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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)

CONTINUING CONNECTED TRANSACTIONS

THE UPSTREAM NATURAL GAS SALES AGREEMENT

On 25 March 2019, Yichang Kunlun and Yichang Biaodian, being a 25% indirectly-owned subsidiary of the Company, entered into the Upstream Natural Gas Sales Agreement pursuant to which Yichang Kunlun agreed to supply and Yichang Biaodian agreed to purchase natural gas for the period from 1 January 2019 to 31 March 2019.

On 29 March 2019, Yichang Kunlun and Yichang Biaodian signed a confirmation to confirm that the pricing basis as set out in the Upstream Natural Gas Sales Agreement shall apply to the period from 1 April 2019 to 29 April 2019.

THE SUPPLEMENTAL UPSTREAM NATURAL GAS SALES AGREEMENT

On 17 December 2019, Yichang Kunlun and Yichang Biaodian entered into the Supplemental Upstream Natural Gas Sales Agreement pursuant to which both parties agreed to revise the pricing basis and include another contract period from 30 April 2019 to 31 December 2019 in addition to the existing contract period of 1 January 2019 to 29 April 2019 under the Upstream Natural Gas Sales Agreement.

GEM LISTING RULES IMPLICATIONS

As Yichang Kunlun is owned as to 49% by Hubei Biaodian and Hubei Biaodian is a substantial shareholder (within the meaning of the GEM Listing Rules) of Yichang Biaodian holding 20.92% equity interest in Yichang Biaodian, whereas Mr. Xiong, is the ultimate controlling shareholder of Hubei Biaodian and a director of Yichang Biaodian, each of Yichang Kunlun and Hubei Biaodian, are connected persons of the Company and the transactions contemplated under the Upstream Natural Gas Sales Agreement constitute Continuing Connected Transactions for the Company under the GEM Listing Rules.

Given that: (i) each of Yichang Kunlun, Hubei Biaodian and Mr. Xiong is a connected person of the Company only at the subsidiary level; (ii) the Board has approved the Continuing Connected Transactions; and (iii) having considered the terms of the Upstream Natural Gas Sales Agreement and the transactions contemplated thereunder (including the Annual Cap), all the independent non-executive Directors have confirmed that the terms of the Continuing Connected Transactions are fair and reasonable, the Continuing Connected Transactions are on normal commercial terms or better and in the interest of the Company and the Shareholders as a whole, the Continuing Connected Transactions (including the Annual Cap) are exempted from the circular, independent financial advice and Shareholders' approval requirements under Rule 20.99 of the GEM Listing Rules. The Continuing Connected Transactions are subject to the reporting, announcement and annual review requirements under Chapter 20 of the GEM Listing Rules.

The omission by the Company to comply with the GEM Listing Rules requirements to make timely disclosure for the Continuing Connected Transactions was due to inadvertent mistake and the delay on the part of Yichang Kunlun in entering into the Upstream Natural Gas Sales Agreement and the Supplemental Upstream Natural Gas Sales Agreement as there has been a change in the management of Yichang Kunlun. The Company wishes to apologise in this regard and now publishes this announcement to provide details of the Continuing Connected Transactions.

To avoid any similar delay in the future and to tighten the Group's internal control procedures, the Company will: (i) liaise with Yichang Kunlun in a timely manner in relation to the supply of natural gas to Yichang Biaodian; (ii) review and oversee the legal and regulatory compliance procedures and internal controls of the Group to ensure that all existing and further transactions of the Company fully comply with the GEM Listing Rules; and (iii) provide further training to the senior management and the relevant personnel of the Company to help them better understand the requirements of the GEM Listing Rules and identify any potential connected transactions of the Group on a timely basis.

CONTINUING CONNECTED TRANSACTIONS

Background

On 25 March 2019, Yichang Biaodian, being a 25% indirectly-owned subsidiary of the Company, and Yichang Kunlun entered into the Upstream Natural Gas Sales Agreement pursuant to which Yichang Kunlun agreed to supply and Yichang Biaodian agreed to purchase natural gas for the period from 1 January 2019 to 31 March 2019.

On 29 March 2019, Yichang Kunlun and Yichang Biaodian signed a confirmation to confirm that the pricing basis as set out in the Upstream Natural Gas Sales Agreement shall apply to the period from 1 April 2019 to 29 April 2019.

On 17 December 2019, Yichang Biaodian and Yichang Kunlun entered into the Supplemental Upstream Natural Gas Sales Agreement pursuant to which both parties agreed to revise the pricing basis and include another contract period from 30 April 2019 to 31 December 2019 in addition to the existing contract period of 1 January 2019 to 29 April 2019 under the Upstream Natural Gas Sales Agreement.

Principal terms of the Upstream Natural Gas Sales Agreement

Date: 25 March 2019 (as supplemented by the Confirmation dated 29 March 2019 and the Supplemental Upstream Natural Gas Sales Agreement dated 17 December 2019)

Parties:

Seller: Yichang Kunlun

Buyer: Yichang Biaodian

Yichang Biaodian is a company established in the PRC with limited liability and a 25% indirectly-owned subsidiary of the Company. It is principally engaged in the investments and construction of natural gas pipelines of the Zhijiang Project and the provision of natural gas.

Yichang Kunlun is a company established in the PRC with limited liability. It is principally engaged in investments in natural gas projects, natural gas technology consultation services and sales of natural gas cooking appliances and accessories.

1. Contract period

The contract period under the Upstream Natural Gas Sales Agreement is from 1 January 2019 up to and including 31 December 2019.

2. Nature of transaction

Pursuant to the Upstream Natural Gas Sales Agreement, Yichang Kunlun will supply natural gas to Yichang Biaodian for its Zhijiang Project.

3. Quantity

For the Period, the amount of natural gas purchased by Yichang Biaodian will be the amount purchased upstream by Yichang Kunlun deducted by the amount of the natural gas that is decompressed by Yichang Biaodian.

4. Pricing basis

For the period from 1 January 2019 to 29 April 2019, the price of the natural gas supplied to Yichang Biaodian is the purchase price of the natural gas by Yichang Kunlun plus RMB0.13 per cubic metre of natural gas, subject to adjustments by National Development and Reform Commission (國家發展和改革委員會).

For the period from 30 April 2019 to 31 December 2019, the price of the natural gas supplied to Yichang Biaodian is the purchase price of the natural gas by Yichang Kunlun plus RMB0.1 per cubic metre of natural gas (which is not applicable to (i) the amount purchased by Yichang Biaodian from Shanghai Petroleum and Gas Exchange (上海石油天然氣交易中心) or Chongqing Petroleum and Gas Exchange (重慶石油天然氣交易中心); and (ii) the amount purchased based on the online transaction prices), subject to adjustments by National Development and Reform Commission (國家發展和改革委員會).

5. Payment

During the term of the Upstream Natural Gas Sales Agreement, Yichang Biaodian will prepay to Yichang Kunlun an amount of the estimated provision value of next month's natural gas purchase amount in each preceding month (the "**Prepaid Amount**"). Yichang Kunlun will issue to Yichang Biaodian a value-added tax special invoice on the next day following the settlement date based on the purchased quantity and amount of the natural gas for the month, which the sum will be deducted from the Prepaid Amount.

The Annual Cap

The Annual Cap of the transactions contemplated under the Upstream Natural Gas Sales Agreement for the Period is approximately RMB16 million.

The above Annual Cap was determined with reference to:–

1. estimates on natural gas sale prices with reference to the city-gate price of natural gas consumed by non-residential users as stipulated by the PRC Government;
2. the historical transaction amounts under the 2018 Upstream Natural Gas Sales Agreement for the period from 1 January 2018 to 31 December 2018 of approximately RMB13.9 million; and
3. estimates on the demands for natural gas based on the estimated volumes of natural gas supplied by Yichang Biaodian to under the Zhijiang Project for the Period.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the Annual Cap is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Reasons for and benefits of the Continuing Connected Transactions

Yichang Biaodian had been in close negotiation with a leading natural gas supply company in the PRC (the “**Gas Company**”), being an Independent Third Party, for a proposed agreement to supply natural gas by the Gas Company to Yichang Biaodian for the Zhijiang Project. As advised by the Gas Company, the amount of gas that can be supplied by the Gas Company is insufficient to meet the demand of Yichang Biaodian for the Zhijiang Project.

Given that the Zhijiang Project was previously owned by Yichang Kunlun and Yichang Kunlun has been engaged as the upstream natural gas supplier of Yichang Biaodian since the commencement of the trial run of the Zhijiang Project, the Directors (including independent non-executive Directors) consider that it is in the best interest of Yichang Biaodian to continue with the transactions contemplated under the Upstream Natural Gas Sales Agreement to ensure a stable supply of natural gas for the Zhijiang Project.

The Directors (including independent non-executive Directors) are of the view that the terms of the Upstream Natural Gas Sales Agreement (including the Annual Cap) has been agreed after arm’s length negotiation between the parties, are fair and reasonable, on normal commercial terms after taking into account the terms of the original letter of intent entered into between Yichang Kunlun and the Gas Company for the upstream natural gas supply under the Zhijiang Project, in the ordinary and usual course of business of the Group and are in the interests of the Company and its Shareholders as a whole.

GEM Listing Rules implications

As Yichang Kunlun is owned as to 49% by Hubei Biaodian and Hubei Biaodian is a substantial shareholder (within the meaning of the GEM Listing Rules) of Yichang Biaodian holding 20.92% equity interest in Yichang Biaodian, whereas Mr. Xiong, is the ultimate controlling shareholder of Hubei Biaodian and a director of Yichang Biaodian, each of Yichang Kunlun and Hubei Biaodian, are connected persons of the Company and the transactions contemplated under the Upstream Natural Gas Sales Agreement constitute Continuing Connected Transactions for the Company under the GEM Listing Rules.

Given that: (i) each of Yichang Kunlun, Hubei Biaodian and Mr. Xiong is a connected person of the Company only at the subsidiary level; (ii) the Board has approved the Continuing Connected Transactions; and (iii) having considered the terms of Upstream Natural Gas Sales Agreement and the transactions contemplated thereunder (including the Annual Cap), all the independent non-executive Directors have confirmed that the terms of the Continuing Connected Transactions are fair and reasonable, the Continuing Connected Transactions are on normal commercial terms or better and in the interest of the Company and the Shareholders as a whole, the Continuing Connected Transactions (including the Annual Cap) are exempted from the circular, independent financial advice and Shareholders' approval requirements under Rule 20.99 of the GEM Listing Rules. The Continuing Connected Transactions are subject to the reporting, announcement and annual review requirements under Chapter 20 of the GEM Listing Rules.

None of the Directors has a material interest in the Continuing Connected Transactions and none of them were required to abstain from voting at the meeting of the Board approving the Continuing Connected Transactions.

The omission by the Company to comply with the GEM Listing Rules requirements to make timely disclosure for the Continuing Connected Transactions was due to inadvertent mistake and the delay on the part of Yichang Kunlun in entering into the Upstream Natural Gas Sales Agreement and the Supplemental Upstream Natural Gas Sales Agreement as there has been a change in the management of Yichang Kunlun. The Company wishes to apologise in this regard and now publishes this announcement to provide details of the Continuing Connected Transactions.

To avoid any similar delay in the future and to tighten the Group's internal control procedures, the Company will: (i) liaise with Yichang Kunlun in a timely manner in relation to the supply of natural gas to Yichang Biaodian; (ii) review and oversee the legal and regulatory compliance procedures and internal controls of the Group to ensure that all existing and further transactions of the Company fully comply with the GEM Listing Rules; and (iii) provide further training to the senior management and the relevant personnel of the Company to help them better understand the requirements of the GEM Listing Rules and identify any potential connected transactions of the Group on a timely basis.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Annual Cap”	the maximum aggregate amount for the transactions contemplated under the Upstream Natural Gas Sales Agreement for the supply of natural gas for the Period
“Board”	the board of Directors
“Company”	Global Strategic Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Confirmation”	the confirmation dated 29 March 2019 and signed by Yichang Kunlun and Yichang Biaodian to confirm the pricing basis for the period from 1 April 2019 to 29 April 2019
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Continuing Connected Transactions”	the transactions contemplated under the Upstream Natural Gas Sales Agreement
“Directors”	the directors of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hubei Biaodian”	湖北標典天然氣有限公司 (Hubei Biaodian Natural Gas Co., Ltd.*), a company established in the PRC with limited liability

“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Mr. Xiong”	Mr. Xiong Song Gan
“Period”	the period from 1 January 2019 to 31 December 2019
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Shareholder(s)”	holder(s) of the ordinary share(s) of HK\$0.025 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Upstream Natural Gas Sales Agreement”	the supplemental agreement dated 17 December 2019 and entered into between Yichang Kunlun and Yichang Biaodian in respect of the revised pricing basis and the contract period for the Connected Continuing Transactions
“Upstream Natural Gas Sales Agreement”	the agreement dated 25 March 2019 (as supplemented by the Confirmation and the Supplemental Upstream Natural Gas Sales Agreement) and entered into between Yichang Kunlun and Yichang Biaodian in relation to the supply of natural gas for the period from 1 January 2019 to 31 December 2019
“Yichang Biaodian”	宜昌市標典天然氣利用有限公司 (Yichang Biaodian Natural Gas Utilisation Co., Ltd.*) (formerly known as 宜昌中油天然氣利用有限公司 (Yichang Zhongyou Natural Gas Utilization Co., Ltd.*)), a company established in the PRC with limited liability
“Yichang Kunlun”	宜昌中石油昆侖天然氣有限公司 (Yichang PetroChina Kunlun Natural Gas Co., Ltd.*), a company established in the PRC with limited liability
“Zhijiang Project”	the natural gas pipeline construction project operated by Yichang Biaodian

* For identification purpose only

“2018 Upstream Natural Gas Sales Agreement”	the agreement dated 28 January 2017 and entered into between Yichang Kunlun and Yichang Biaodian in relation to the supply of natural gas from 1 January 2018 to 31 December 2018
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 15 January 2020

As at the date of this announcement, the executive Directors are Mr. Cheung Tuen Ting (Chief Executive Officer), Mr. Wu Guoming, Mr. Li Wentao and Mr. Duan Fanfan; and the Independent Non-executive Directors are Mr. Leung Oh Man, Martin, Mr. Sun Zhi Jun and Ms. Huang Yu Jun.

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

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