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

(Incorporated in Bermuda with limited liability)

(Stock Code: 601)

2017 INTERIM RESULTS ANNOUNCEMENT

RESULTS

The board of directors (the "Board") of Group Sense (International) Limited (the "Company" or "GSIL") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2017 ("Review Period"), together with the comparative figures for the corresponding period in 2016 as follows.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	**Six months ended 30 June 2017** *HK$'000* **(Unaudited)**	Six months ended 30 June 2016 *HK$'000* (Unaudited)
REVENUE	*3*	**253,950**	151,923
Cost of sales		**(220,473)**	(122,468)
Gross profit		**33,477**	29,455
Other income and gains, net		**12,678**	12,641
Selling and distribution expenses		**(13,298)**	(10,569)
Administrative expenses		**(23,693)**	(30,468)
Research and development expenses		**(8,867)**	(9,740)
Finance costs	*4*	**(406)**	(864)
Share of (loss)/profit of joint ventures		**(30)**	699
LOSS BEFORE TAX	*5*	**(139)**	(8,846)
Income tax expenses	*6*	**—**	(12)
LOSS FOR THE PERIOD		**(139)**	(8,858)
OTHER COMPREHENSIVE PROFIT/(LOSS)			
Other comprehensive profit/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		**13,144**	(4,922)
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD		**13,005**	(13,780)

* *For identification purposes only*

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

For the six months ended 30 June 2017

	Notes	**Six months ended 30 June 2017** ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2016 *HK$'000* (Unaudited)
Loss/(profit) attributable to:			
Equity holders of the Company		**(606)**	(8,119)
Non-controlling interests		**467**	(739)
		(139)	(8,858)
Total comprehensive profit/(loss) attributable to:			
Equity holders of the Company		**12,752**	(13,176)
Non-controlling interests		**253**	(604)
		13,005	(13,780)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	*8*	**(HK0.02 cents)**	(HK0.28 cents)
Diluted		**(HK0.02 cents)**	(HK0.28 cents)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**399,309**	326,452
Prepaid land lease payments		**42,314**	42,103
Investments in joint ventures		**5,349**	5,362
Investments in associates		**17**	17
Available-for-sale investments		**6,840**	6,840
Long term deposits		**17**	372
Total non-current assets		**453,846**	381,146
CURRENT ASSETS			
Inventories		**78,598**	83,826
Trade receivables	10	**63,705**	43,546
Prepayments, deposits and other receivables		**28,787**	20,151
Amounts due from a joint venture		**129**	133
Available-for-sale investments		**—**	22,245
Tax recoverable		**1,757**	1,706
Cash and cash equivalents		**70,101**	137,757
Total current assets		**243,077**	309,364
CURRENT LIABILITIES			
Trade payables	11	**44,284**	48,417
Other payables and accruals		**72,486**	70,090
Interest-bearing bank borrowings	12	**16,364**	21,285
Provision		**989**	933
Due to a non-controlling shareholder of a subsidiary		**223**	216
Tax payable		**118**	115
Total current liabilities		**134,464**	141,056
NET CURRENT ASSETS		**108,613**	168,308
TOTAL ASSETS LESS CURRENT LIABILITIES		**562,459**	549,454
NON-CURRENT LIABILITIES			
Amount due to a shareholder	13	**121,000**	121,000
Net assets		**441,459**	428,454
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**287,439**	287,439
Reserves		**161,080**	148,328
		448,519	435,767
Non-controlling interests		**(7,060)**	(7,313)
Total equity		**441,459**	428,454

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 Group has adopted the following revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*

The adoption of these revised HKFRSs has had no significant financial effect on these unaudited interim condensed consolidated financial statements and there has been no significant changes to the accounting policies in the unaudited interim condensed consolidated financial statements.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these unaudited interim condensed consolidated financial statements.

Amendments to HKFRS 2	*Classifications and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[3]
Amendments to HKAS 40	*Transfers to Investment Property*[1]
HK(IFRIC) — Int 22	*Foreign Currency Transactions and Advance Consideration*[1]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 No mandatory effective date yet determined but available for adoption

4 Effective for annual periods beginning on or after 1 January 2018, with early application permitted

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

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

For the six months ended 30 June 2017 (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	**111,157**	**34,821**	**107,972**	**—**	**253,950**
Segment results	**1,200**	**(1,029)**	**1,609**	**(1,534)**	**246**
Reconciliation:					
Interest income					**51**
Finance costs					**(406)**
Share of profit of joint ventures					**(30)**
Loss before tax					**(139)**
Income tax expenses					**—**
Loss for the period					**(139)**
At 30 June 2017 (unaudited)					
Segment assets	**425,409**	**36,122**	**152,105**	**6,346**	**619,982**
Reconciliation:					
Unallocated assets					**76,941**
Total assets					**696,923**
Segment liabilities	**46,383**	**14,983**	**56,502**	**115**	**117,983**
Reconciliation:					
Unallocated liabilities					**137,481**
Total liabilities					**255,464**

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 31 December 2016 (audited)

	Magnesium products *HK$'000*	Personal communication products *HK$'000*	Strategic products *HK$'000*	Corporate and others *HK$'000*	Consolidated *HK$'000*
Segment assets	321,786	46,825	146,589	1,400	516,600
Reconciliation:					
Unallocated assets					173,910
Total assets					690,510
Segment liabilities	47,862	18,568	51,806	1,204	119,440
Reconciliation:					
Unallocated liabilities					142,616
Total liabilities					262,056

4. FINANCE COSTS

	Six months ended 30 June 2017 ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2016 *HK$'000* (Unaudited)
Interest on bank borrowings wholly repayable within five years	**406**	864

5. LOSS BEFORE TAX

	Six months ended 30 June 2017 ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2016 *HK$'000* (Unaudited)
The Group's loss before tax has been arrived at after charging/(crediting):		
Provision of inventories	**1,460**	716
Reversal of impairment of other receivables	**—**	(5,905)
Amortisation of deferred development costs	**—**	204
Amortisation of prepaid land lease payments	**568**	593
Depreciation	**14,774**	8,786
Bank interest income	**(51)**	(551)

6. INCOME TAX EXPENSES

	Six months ended 30 June 2017 ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2016 *HK$'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 2017 (30 June 2016: 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$606,000 (30 June 2016: HK$8,119,000) and 2,874,390,058 (30 June 2016: 2,874,390,058) 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 invoice date:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 60 days	**56,391**	41,357
61 – 90 days	**2,090**	1,155
Over 90 days	**5,224**	1,034
	63,705	43,546

10. TRADE PAYABLES

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

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 60 days	**37,090**	35,345
61 – 90 days	**3,250**	2,986
Over 90 days	**3,944**	10,086
	44,284	48,417

11. INTEREST-BEARING BANK BORROWINGS

	30 June 2017		31 December 2016	
	Effective interest rate (%) (Unaudited)	***HK$'000* (Unaudited)**	Effective interest rate (%) (Audited)	*HK$'000* (Audited)
Current				
Bank borrowings, secured and repayable within one year or on demand	**4.0%-4.3%**	**16,364**	3.7%-4.0%	21,285

Notes:

(a) As at 30 June 2017, 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$6,825,000 (31 December 2016: HK$6,965,000);

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2017, as the prices of domestic principal non-ferrous metals rose sharply year on year, the performance of non-ferrous metal industry has efficiently improved. In the fist three-months of the year, the price of magnesium was boosted by the increase in prices of coal and ferrosilicon. Afterwards, the shortage in supply of coal was relieved and the prices of ferrosilicon and magnesium fell in the middle of the year. The Group's 2017 interim results rise steadily. The Group's manufacturer of magnesium products in Xinjiang, Xinjiang Tengxiang Magnesium Products Co., Ltd., continuously contributed to the Group's revenue during the six months ended 30 June 2017 (the "Review Period"), while the technical upgrade and expansion of magnesium production also proceeded well in the Xinjiang Base. In terms of electronic business, the revenue growth was driven by the increase in orders during the Review Period.

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

The Magnesium Business

The manufacturer of magnesium products owned by the Group in Xinjiang was approved by the government for the construction of an annual capacity of 1.2 million tonnes of semi-coke, 100,000 tonnes of magnesium alloy and 100,000 tonnes of ferroalloy. At present, the two production lines of magnesium and semi-coke were constructed with annual capacity of 15,000 tonnes and 600,000 tonnes respectively. Magnesium business is the focus of the Group's business development in the future. Currently the production line of magnesium mainly produces magnesium ingot. Given the optimization project was successfully completed, the technical upgrade will facilitate the enhancement of the Group's magnesium products, and support the production of quality magnesium alloy in the future. It copes with Group's operating strategy, with endeavor to increase the proportion of production and sales of high-margin products.

The Xinjiang Base has carried out the construction of the first phase of magnesium production line with a newly added capacity of 30,000 tonnes, including magnesium alloy production in mid-2017. It is expected that the production with new capacity will gradually be in place in 2018. Subject to the completion of the first phase of the newly added production line, the total production capacity of the Xinjiang base will reach 45,000 tonnes.

The Group also adopts stringent quality control on its product. Xinjiang Tengxiang obtained ISO9001: 2008 Certificate for its magnesium products production in January 2017, which marked a high recognition of the Group's product quality. At present, magnesium products are mainly sold to distributors or users, and the sales network is mainly concentrated in the northwest region of China.

As one of the important energies of magnesium production, coal resources has a extremely rich reserve in Xinjiang, representing a strong cost advantage of the Group's Xinjiang Base compared to other regions. In addition, Xinjiang is a significant connecting point for "Belt and Road", traversing Europe and central, southern, western and other countries in Asia, which increases the cooperation opportunities between the Group and the regions and exposure to overseas markets.

Manufacturing Business Unit

Revenue from the manufacturing business unit continued to grow attributable to the increase in orders for touch-screen business. It is expected that the revenue will be further increased in the second half of the year. The business unit will continuously strive to improve production and operating efficiency.

Strategic Products Strategic Business Unit

The revenue generated from Japan recorded an increase, and the earnings were also improved. It is expected that the revenue will increase significantly in the second half of the year and will boost the profitability of the strategic product strategic business unit.

Personal Communication Products Strategic Business Unit

The sales revenue from the personal communication product strategy business unit maintained growth, and it is expected to keep growing in the second half of the year, representing a stable performance. The business unit will continue to develop new customers to improve revenue.

Other Developments

As at 18 April 2017, the Group released an announcement in relation to a non-legally binding memorandum of understanding entered into between the Group and Century Sunshine Group Holdings Limited ("Century Sunshine", the parent company for the Group) involving a possible reorganisation through acquisition of Century Sunshine's interests in its magnesium business in Baishan City, Jilin Province, the PRC ("Baishan Magnesium Business"). If the possible reorganisation materializes, Century Sunshine's interests in Baishan Magnesium Business will be held through the Group. The Company shall make further announcement(s), as appropriate, in the event of any material development and/or that the definitive legally binding agreement is entered into.

Outlook

With the increasing significance of environmental protection, the development of energy saving and emission reduction technology is a global emphasized issue. As a green and light alloy structural material, magnesium has become one of the important raw materials for weight reduction and energy saving with its lightweight characteristics, and is widely used in transportation, communications equipments, military, aviation, aerospace, building materials and medical fields, and to play a remarkable role in promoting environmental protection.

The "Development Plan for the Non-ferrous Metal Industry (2016-2020)" (referred to as the "Thirteenth Five Year Plan of the Non-ferrous"), issued by the Ministry of Industry and Information Technology, drives the potential demand and development space of non-ferrous metals market. The Thirteenth Five Year Plan of the Non-ferrous states the forecast of the principal non-ferrous metal consumption, demand and production by 2020, while magnesium is listed in the five principal varieties with the compound annual growth rate of 7.1%, representing the highest annual growth rate among the five varieties magnesium production. Magnesium production is expected to reach 1.3 million tonnes by 2020. The plan also encourages and supports the extensive application of non-ferrous metals including magnesium alloy materials, with technological innovation as the driving force, accelerating industrial transformation and upgrading, and expanding the development of the industry.

With the management's rich experience in the industry and the resources invested in the magnesium alloy project, the Group will seize the development opportunities of the industry and actively promote the magnesium business.

FINANCIAL REVIEW

Sales revenue of the Group for the six months ended 30 June 2017 was approximately HK$253,950,000 representing an increase of 67% compared with the period ended 30 June 2016. During the Review Period, Magnesium, PCP and SP business units recorded a sales revenue of HK$111,157,000, HK$34,821,000 and HK$107,972,000 respectively.

Operating profit of the Group during the Review Period was approximately HK$267,000 (30 June 2016: approximately HK$7,982,000). After deducting finance costs of approximately HK$406,000 (30 June 2016: approximately HK$864,000), loss before tax was approximately HK$139,000 (30 June 2016: approximately HK$8,846,000).

LIQUIDITY AND FINANCIAL RESOURCES

On 30 June 2017, the bank balances and cash of the Group were HK$70,101,000 (31 December 2016: HK$137,757,000). The Group's bank borrowings as at 30 June 2017 was HK$16,364,000 (31 December 2016: HK$21,285,000). The Group's bank borrowings was short term in nature and with floating interest rate. As at 30 June 2017, the gearing ratio of the Group, defined as total bank borrowings divided by shareholders' equity, was 3.6%. The interest expenses was HK$406,000 during the Review Period.

CONTINGENT LIABILITIES

As at 30 June 2017 and 31 December 2016, the Group has no contingent liabilities.

FOREIGN CURRENCIES 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 2017, the Group has on its payroll 65 employees (31 December 2016: 69) in Hong Kong, 1,063 employees (31 December 2016: 1,120) in China and 5 employees (31 December 2016: 5) in Japan. 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.

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 one meeting 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 2017.

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

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2017, 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), Dr. Tam Wai Ho JP (being a non-executive Director) and Mr. Kwong Ping Man (being an independent non-executive Director) were unable to attend the annual general meeting held on 26 May 2017 as they were obliged to be away for other matters.

— Professor Meng Jian (being a non-executive Director), Dr. Tam Wai Ho JP (being a non-executive Director) and Mr. Kwan Ngai Kit (being an independent non-executive Director) were unable to attend the special general meeting held on 4 July 2017 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 2017.

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 Review Period.

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

Hong Kong, 31 August 2017

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*

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