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權智集團 GroupSense

GROUP SENSE (INTERNATIONAL) LIMITED
權智（國際）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 601)

2015 INTERIM RESULTS ANNOUNCEMENT

RESULTS

The board of directors (the "Board") of Group Sense (International) Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2015, together with the comparative figures for the corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 September 2015

		Six months ended 30 September	
	Notes	**2015** *HK$'000* *(Unaudited)*	2014 *HK$'000* *(Unaudited)*
REVENUE	*3*	**88,352**	115,507
Cost of sales		**(63,231)**	(90,473)
Gross profit		**25,121**	25,034
Other income and gains, net		**6,852**	5,224
Selling and distribution expenses		**(11,766)**	(15,350)
Administrative expenses		**(27,595)**	(41,026)
Research and development expenses		**(11,020)**	(17,460)
Other operating income/(expenses), net		**182**	(4,514)
Finance costs	*4*	**(466)**	(431)
Share of profit of joint ventures		**825**	406
LOSS BEFORE TAX	*5*	**(17,867)**	(48,117)
Income tax expenses	*6*	**—**	—
LOSS FOR THE PERIOD		**(17,867)**	(48,117)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		**(4,475)**	(787)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(22,342)**	(48,904)

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*
For the six months ended 30 September 2015

		Six months ended 30 September	
		2015	2014
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	*(Unaudited)*
Loss attributable to:			
Equity holders of the Company		**(17,047)**	(45,884)
Non-controlling interests		**(820)**	(2,233)
		(17,867)	(48,117)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(21,785)**	(46,671)
Non-controlling interests		**(557)**	(2,233)
		(22,342)	(48,904)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	*8*	**(HK1.19 cents)**	(HK3.83 cents)
Diluted		**(HK1.19 cents)**	(HK3.83 cents)

Details of the dividends are disclosed in note 7 to the condensed financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2015

	Notes	30.09.2015 HK$'000 (Unaudited)	31.03.2015 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**120,046**	128,465
Prepaid land lease payments		**15,627**	16,176
Deferred development costs		**934**	1,135
Investments in joint ventures		**4,163**	3,363
Investments in associates		**22**	22
Available-for-sale investments		**7,300**	7,300
Long term deposits		**55**	55
Total non-current assets		**148,147**	156,516
CURRENT ASSETS			
Inventories		**42,139**	35,531
Trade receivables	9	**21,878**	21,121
Prepayments, deposits and other receivables		**21,325**	12,063
Amounts due from joint ventures		**635**	1,201
Pledged deposits		**484**	1,012
Cash and cash equivalents		**152,266**	112,052
Total current assets		**238,727**	182,980
CURRENT LIABILITIES			
Trade payables	10	**22,509**	18,053
Other payables and accruals		**37,919**	38,124
Amount due to a non-controlling shareholder of the Group's subsidiary		**1,922**	2,002
Interest-bearing bank borrowings	11	**25,910**	27,781
Provision		**1,092**	1,667
Tax payable		**124**	129
Total current liabilities		**89,476**	87,756
NET CURRENT ASSETS		**149,251**	95,224
TOTAL ASSETS LESS CURRENT LIABILITIES		**297,398**	251,740
NON-CURRENT LIABILITIES			
Loan from a shareholder		**110,000**	42,000
Net assets		**187,398**	209,740
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**143,719**	143,719
Reserves		**50,807**	72,592
		194,526	216,311
Non-controlling interests		**(7,128)**	(6,571)
Total equity		**187,398**	209,740

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements are unaudited and have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements has been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values. In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2015.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle
Amendments to HKAS 19	Defined benefit Plans — Employee Contributions

The application of those new and revised HKFRSs in the current interim period has had no material effect on amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. OPERATING SEGMENT INFORMATION

The Group's primary format for reporting operating segment information is business segment.

For the six months ended 30 September 2015 (unaudited)

	Personal communication products *HK$'000*	Strategic products *HK$'000*	Corporate and others *HK$'000*	Consolidated *HK$'000*
Segment revenue:				
Sales to external customers	**24,554**	**63,798**	**—**	**88,352**
Segment results	**(5,635)**	**(8,912)**	**(3,900)**	**(18,447)**
Reconciliation:				
Interest income				**39**
Finance costs				**(466)**
Share of profit of joint ventures				**825**
Gain on disposal of subsidiaries				**182**
Loss before tax				**(17,867)**
Income tax expenses				**—**
Loss for the period				**(17,867)**

At 30 September 2015 (unaudited)

	Personal communication products *HK$'000*	Strategic products *HK$'000*	Corporate and others *HK$'000*	Consolidated *HK$'000*
Segment assets	**44,650**	**164,810**	**6,422**	**215,882**
Reconciliation:				
Unallocated assets				**170,992**
Total assets				**386,874**
Segment liabilities	**15,823**	**44,635**	**—**	**60,458**
Reconciliation:				
Unallocated liabilities				**139,018**
Total liabilities				**199,476**

For the six months ended 30 September 2014 (unaudited)

	Personal communication products HK$'000	Strategic products HK$'000	Corporate and others HK$'000	Consolidated HK$'000
Segment revenue:				
Sales to external customers	36,199	79,308	—	115,507
Segment results	(10,862)	(33,956)	(302)	(45,120)
Reconciliation:				
Interest income				34
Finance costs				(431)
Impairment of goodwill included in investment in a joint venture				(1,000)
Impairment of an available-for-sale investment				(2,000)
Share of profit of joint ventures				406
Loss on disposal of an available-for-sale investment				(6)
Loss before tax				(48,117)
Income tax expenses				—
Loss for the period				(48,117)
At 31 March 2015 (audited)				
Segment assets	51,322	160,145	3,079	214,546
Reconciliation:				
Unallocated assets				124,950
Total assets				339,496
Segment liabilities	16,296	39,516	2,032	57,844
Reconciliation:				
Unallocated liabilities				71,912
Total liabilities				129,756

4. FINANCE COSTS

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Interest on bank borrowings wholly repayable within five years	**466**	431

5. LOSS BEFORE TAX

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
The Group's loss before tax has been arrived at after charging/(crediting):		
Provision of inventories	**554**	7,443
Loss on disposal of items of property, plant and equipment	—	4
Impairment of goodwill included in investment in a joint venture	—	1,000
Impairment of an available-for-sale investment	—	2,000
Impairment of other receivables	—	4,008
Loss on disposal of an available-for-sale investment	—	6
Amortisation of deferred development costs	**283**	232
Amortisation of prepaid land lease payments	**243**	247
Depreciation	**4,699**	5,576
Bank interest income	**(39)**	(34)

6. INCOME TAX EXPENSES

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
The Group:		
Current – Elsewhere	—	—

7. DIVIDEND

The Board does not recommend any payment of interim dividend to shareholders for the six months ended 30 September 2015 (2014: Nil).

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic loss per share

The calculation of basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company of HK$17,047,000 (2014: HK$45,884,000) and the 1,437,195,029 (2014: 1,197,663,029) shares in issue during the period.

(b) Diluted loss per share

The Group had no potentially dilutive ordinary share in issue during those periods.

9. TRADE RECEIVABLES

The Group allows an average credit period of 30 to 60 days to its trade customers.

The following is an aged analysis of trade receivables, based on due date:

	30.09.2015	31.03.2015
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
0 – 60 days	**21,375**	20,406
61 – 90 days	**324**	134
Over 90 days	**179**	581
	21,878	21,121

10. TRADE PAYABLES

The following is an aged analysis of trade payable, based on due date:

	30.09.2015	31.03.2015
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
0 – 60 days	**18,312**	14,062
61 – 90 days	**395**	62
Over 90 days	**3,802**	3,929
	22,509	18,053

11. INTEREST-BEARING BANK BORROWINGS

	30.09.2015		31.03.2015	
	Effective interest rate (%) (Unaudited)	***HK$'000*** **(Unaudited)**	Effective interest rate (%) (Audited)	*HK$'000* (Audited)
Current				
Bank borrowings, secured and repayable within one year	**2.6 – 3.9**	**25,910**	2.6 – 3.5	27,781

notes:

(a) As at 30 September 2015, the Group's bank loans are secured by:

(i) a mortgage over the Group's building, which had an aggregate carrying value at the end of the reporting period of approximately HK$7,315,000 (31 March 2015: HK$7,455,000);

(ii) the pledge of certain of the Group's time deposits amounting to HK$484,000 (31 March 2015: HK$1,012,000); and

(iii) corporate guarantee executed by the Company and the subsidiary company within the Group.

(b) As at 30 September 2015, included in the Group's secured bank loans are outstanding bank loans of HK$20,901,000 and HK$5,009,000 (31 March 2015: HK$17,848,000 and HK$9,933,000) which bear interest at HIBOR or LIBOR plus 3% (31 March 2015: HIBOR or LIBOR plus 3%) per annum and at the effective interest rate of 2.6% (31 March 2015: 2.6%) respectively, and are repayable within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Following the forming of new Board in March this year, the Board has been seeking for new business opportunity for the Group. As for the existing business, the Group has been depending on the existing management team. During the six months ended 30 September 2015, the Group recorded a revenue of HK$88,352,000, representing a decrease of 23.5% as compared with HK$115,507,000 of the corresponding period of last year. The operating loss before tax was HK$17,867,000, representing a decrease of 62.9% as compared with the loss of HK$48,117,000 of the corresponding period last year.

During the period under review, the global adverse economic and market situation has been sluggish continuously. In order to adapt this situation, certain strategic adjustments on its product development, manufacturing and sales had been implemented since beginning of the year. Some of the implementations has been effect thus the operating loss before tax during the period was narrowed down.

The Management will continue the implementation in order to streamline the operation plan made in the beginning of this year. A review on the strategies and progress of each business units of the Group were as follows:

Manufacturing Business Unit

Following the streamline adjustments made last year and the expansion of the Electronic Manufacturing Services ("EMS"), the results of the Manufacturing Business Unit under review has slightly improved. The Manufacturing Business Unit will continue to strive for the enhancing its production efficiency in order to keep its competitiveness. The Management is optimistic in respect of the improvement in the performance of the manufacturing business unit.

Strategic Products Strategic Business Unit

The sales to Japan decreased due to the unfavorable impact of the continual depreciation of Japanese yen and the economic down trend in Japan. The business unit has been strengthen collaboration with external design houses to improve its flexibility and competitiveness. The additional business exploration team was created to align with efforts to secure new customers in the beginning of this year. Certain new customers and new business opportunities has been brought in the business units during the period under review.

Personal Communication Products Strategic Business Unit

The results of the Personal Communication Products Strategic Business Unit lagged behind its forecasted amounted in the period under review due to the unstable situation and adverse economic and market situation in Europe. The delay in development causing certain new products could not be launched to market as planed schedule is the other reason to affect the performance. The business unit is adjusting its development strategic by setting a new team at front line to collaborate with the system integrators on project development in East Asia market. Certain project opportunities were undergoing and the management has confident to improve the performance of the personal communication products strategic unit in the coming year.

Outlook

After the consolidation of the operation of the existing Business Units of the Group, it is expected that the product and business development capabilities will be enhanced. New sources of customers for the EMS and Original Equipment Manufacturing business were located which were expected to increase the sales in different business units.

Apart from the manufacturing and selling of hardware, the Group has introduced more value-added services including online services and e-commerce. Revenue and profit were expected to contribute to the Group in coming year.

With reference to the announcement of the Company dated 12 August 2015, supplementary announcement of the Company dated 13 August 2015 and the Circular of the Company dated 25 September 2015, in which its contents are related to (and including) an acquisition.

Both vendor and purchaser are actively pushing on and dealing with the conditions precedent of the completion in related to the major acquisition of Xinjiang Tengxiang Magnesium Products Company Limited ("the Target Company"). Upon all the conditions precedent are fulfilled, the Acquisition of the Target Company will be completed and the Target Company will become a wholly-owned subsidiary of the Company.

FINANCIAL REVIEW

Sales revenue of the Group for the six months ended 30 September 2015 was approximately HK$88,352,000 representing a reduction of 23.5% compared the same period ended 30 September 2014. During the period under review, PCP and SP business units recorded a sales revenue of HK$24,554,000 and HK$63,798,000 respectively.

Operating loss of the Group during the period under review was approximately HK$17,583,000 (2014: approximately HK$43,172,000). After deducting finance costs of approximately HK$466,000 (2014: approximately HK$431,000) and other operating income of approximately HK$182,000 (2014: expenses of approximately HK$4,514,000), loss before tax was approximately HK$17,867,000 (2014: approximately HK$48,117,000).

LIQUIDITY AND FINANCIAL RESOURCES

On 30 September 2015, the bank balances and cash of the Group (including bank deposits) were HK$152,750,000 (31 March 2015: HK$113,064,000) of which HK$484,000 (31 March 2015: HK$1,012,000) was pledged. The Group's bank borrowings as at 30 September 2015 was HK$25,910,000 (31 March 2015: HK$27,781,000). The Group's bank borrowings was short term in nature and with floating interest rate. The Group has a loan from a shareholder of HK$110,000,000 (31 March 2015: HK$42,000,000) as at 30 September 2015, which was unsecured, non-interest-bearing and not repayable within 12 months. As at 30 September 2015, the gearing ratio of the Group, defined as total bank borrowings plus loan from a shareholder divided by shareholders' equity, was 70%. The interest expenses was HK$466,000 during the period.

On 17 November 2015, the Company issued 1,437,195,029 offer shares of the Company at HK$0.20 per offer share on the basis of one offer share for every one share in issue on 23 October 2015. Details are stated in the Company's prospectus issued on 26 October 2015.

CONTINGENT LIABILITIES

As at 30 September 2015, the contingent liabilities of the Group were HK$4,895,000 (31 March 2015: HK$4,895,000).

FOREIGN CUREENCIES AND TREASURY POLICY

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollars, Japanese Yen, United States dollars or Renminbi. The usual treasury policy of the Group is to manage significant currency exposure and minimize currency risk whenever it may have material impact to the Group. During the last six months, the Group did not engage in any interest rate or currencies speculations.

EMPLOYEES RELATIONS

As at 30 September 2015, the Group has on its payroll 75 employees (2014: 90) in Hong Kong, 788 employees (2014: 874) in China and 5 employees (2014: 7) in Japan, representing a decrease of approximately 17%, 10% and 29% respectively as compared with the corresponding period last year. In addition to salary remuneration, the Group also provides other fringe benefits such as annual leave, medical insurance and provident fund, etc. for its staff.

APPRECIATION

On behalf of the Board, I wish to thank all our shareholders, customers, suppliers and bankers for their continual support. I would also like to extend my appreciation to all the staff for their dedicated work and their contribution throughout the period.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the period.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Kwong Ping Man (Chairman of the Audit Committee), Mr. Cheung Sound Poon and Mr. Chen Gang. During the period under review, the Audit Committee has held two meetings to review the accounting principles and practices adopted by the Group and discuss internal control and financial reporting matters. The Audit Committee has reviewed the unaudited consolidated interim results of the Group for the six months ended 30 September 2015.

The Audit Committee has made positive contribution to enhancing the Company's corporate governance.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 September 2015, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), save for the deviations as follows:

(a) Under Rule A.1.7, if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting.

    On 20 August 2015, Ming Xing Developments Limited, a whole-owned subsidiary of Century Sunshine Group Holdings Limited ("Century Sunshine") (which held 51.88% of the shareholding interests in the Company as at 20 August 2015) and Earnmill Holdings Limited (which held 2.64% of the shareholding interests in the Company as at 20 August 2015), as underwriters, entered into an underwriting agreement with the Company in relation to the full acceptance and underwriting of the Company's open offer. The entering into the underwriting agreement between the Company, Ming Xing Developments Limited and Earnmill Holdings Limited constitutes a connected transaction.

    Mr. Shum Sai Chit, an executive director and the chairman of the Company, is also the sole director of Ming Xin Developments Limited, and an executive director of Century Sunshine; Ms. Chi Bi Fen, an executive director and the chief executive officer of the Company, is also an executive director of Century Sunshine; Mr. Kwong Ping Man, an independent non-executive director of the Company, is also an independent non-executive director of Century Sunshine; and Dr. Tam Wai Ho, Samson, a non-executive director of the Company, is also a director of Earnmill which is owned jointly by him and by Mr. Tam Wai Tong, Thomas. For the purpose of approving the underwriting agreement, as Mr. Shum Sai Chit, Ms. Chi Bi Fen, Mr. Kwong Ping Man and Dr. Tam Wai Ho, Samson have positions in the Company, Century Sunshine and/or the underwriters, they are deemed to have conflict of interests with respect to the relevant transactions.

    Due to business trips or other matters, a number of directors were unable to attend the board meeting on 20 August 2015 personally to approve the open offer and the connected transactions related to the underwriting agreement. As such, the Board approved the relevant transactions by way of resolution in writing, given that:

    — before the execution of the relevant written resolution, the contents of the written resolution were fully communicated to each director and each director has discussed the details of the transaction by way of email or phone, and the resolution was unanimously approved by the board (save for Mr. Shum Sai Chit, Ms. Chi Bi Fen, Mr. Kwong Ping Man and Dr. Tam Wai Ho, Samson who abstained from voting in favour of the resolutions relating to the open offer and the transactions due to potential conflict of interests); and

— the written resolution was ratified in the board meeting of 18 November 2015.

Accordingly, the Board considers that the deviations have not caused any prejudice to the Company's corporate governance.

(b) Under code provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders.

— Professor Meng Jian (being a non-executive Director) and Mr. Chen Gang (being an independent non-executive Director) were unable to attend the annual general meeting held on 11 September 2015 as they were obliged to be away for other matters.

— Professor Meng Jian and Dr. Tam Wai Ho JP (being non-executive Directors) and Mr. Chen Gang (being an independent non-executive Director) were unable to attend the special general meeting held on 14 October 2015 as they were obliged to be away for other matters.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors on terms no less exactly than the required standard set out in the Model Code. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2015.

By Order of the Board
Group Sense (International) Limited
Shum Sai Chit
Chairman

Hong Kong, 18 November 2015

As at the date of this announcement, the Board comprises the following members:

Executive Directors : *Mr. Shum Sai Chit and Ms. Chi Bi Fen*

Non-executive Directors : *Professor Meng Jian and Dr. Tam Wai Ho, Samson JP*

Independent Non-executive Directors : *Mr. Kwong Ping Man, Mr. Cheung Sound Poon and Mr. Chen Gang*

Website: http://www.gsl.com.hk