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

(Incorporated in Bermuda with limited liability)

(Stock Code: 601)

2016 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 June 2016, together with the comparative figures for the corresponding period in 2015 as follows. As the Company changed its financial year end date from 31 March to 31 December beginning from the nine months ended 31 December 2015, the financial statements of the Company herein presented are for the six months ended 30 June 2016, with comparatives based on those for the six months ended 30 September 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	**Six months ended 30 June 2016** ***HK$'000*** ***(Unaudited)***	Six months ended 30 September 2015 *HK$'000* *(Unaudited)*
REVENUE	*3*	**151,923**	88,352
Cost of sales		**(122,468)**	(63,231)
Gross profit		**29,455**	25,121
Other income and gains, net		**12,641**	6,852
Selling and distribution expenses		**(10,569)**	(11,766)
Administrative expenses		**(30,468)**	(27,595)
Research and development expenses		**(9,740)**	(11,020)
Other operating income, net		**—**	182
Finance costs	*4*	**(864)**	(466)
Share of profit of joint ventures		**699**	825
LOSS BEFORE TAX	*5*	**(8,846)**	(17,867)
Income tax expenses	*6*	**(12)**	—
LOSS FOR THE PERIOD		**(8,858)**	(17,867)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		**(4,922)**	(4,475)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(13,780)**	(22,342)

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*

For the six months ended 30 June 2016

	Note	**Six months ended 30 June 2016** *HK$'000* *(Unaudited)*	Six months ended 30 September 2015 *HK$'000* *(Unaudited)*
Loss attributable to:			
Equity holders of the Company		**(8,119)**	(17,047)
Non-controlling interests		**(739)**	(820)
		(8,858)	(17,867)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(13,176)**	(21,785)
Non-controlling interests		**(604)**	(557)
		(13,780)	(22,342)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	*8*	**(HK0.28 cents)**	(HK1.19 cents)
Diluted		**(HK0.28 cents)**	(HK1.19 cents)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	**30.06.2016** **HK$'000** **(Unaudited)**	31.12.2015 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**307,747**	313,508
Prepaid land lease payments		**44,290**	45,668
Deferred development costs		**552**	756
Investments in joint ventures		**4,976**	4,290
Investments in associates		**18**	18
Available-for-sale investments		**7,300**	7,300
Long term deposits		**10,437**	10,688
Total non-current assets		**375,320**	382,228
CURRENT ASSETS			
Inventories		**70,099**	58,590
Trade receivables	9	**29,413**	20,300
Prepayments, deposits and other receivables		**17,082**	14,264
Amounts due from a joint venture		**295**	885
Tax recoverable		**1,786**	1,826
Pledged deposits		**—**	488
Cash and cash equivalents		**290,618**	375,161
Total current assets		**409,293**	471,514
CURRENT LIABILITIES			
Trade payables	10	**40,118**	54,431
Other payables and accruals		**147,951**	153,998
Interest-bearing bank borrowings	11	**24,887**	68,927
Provision		**999**	945
Tax payable		**120**	123
Total current liabilities		**214,075**	278,424
NET CURRENT ASSETS		**195,218**	193,090
TOTAL ASSETS LESS CURRENT LIABILITIES		**570,538**	575,318
NON-CURRENT LIABILITIES			
Loan from a shareholder		**119,000**	110,000
Net assets		**451,538**	465,318
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**287,439**	287,439
Reserves		**170,966**	184,142
		458,405	471,581
Non-controlling interests		**(6,867)**	(6,263)
Total equity		**451,538**	465,318

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 ("HKICPA") 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.

The Group has adopted the following revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these Financial Statements.

Amendments to HKFRS 10, HKFRS 12 and HKFRS 28(2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11 HKFRS 12 and HKFRS 28(2011)	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKFRS 41	Agriculture: Bearer Plants
Amendments to HKAS 27(2011)	Equity Method in Separate Financial Statements
Annual Improvements to 2012-2014 Cycle	Amendments to numbers of HKFRSs

The adoption of the revised HKFRSs has had no significant financial effect on these condensed consolidated financial statements and there have been no significant changes to the accounting policies applied 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 June 2016 (unaudited)

	Magnesium products *HK$'000*	Personal communication products *HK$'000*	Strategic products *HK$'000*	Corporate and others *HK$'000*	Consolidated *HK$'000*
Segment revenue:					
Sales to external customers	**41,045**	**23,575**	**87,303**	**—**	**151,923**
Segment results	**(9,533)**	**2,024**	**(1,184)**	**(539)**	**(9,232)**
Reconciliation:					
Interest income					**551**
Finance costs					**(864)**
Share of profit of joint ventures					**699**
Loss before tax					**(8,846)**
Income tax expenses					**(12)**
Loss for the period					**(8,858)**

At 30 June 2016 (unaudited)

	Magnesium products *HK$'000*	Personal communication products *HK$'000*	Strategic products *HK$'000*	Corporate and others *HK$'000*	Consolidated *HK$'000*
Segment assets	**285,334**	**31,433**	**162,231**	**6,916**	**485,914**
Reconciliation:					
Unallocated assets					**298,699**
Total assets					**784,613**
Segment liabilities	**134,377**	**11,453**	**42,966**	**272**	**189,068**
Reconciliation:					
Unallocated liabilities					**144,007**
Total liabilities					**333,075**

For the six months ended 30 September 2015 (unaudited)

	Magnesium products *HK$'000*	Personal communication products *HK$'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 31 December 2015 (audited)

	Magnesium products *HK$'000*	Personal communication products *HK$'000*	Strategic products *HK$'000*	Corporate and others *HK$'000*	Consolidated *HK$'000*
Segment assets	258,397	37,482	164,614	3,281	463,774
Reconciliation:					
Unallocated assets					389,968
Total assets					853,742
Segment liabilities	149,191	13,598	45,123	1,462	209,374
Reconciliation:					
Unallocated liabilities					179,050
Total liabilities					388,424

4. FINANCE COSTS

	Six months ended 30 June 2016 *HK$'000* *(Unaudited)*	Six months ended 30 September 2015 *HK$'000* *(Unaudited)*
Interest on bank borrowings wholly repayable within five years	**864**	466

5. LOSS BEFORE TAX

	Six months ended 30 June 2016 *HK$'000* *(Unaudited)*	Six months ended 30 September 2015 *HK$'000* *(Unaudited)*
The Group's loss before tax has been arrived at after charging/(crediting):		
Provision of inventories	**716**	554
Reversal of impairment of other receivables	**(5,905)**	—
Amortisation of deferred development costs	**204**	283
Amortisation of prepaid land lease payments	**593**	243
Depreciation	**8,786**	4,699
Bank interest income	**(551)**	(39)

6. INCOME TAX EXPENSES

	Six months ended 30 June 2016 *HK$'000* *(Unaudited)*	Six months ended 30 September 2015 *HK$'000* *(Unaudited)*
The Group:		
Current – Elsewhere	**12**	—

7. DIVIDEND

The Board does not recommend any payment of interim dividend to shareholders for the six months ended 30 June 2016 (30 September 2015: 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$8,119,000 (30 September 2015: HK$17,047,000) and 2,874,390,058 (30 September 2015: 1,437,195,029) 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 90 days to its trade customers.

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

	30.06.2016 ***HK$'000*** ***(Unaudited)***	31.12.2015 *HK$'000* *(Audited)*
0 – 60 days	**23,533**	19,101
61 – 90 days	**1,028**	127
Over 90 days	**4,852**	1,072
	29,413	20,300

10. TRADE PAYABLES

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

	30.06.2016 ***HK$'000*** ***(Unaudited)***	31.12.2015 *HK$'000* *(Audited)*
0 – 60 days	**36,923**	51,350
61 – 90 days	**418**	45
Over 90 days	**2,777**	3,036
	40,118	54,431

11. INTEREST-BEARING BANK BORROWINGS

	30.06.2016		31.12.2015	
	Effective interest rate (%)	***HK$'000***	Effective interest rate (%)	*HK$'000*
	(Unaudited)	***(Unaudited)***	*(Audited)*	*(Audited)*
Current				
Bank borrowings, secured and repayable within one year or on demand	**3.0 – 3.9**	**24,887**	2.6 – 8.6	68,927

notes:

(a) As at 30 June 2016, 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$7,105,000 (31 December 2015: HK$7,245,000);

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, the Group recorded a significant improvement in both total sales revenue and overall operational efficiency amidst the global economic downturn, with strategies on adjusting business plan of electronic business to realize business optimisation, and a two-pronged approach for improving efficiency and reducing costs, leading to a turnaround in existing businesses. During the period under review, the Group's production base for magnesium in Xinjiang has commenced operations, which will become new sources of income for the Group.

A review on each business unit of the Group as follows:

The Magnesium Business

The Group's magnesium product manufacturing unit in Xinjiang has established production lines for magnesium product and semi-coke with an annual production capacity of 15,000 tonnes and 600,000 tonnes respectively. Among which, the production line for magnesium has commenced operations after the trial run during the review period, with a planned production capacity of 100,000 tonnes. Currently, the production line for magnesium mainly produces magnesium ingots, and technology upgrade has been completed by stages. Additional facilities will be completed during the third quarter of the year. The Group's magnesium products will be further optimized through technology upgrade, so as to improve the manufacture and sales for high-margin products.

Manufacturing Business Unit

During the first half of 2016, orders from electronics manufacturing business ("EMB") recorded a decline while orders from touchscreen business has been increased, leading to a reduction in loss from Manufacturing Business Unit. This unit will continue to control the expenses and lower the costs so as to maintain competitiveness, while strengthen touchscreen business in order to achieve income and revenue growth.

Strategic Products Strategic Business Unit

During the period under review, the sales revenue generated from Japan has recorded growth, therefore the loss from strategic products business unit has been narrowed down during the first half of the year. However, it is anticipated that the volatility and appreciation of Japanese Yen will result a sharp decrease in sales revenue for the second half of the year. This business unit will further expand production lines and customer sources to drive sales growth.

Personal Communication Products Strategic Business Unit

During the period under review, sales revenue from Personal Communication Products Strategic Business Unit was slightly better than anticipated and recorded a profit. It is expected that new production lines will be able to contribute stable profit in the second half of the year. The Management is confident that this unit will be able to maintain growth and profit.

Outlook

As an eco-friendly lightweight new material, magnesium can help achieving energy saving and emission reduction, it also plays an important part in light-weight components for vehicle and communication equipment. According to the figures from ASKCI Consulting Co. LTD（中商產業研究院）, China's magnesium production, reserve and export ranked the 1st around the world, its production and consumption of magnesium alloy reached 415,000 tonnes and 300,000 tonnes respectively in 2015. Magnesium alloy was mainly used on die casting products such as mobile phone, laptop casing and accessories in addition to transportation; it also gained a growing popularity in application of vehicle and appliance manufacturing industries. In view of the rapidly growing downstream demand, magnesium alloy industry will have a more important role to play in China's economy. Given the development trend of energy saving and emission reduction, the management is optimistic with the enormous potential for magnesium and believes that expanding magnesium business will lead the Group to enter the next stage.

As economic situations in Japan, Europe, the primary markets for the Group's electronic business, and all other countries worldwide remain uncertain, this will create an impact on the operating performance of all business units during the second half of the year. As such, our business units will strive to consolidate existing customers, while expand markets and sales networks, broaden product offerings, explore new customers and business opportunities, in order to make contribution to our sales growth and profits.

FINANCIAL REVIEW

Sales revenue of the Group for the six months ended 30 June 2016 was approximately HK$151,923,000 representing an increase of 71.9% compared with the period ended 30 September 2015. During the period under review, Magnesium, PCP and SP business units recorded a sales revenue of HK$41,045,000, HK$23,575,000 and HK$87,303,000 respectively.

Operating loss of the Group during the period under review was approximately HK$7,982,000 (30 September 2015: approximately HK$17,583,000). After deducting finance costs of approximately HK$864,000 (30 September 2015: approximately HK$446,000), loss before tax was approximately HK$8,846,000 (30 September 2015: approximately HK$17,867,000).

LIQUIDITY AND FINANCIAL RESOURCES

On 30 June 2016, the bank balances and cash of the Group (including bank deposits) were HK$290,618,000 (31 December 2015: HK$375,649,000). The Group's bank borrowings as at 30 June 2016 was HK$24,887,000 (31 December 2015: HK$68,927,000). 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$119,000,000 (31 December 2015: HK$110,000,000) as at 30 June 2016, which was unsecured, non-interest-bearing and not repayable within 12 months. As at 30 June 2016, the gearing ratio of the Group, defined as total bank borrowings plus loan from a shareholder divided by shareholders' equity, was 31.8%. The interest expenses was HK$864,000 during the period.

CONTINGENT LIABILITIES

As at 30 June 2016 and 31 December 2015, the Group has no contingent liabilities.

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 June 2016, the Group has on its payroll 65 employees (31 December 2015: 73) in Hong Kong, 825 employees (31 December 2015: 907) in China and 6 employees (31 December 2015: 5) in Japan, representing a decrease of approximately 11% and 9% and an increase of approximately 20% 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. to 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. Kwan Ngai Kit. 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 June 2016.

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

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2016, 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:

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 Dr. Tam Wai Ho JP (being a non-executive Director) were unable to attend the annual general meeting held on 17 May 2016 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 June 2016.

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

Hong Kong, 31 August 2016

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. Kwan Ngai Kit*

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