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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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 DECEMBER 2019

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 quarterly results of the Group for the three months ended 31 December 2019. This announcement, containing the full text of the 2019/2020 first quarterly report of the Company (the “**2019/2020 First Quarterly Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to the information to accompany preliminary announcement of quarterly results. Printed version of the 2019/2020 First Quarterly 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

Wang Wenzhou

Executive Director and Chief Executive Officer

Hong Kong, 12 February 2020

As at the date of this announcement, the Executive Directors are Mr. Wang Wenzhou (Chief Executive Officer), Mr. Wu Guoming 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 Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited 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 Listed Company Information” page for at least 7 days from the day of its posting and the Company’s website at www.globalstrategicgroup.com.hk.

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

The board of Directors (the “**Board**”) of the Company announces the unaudited condensed consolidated results of the Group for the three months ended 31 December 2019 with comparative unaudited figures for the corresponding period in 2018 as follows:

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

For the three months ended 31 December 2019

		Three months ended 31 December	
		2019	2018
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	3	14,945	74,831
Cost of sales		(11,969)	(72,049)
Gross profit		2,976	2,782
Other income		794	985
Other gains and losses		(2)	(487)
Loss on fair value change on convertible bond designated at fair value through profit or loss (“ FVTPL ”)		–	(1,652)
Selling and distribution cost		(5,351)	(8,108)
General and administrative expenses		(7,750)	(22,096)
Finance costs		(2,603)	(11,030)
Loss before tax		(11,936)	(39,606)
Income tax credit	4	475	442
Loss for the period		(11,461)	(39,164)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of financial statements to presentation currency		4,723	4,113
Other comprehensive income for the period, net of tax		4,723	4,113
Total comprehensive income for the period		(6,738)	(35,051)

		Three months ended	
		31 December	
		2019	2018
		HK\$'000	HK\$'000
Notes		(Unaudited)	(Unaudited)
Loss for the period attributable to:			
	Owners of the Company	(5,686)	(34,257)
	Non-controlling interests	(5,775)	(4,907)
		<u>(11,461)</u>	<u>(39,164)</u>
Total comprehensive income for the period attributable to:			
	Owners of the Company	(3,265)	(29,819)
	Non-controlling interests	(3,473)	(5,232)
		<u>(6,738)</u>	<u>(35,051)</u>
Loss per share			
	Basic (HK cents per share)	5 0.436	2.628
	Diluted (HK cents per share)	5 0.387	2.395

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 December 2019

	Attributable to owners of the Company								Non-controlling interest ("NCI")	Total equity
	Share capital HK\$'000	Capital reserve HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Share options reserve HK\$'000	Subsidiaries shares to be issued HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	
At 1 October 2018 (unaudited)	31,086	7,540	259,788	28,344	(7,989)	4,851	–	(221,660)	101,960	199,612
Total comprehensive income for the period	–	–	–	–	4,438	–	–	(34,257)	(29,819)	(35,051)
Disposal of interest to NCI	–	–	–	–	–	–	–	35	35	–
Issuance of ordinary shares	1,500	–	27,646	–	–	–	–	–	29,146	29,146
Recognition of share-based payments	–	–	–	–	–	4,606	–	–	4,606	4,606
Advanced receipts for capital contributions	–	–	–	–	–	–	153,377	–	153,377	153,377
Deemed capital contribution arising from non-current interest-free loan from non-controlling shareholders of a subsidiary and its related parties	–	–	–	4,628	–	–	–	–	4,628	5,725
At 31 December 2018 (audited)	32,586	7,540	287,434	32,972	(3,551)	9,457	153,377	(255,882)	263,933	357,415
At 1 October 2019 (audited)	32,586	7,540	287,434	12,255	(9,532)	5,966	–	(269,265)	66,984	277,783
Total comprehensive income for the period	–	–	–	–	2,421	–	–	(5,686)	(3,265)	(6,738)
Forfeiture of share options granted	–	–	–	–	–	(1,434)	–	1,434	–	–
At 31 December 2019 (unaudited)	32,586	7,540	287,434	12,255	(7,111)	4,532	–	(273,517)	63,719	271,045

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 December 2019

1. GENERAL INFORMATION

Global Strategic Group Limited was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is 15/F., 80 Gloucester Road, Wanchai, Hong Kong. The Company's shares are listed on GEM of the Stock Exchange.

The Company is an investment holding company.

In the opinion of the directors of the Company, as at 31 December 2019, Hong Kong Hao Yue International Trading Co., Limited, a company incorporated in Hong Kong, is the ultimate holding company and Mr. Zhang Hai Ping is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements together with the comparative unaudited figures for the corresponding period (the “**Financial Information**”) have been prepared in accordance with the accounting policies which conform with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the GEM Listing Rules. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's annual audited consolidated financial statements for the year ended 30 September 2019, except for the adoption of the new and revised HKFRSs (the “**New and Revised HKFRSs**”) (which include all HKFRSs, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA that are adopted for the first time for the Unaudited Condensed Consolidated Financial Statements.

The adoption of the New and Revised HKFRSs has had no significant effect on the Unaudited Condensed Consolidated Financial Statements and there have been no significant changes to the accounting policies applied in the Unaudited Condensed Consolidated Financial Statements.

The Group has not applied any new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations on the Group but is yet to be in a position to state whether they would have any material financial impact on the Group's results of operations and financial position.

3. REVENUE

Disaggregation of revenue from contracts with customers by major products or service line for the period is as follows:

	Unaudited	
	Three months ended	
	31 December	
	2019	2018
	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sales of goods	–	59,566
– Sales of natural gas	13,590	13,544
– Rendering of services	1,121	676
	14,711	73,786
Revenue from other sources		
– Commission income	234	–
– Leasing income	–	1,045
	14,945	74,831

4. INCOME TAX CREDIT

	Unaudited	
	Three months ended	
	31 December	
	2019	2018
	HK\$'000	HK\$'000
Current tax – PRC		
PRC Enterprises Income Tax	–	–
Deferred tax	(475)	(442)
	(475)	(442)

Pursuant to the rules and regulations of the Cayman Islands, Samoa, Seychelles and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in these regions.

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

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the three months ended 31 December 2019 (three months ended 31 December 2018: Nil).

No provision for the tax has been made in the unaudited condensed consolidated financial statements for the three months ended 31 December 2019 since the Group had no assessable profits (for the three months ended 31 December 2018: Nil).

5. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following:

	Unaudited	
	Three months ended	
	31 December	
	2019	2018
	HK\$'000	HK\$'000
Loss for the purpose of calculating basic earnings per share	(5,686)	(34,257)
Effect of fair value change on convertible bond designated at FVTPL	–	1,652
Effect of interest on convertible bond designated at FVTPL	499	504
Loss for the purpose of calculating diluted earnings per share	(5,187)	(32,101)

The calculation of the weighted average number of ordinary shares:

	Three months ended	
	31 December	
	2019	2018
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,303,440	1,303,440
Effect of deemed conversion of convertible bond designated at FVTPL	37,037	37,037
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,340,477	1,340,477

6. DIVIDEND

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

7. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme

On 30 November 2012, the Company adopted a share option scheme (the “Scheme”). The purpose of the Scheme is to attract and to retain quality personnel and other persons and to provide them with incentive to contribute to the business and operation of the Group.

On 31 December 2019, 24,200,000 shares of the Company available for issue under the Scheme adopted by the Company on 30 November 2012 (as at 30 September 2019: 16,400,000 shares) of HK\$0.025 each in the share capital of the Company, representing approximately 1.86% (as at 30 September 2019: approximately 1.26%) of the issued share capital of the Company. Unless otherwise determined by the Directors, there is no minimum period required under the Scheme for the holding of an option before it can be exercised. The offer of a grant of share options may be accepted within 21 days from the date of the offer upon payment of a nominal consideration of HK\$1 in total by grantee. The remaining life of the Scheme is approximately three years and to be expired on 30 November 2022.

Details of specific categories of options are as follows:

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

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

Year of grant	Outstanding at 1 October 2019	Forfeited during the period	Outstanding at 31 December 2019
2017	7,800,000	7,800,000	–
2018	<u>34,400,000</u>	<u>–</u>	<u>34,400,000</u>
	<u>42,200,000</u>	<u>7,800,000</u>	<u>34,400,000</u>
Exercisable at the end of the period			<u>34,400,000</u>
Weighted average exercise price (<i>HK\$</i>)	<u>0.486</u>	<u>0.556</u>	<u>0.466</u>

No share option have been exercised during the three months ended 31 December 2019. The options outstanding at the end of the period have a weighted average remaining contractual life of 0.75 year.

8. CAPITAL COMMITMENTS

	As at 31 December 2019 <i>HK\$'000</i> (Unaudited)	As at 31 December 2018 <i>HK\$'000</i> (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment, development of systems and networks – contracted but not accounted for	<u>7,217</u>	<u>7,102</u>

9. SIGNIFICANT TRANSACTIONS

Acquisition of a subsidiary

On 25 July 2019, LW Capital Group Limited (the “**LW Capital**”), a wholly-owned subsidiary of the Company, entered into a share transfer agreement (the “**Agreement**”) with a vendor, who was independent from the Group, pursuant to which the LW Capital agreed to acquire the entire equity interests in the LW Insurance Brokers Limited (the “**LW Insurance**”) at a consideration HK\$2,373,000.

The LW Insurance is principally acting as insurance broker business.

On 31 October 2019, all the conditions precedents under Agreement have been fulfilled and the completion of the acquisition took place on 31 October 2019. The LW Insurance had become a wholly-owned subsidiary of the Group and financial result of the LW Insurance will be consolidated into the Company’s consolidated financial statements.

10. EVENT AFTER THE REPORTING PERIOD

Completion of disposal of a subsidiary

On 7 January 2020, the Company entered into a share transfer agreement with an independent third-party, pursuant to which the Company agreed to dispose its 100% equity interest in Digital Commerce Limited, a wholly-owned subsidiary, for a cash consideration of HK\$2,500,000. The disposal was completed on 14 January 2020.

Upstream Natural Gas Sales Agreement

On 15 January 2020, Yichang Biaodian and Yichang PetroChina Kunlun Natural Gas Co., Ltd (the “**Yichang Kunlun**”) entered into an upstream natural gas sales agreement pursuant to which Yichang Kunlun agreed to supply and Yichang Biaodian agreed to buy natural gas for the period from 1 January 2020 to 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

The Group's unaudited revenue for the three months ended 31 December 2019 and 2018 were approximately HK\$14,945,000 and HK\$74,831,000 respectively. It is mainly due to the revenue from the sales of natural gas and leasing business of approximately HK\$13,590,000 and HK\$1,121,000 (the three months ended 31 December 2018: approximately HK\$13,544,000 and HK\$676,000 respectively). Revenue generated from newly acquired insurance broker business of approximately HK\$234,000.

The Group's total operating expenses, which include selling and distribution costs and general and administrative expenses, for the three months ended 31 December 2019 decreased to approximately HK\$15,704,000 from approximately HK\$41,234,000 for the last corresponding period.

Finance cost of the Group was approximately HK\$2,603,000 and approximately HK\$11,030,000 for the three months period ended 31 December 2019 and 2018, respectively, which represented the imputed interest expense on non-current interest free loan from the non-controlling shareholders of a subsidiary and its related parties, interests on bank borrowings, convertible bond and non-convertible bonds.

Loss for the three months ended 31 December 2019 was approximately HK\$6,738,000, compared with loss of approximately HK\$35,051,000 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 31 December 2019, the Group's total borrowings comprised (i) amounts due to non-controlling shareholders of a subsidiary and its related parties, (ii) bank borrowings, (iii) non-convertible bonds, (iv) lease liabilities, and (v) convertible bond designated at fair value through profit or loss, totaling approximately HK\$125,304,000 (as at 30 September 2019: approximately HK\$120,120,000).

PLEDGE OF ASSETS

The Group pledged a property approximately amounted to HK\$2,325,000 to an independent third party for obtaining an advance of HK\$113,000 as at 31 December 2019 (as at 30 September 2019: approximately HK\$111,000).

CONTINGENT LIABILITIES

During the year ended 31 December 2018, Yichang Biaodian entered into disputes with one of its suppliers regarding the quality of work performed by such suppliers. Legal proceedings were initiated by the supplier (the “**Plaintiff**”) and on 14 December 2018, pursuant to the application from the Plaintiff, the Court in Yichang granted an order to preserve the bank deposits of Yichang Biaodian amounted to approximately RMB478,000 (equivalent to approximately HK\$544,000).

On 13 March 2019, the Court issued civil mediation agreement which set out that the Plaintiff and Yichang Biaodian agreed with the repayment terms in relation to the aforesaid amount. Yichang Biaodian is required to repay RMB200,000 on or before 30 April 2019 and an order could be applied to unfreeze the bank accounts; and Yichang Biaodian was required to settle RMB2,000,000 on or before 30 September 2019 and the remaining outstanding amount on or before 30 March 2020. The Plaintiff has the rights to apply for a court order to enforce Yichang Biaodian to settle all its debts if it fails to repay RMB2,000,000 to the Plaintiff on or before 30 September 2019. Amount of RMB8,787,000 (equivalent to approximately HK\$10,006,000) were fully provided as liabilities of the Group at 31 December 2018. The restricted bank balance was released on 11 April 2019 upon agreement between the Plaintiff and Yichang Biaodian.

On 20 November 2019, the Plaintiff has exercised its rights to apply for a court order to enforce Yichang Biaodian for settlement of amount overdue as Yichang Biaodian only repaid RMB200,000 up to 30 September 2019. Since the proceeding is at preliminary stage, the management of the Group was assessing the possible outcome that bringing to Yichang Biaodian.

PROSPECT

Although the “Phase one” trade agreement between the United States and China was signed in January 2020, the global economic outlook remains uncertain. An outbreak of the new coronavirus, further cast shadow over the weakened China economy. Although the management has confidence on the prospects of both the natural gas division and leasing division in the coming quarter, the negative impact of global coronavirus spread on global economy has already emerged, especially affects the location of the Group’s natural gas operation, Hubei of China, and the management assessed that the Group’s business performance may become sluggish in remaining of the year 2020.

The management of the Group will embrace those challenges and will continue to optimise the operation efficiency in all Group's current business segments, in particular emphasizing the development of the insurance broker business.

Meanwhile, the Group will look for new potential growth opportunities in a very diligent manner through merger & acquisition, business integration and expansion in order to sustain the growth and profitability of the Group.

CONTINUING CONNECTED TRANSACTIONS

Upstream Natural Gas Sales Agreement – 2019

As disclosed in the Company's announcement dated 15 January 2020, Yichang Biaodian and Yichang PetroChina Kunlun Natural Gas Co., Ltd (the "**Yichang Kunlun**") entered into the upstream natural gas sales agreement (the "**Upstream Gas Sales Agreement**") on 17 December 2019, pursuant to which Yichang Kunlun agreed to supply and Yichang Biaodian agreed to buy natural gas for the period from 1 January 2019 to 31 December 2019. The transaction amount and annual cap (the "**Annual Cap**") amount of such transaction for the year ended 31 December 2019 are about RMB11,277,846 and RMB16,000,000 respectively.

As Yichang Kunlun is owned as to 49% by Hubei Biaodian and Hubei Biaodian is a substantial shareholder (within the meaning of 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, is connected person of the Company and the transactions (the "**Continuing Connected Transactions**") contemplated under the Upstream Gas sales Agreement constitute continuing connected transactions for the Company under GEM Listing Rules.

Given that: (i) Yichang Kunlun 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 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 of the Company 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 GEM Listing Rules. The continuing connected transactions are subject to the reporting, announcement and annual review requirements under Chapter 20 of GEM Listing Rules.

The management has monitored and ensured that (a) the continuing connected transactions have been conducted in accordance with the pricing policies or mechanisms (if applicable) under the Upstream Gas Sales Agreement, as appropriate; and (b) the Company's internal control procedures are adequate and effective to ensure that continuing connected transactions are so conducted.

The independent non-executive Directors have reviewed the continuing connected transactions under Upstream Gas Sales Agreement and have confirmed that such continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

RSM Hong Kong, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. RSM Hong Kong have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with GEM Listing Rule 20.54 of GEM Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

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

HUMAN RESOURCES AND REMUNERATION POLICY OF THE GROUP

As at 31 December 2019, the Group employed 57 staffs (as at 31 December 2018: 50 staffs). Remuneration is determined with reference to market terms and the performance, qualifications and experience of the individual employee. Remuneration includes monthly salaries, performance-linked bonuses, retirement benefits schemes and other benefits such as medical scheme and share option scheme. The Group's remuneration policies and packages are reviewed by management on regular basis. The Company has established a Human Resources and Remuneration Committee. The Directors' emoluments are determined with reference to Directors' duties, responsibilities and the operating performance of the Group.

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

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

Interests in the Company

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

Directors/chief executive	Corporate interests	Number of underlying shares held under equity derivatives	Total interests	Long (L) of short (S) position	Percentage of interests
Mr. Cheung Tuen Ting (Resigned on 24 January 2020)	56,000,000	6,000,000 (Note 1)	62,000,000	L	4.76%
Mr. Wu Guoming	122,200,000 (Note 2)	6,000,000 (Note 1)	128,200,000	L	9.84%

L: Long position

Notes:

- These interests represented the interests in underlying shares in respect of the share options granted by the Company to the directors.
- Mr. Wu Guoming disposed of 37,150,000 ordinary shares of the Company on 7 January 2020 resulting in his total interests in the share being 91,050,000 shares, which is equivalent to 6.99% of the issued share capital of the Company.

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of GEM Listing Rules.

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

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

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	
Hong Kong Hao Yue International Trading Co., Limited	223,200,000 (L) (Note 1)	–	223,200,000 (L)	17.12%
Mr. Zhang Hai Ping	–	223,200,000 (L) (Note 1)	223,200,000 (L)	17.12%
Mr. Wu Guoming	128,200,000 (L) (Note 2)	–	128,200,000 (L)	9.84%

L: Long position

Notes:

1. Hong Kong Hao Yue International Trading Co., Limited is wholly-owned by Mr. Zhang Hai Ping.
2. Same block of shares as mentioned in page 15.

Save as disclosed above, none of the substantial shareholders or other (other than Directors and chief executive of the Company) person had any interest or short position in the shares or underlying shares of the Company according to the register required to be kept by the Company under Section 336 of the SFO as at 31 December 2019.

COMPETING INTERESTS

None of the Directors or any of their respective associates (as defined in the GEM Listing Rules) had any business or interest that competes or may compete with the business of the Group or had any other conflict of interest with the Group during the three months ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 December 2019.

CORPORATE GOVERNANCE PRACTICES

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

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

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company's annual reports and financial statements, interim reports, quarterly reports and risk management and internal control systems and to provide comments thereon to the Board.

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements and this quarterly report for the three months ended 31 December 2019 and has provided comments thereon.

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

The Company's quarterly report for the three months ended 31 December 2019 will be published on the Stock Exchange at www.hkexnews.hk and the Company's website at www.globalstrategicgroup.com.hk.

By Order of the Board
Global Strategic Group Limited
Wang Wenzhou

Executive Director and Chief Executive Officer

Hong Kong, 12 February 2020

As at the date of this report, the executive Directors are Mr. Wang Wenzhou (Chief Executive Officer), Mr. Wu Guoming 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.

* *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.*