 2016, an aggregate of 1,695,000,000 ordinary shares of the Company have been placed to independent third parties at the placing price of HK\$0.035 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.

* English name is for identification purpose only

14. ACQUISITION OF YICHANG ZHONGYOU

On 23 April 2015 a subsidiary of the Group, 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 had 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	29
	<u>377,462</u>
Trade and other payables	(15,271)
Amounts due to non-controlling shareholders	(86,707)
Deferred tax liabilities	(59,100)
Bank borrowings	(21,600)
	<u>(182,678)</u>
Net assets acquired	<u>194,784</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 during the period ended 30 June 2016	55,000
– Cash paid during the current period	9,999
– Deposit paid in 2015	<u>35,001</u>
	<u>100,000</u>
<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</i>)	<u>4,556</u>

Notes:

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 had been excluded from the cost of acquisition and had been recognised directly as expenses in the prior year.

Net cash outflow arising on acquisition

HK\$'000

Consideration paid in cash during the period ended 30 June 2016	55,000
<i>Less:</i> Cash and cash equivalents acquired	<u>(29)</u>
	<u>54,971</u>

15. 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	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Finance cost incurred in respect of loan from a shareholder	475	–	742	–

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	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Salaries and other benefits	714	2,299	1,717	5,783
Retirement benefits schemes contribution	4	14	9	27
	718	2,313	1,726	5,810

16. CAPITAL COMMITMENTS

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
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	20,736	58,105
	21,236	58,605

DIVIDEND

The board of the Company (the “Board”) does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

FINANCIAL AND BUSINESS REVIEW

The Group’s unaudited revenue for the six months ended 30 June 2017 was approximately HK\$13,757,000 (six months ended 30 June 2016: HK\$28,565,000), mainly due to the decrease in revenue from trading of commodities of approximately HK\$16,741,000 during the period as compared to the corresponding period in 2016. During the six months ended 30 June 2017, revenue of approximately HK\$2,532,000 was generated from the sales of natural gas and pipeline installation services, approximately HK\$351,000 was generated from the Group’s IT solution services and approximately HK\$10,874,000 was generated from trading of commodities.

The Group’s total operating expenses, which include selling and distribution cost and general and administrative expenses, for the six months period ended 30 June 2017 decreased to approximately HK\$19,972,000 from approximately HK\$25,196,000 for the last corresponding period, due mainly to the decrease in staff costs.

Finance cost of the Group was approximately HK\$4,485,000 for the six months period ended 30 June 2017 (six months ended 30 June 2016: HK\$Nil), which represented the imputed interest expense on non-current interest free loan from a substantial shareholder of the Company and non-controlling shareholders of a subsidiary.

Loss for the six months period ended 30 June 2017 was approximately HK\$22,035,000, compared with loss of approximately HK\$24,892,000 for the last corresponding period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 30 June 2017, the Group’s total borrowings comprised (i) amounts due to non-controlling shareholders of a subsidiary and its related parties; (ii) amount due to a shareholder of the Company; and (iii) bank borrowings, totalling approximately HK\$203,179,000.

The Group had no material contingent liabilities as at 30 June 2017.

PROSPECT

Looking ahead, the Group will continue to operate diligently its core businesses and implement cost control measures across all its businesses in order to manage the risks to the Group. The Group will also continue to look for quality investment opportunities to strengthen and improve its business portfolio.

LAPSE OF THE SUBSCRIPTION AGREEMENT (THE "SUBSCRIPTION AGREEMENT") IN RELATION TO THE SUBSCRIPTION FOR AND INJECTION OF THE REGISTERED CAPITAL OF RMB105,000,000 INTO XINJIANG GUOLİYUAN

The Company announced on 2 May 2017 that the subscription for and injection of the registered capital of RMB105,000,000 into 新疆國力源投資有限公司 (Xinjiang Guoliyuan Investment Co., Ltd.*) ("Xinjiang Guoliyuan") has not been completed as certain conditions for completion set out in the Subscription Agreement dated 11 October 2016 (as supplemented by the three supplemental agreements dated 30 November 2016, 4 January 2017 and 24 January 2017 respectively) could not be fulfilled on or before the long stop date stipulated in the Subscription Agreement.

Pursuant to the Subscription Agreement, Smart Target Billion Limited (the "Xinjiang Subscriber"), the indirectly wholly-owned subsidiary of the Company, was recorded as a registered holder of 35% equity interest in Xinjiang Guoliyuan with the relevant authorities in the People's Republic of China (the "PRC") so as to fulfil one of the conditions precedent under the Subscription Agreement. As a result of the lapse of the Subscription Agreement, on 27 June 2017, the Xinjiang Subscriber entered into an agreement with a new Xinjiang subscriber (the "New Xinjiang Subscriber") pursuant to which the Xinjiang Subscriber agreed to transfer (the "Transfer") 35% equity interest in Xinjiang Guoliyuan to the New Xinjiang Subscriber and assist the New Xinjiang Subscriber with the changes or filing of business registration relating to the Transfer with the relevant authorities in the PRC.

As at the date of this report, the changes or filing of business registration relating to the Transfer is still under process and further announcement(s) will be made by the Company regarding the Transfer as and when appropriate.

EVENTS AFTER REPORTING PERIOD

Memorandum of understanding

As disclosed in the Company's announcement dated 23 June 2017, the Company entered into a non-legally binding memorandum of understanding (the "MOU") with 安徽羅伯特科技股份有限公司 (Anhui Rbtek Co., Ltd.) (the "Anhui Vendor"), pursuant to which the Company was intended to acquire 深圳安捷能特分布式能源有限公司 (Shenzhen Energymt Co. Ltd.) and its subsidiaries in the fields of production and operation of transmission and distribution of solar energy and power.

On 24 July 2017, the Company entered into a deed of termination with the Anhui Vendor, pursuant to which the parties thereto have agreed to terminate the MOU.

Disposal of Honest (Macau Commercial Offshore) Limited

On 7 August 2017, the Group entered in to a share transfer agreement with a party, independent of the Company and its connected persons, to dispose of the entire registered capital of Honest (Macau Commercial Offshore) Limited, an indirect wholly owned subsidiary of the Company at a cash consideration of HK\$2,000,000.

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 2017, the Group had employed 42 staff (as at 30 June 2016: 35 staff), including 29 staff in the PRC, 11 staff in Hong Kong and 2 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' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2017, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Interests in the Company

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

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 2017, 1,802,580,000 shares of the Company were held by Global Strategic (Holding) Group Limited, a company incorporated in Samoa with limited liability and is wholly-owned by Global Strategic Fund Holdings Limited, which in turn is owned as to 49% of its issued share capital by Hotex Holdings Limited and as to 51% of its issued share capital by Liang Tan Yi Xing International Foundation Company Limited ("Liang Tan Yi Xing Foundation"). Hotex Holdings Limited is wholly-owned by Mr. Weng Lin Lei. Liang Tan Yi Xing Foundation is owned as to approximately 38% of its issued share capital by Mr. Wei Yue Tong.

Save as disclosed above, as at 30 June 2017, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 30 June 2017, other than the interests and short positions of the Directors disclosed above, the following person (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Number of shares held, capacity and nature of interest			Approximate percentage of the issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Mr. Wei Yue Tong	4,480,000 (L)	1,802,580,000 (L) (Note 1)	1,807,060,000 (L) (Note 1)	31.96%
Global Strategic (Holding) Group Limited	1,802,580,000 (L) (Note 1)	–	1,802,580,000 (L)	31.88%
Global Strategic Fund Holdings Limited	–	1,802,580,000 (L) (Note 1)	1,802,580,000 (L)	31.88%
Hotex Holdings Limited	–	1,802,580,000 (L) (Note 1)	1,802,580,000 (L)	31.88%
Liang Tan Yi Xing Foundation	–	1,802,580,000 (L) (Note 1)	1,802,580,000 (L)	31.88%
Mr. Zhang Hai Ping	–	1,116,000,000 (L) (Note 2)	1,116,000,000 (L)	19.73%
Hong Kong Hao Yue International Trading Co., Limited	1,116,000,000 (L) (Note 2)	–	1,116,000,000 (L)	19.73%

L: Long position

Notes:

1. Global Strategic (Holding) Group Limited, a company incorporated in Samoa with limited liability and is wholly-owned by Global Strategic Fund Holdings Limited, which in turn is owned as to 49% of its issued share capital by Hotex Holdings Limited and as to 51% of its issued share capital by Liang Tan Yi Xing Foundation. Hotex Holdings Limited is wholly-owned by Mr. Weng Lin Lei. Liang Tan Yi Xing Foundation is owned as to approximately 38 % of its issued share capital by Mr. Wei Yue Tong. 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
2. Hong Kong Hao Yue International Trading Co., Limited is wholly-owned by Mr. Zhang Hai Ping.

Save as disclosed above, none of the substantial shareholders or other (other than Directors and chief executive of the Company) person had any interest or short position in the shares or underlying shares of the Company according to the register required to be kept by the Company under Section 336 of the SFO as at 30 June 2017.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2017.

COMPETING INTERESTS

None of the Directors, the controlling shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates had any business or interest which competed or might compete with the business of the Group nor had any other conflict of interests with the Group during the period under review.

CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2017, the Company complied with the code provisions of the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealing set out in rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the Required Standard during the six months ended 30 June 2017.

AUDIT COMMITTEE

As at 30 June 2017, the audit committee of the Company (the “Audit Committee”) has four members comprising independent non-executive Directors, namely, Ms. Kwan Sin Yee, Mr. Leung Oh Man, Martin, Mr. Sun Zhi Jun and Ms. Huang Yu Jun. The chairman of the Audit Committee is Mr. Leung Oh Man, Martin. The Audit Committee is accountable to the Board and the principal duties of the Audit Committee are, among other things, to assist the Board to review the Group’s financial information, its financial and corporate governance reporting process and to supervise the Group’s internal controls and risk management matters.

The Audit Committee and the management of the Company have reviewed the internal controls, financial reporting matters, accounting principles and practices adopted by the Group, including the review of the unaudited interim results and interim report of the Company for the six months ended 30 June 2017.

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

This report is published on the website of the Stock Exchange at www.hkexnews.hk and the Company’s website at www.globalstrategicgroup.com.hk. The Company’s interim report for the six months ended 30 June 2017 will be published on the above websites in due course.

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

Hong Kong, 9 August 2017

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

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