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

(Incorporated in Bermuda with limited liability)

(Stock Code: 601)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

RESULTS

The board of directors (the "Board") of Group Sense (International) Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017 (the "Year"), together with the comparative figures for the previous year prepared in accordance with the generally accepted accounting principles in Hong Kong as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2017**	2016
		HK$'000	*HK$'000*
			(Restated)
REVENUE	*4*	**1,487,331**	1,122,905
Cost of sales		**(1,116,878)**	(796,400)
Gross profit		**370,453**	326,505
Other income and other gains, net	*4*	**21,491**	24,483
Selling and distribution expenses		**(42,154)**	(34,399)
Administrative expenses		**(73,471)**	(47,650)
Research and development expenses		**(16,690)**	(20,098)
Other operating expenses, net		**(3,840)**	(25,526)
Finance costs	*5*	**(17,507)**	(9,846)
Share of profits and losses of			
Joint ventures		**1,087**	1,695
Associate		**1**	(1)
PROFIT BEFORE TAX	*6*	**239,370**	215,163
Income tax expense	*7*	**(55,303)**	(56,811)

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(cont'd)*

	Note	**2017**	2016
		HK$'000	*HK$'000*
			(Restated)
PROFIT FOR THE YEAR		**184,067**	158,352
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**117,051**	(118,810)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**301,118**	39,542
Profit for the year attributable to:			
Equity holders of the Company		**168,320**	137,061
Non-controlling interests		**15,747**	21,291
		184,067	158,352
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**280,588**	28,828
Non-controlling interests		**20,530**	10,714
		301,118	39,542
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	*9*	**2.72 cents**	2.23 cents

Details of the dividends are disclosed in note 8 to this announcement.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2017 HK$'000	31 December 2016 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,588,620**	1,259,103
Prepaid land lease payments		**70,565**	68,144
Intangible assets		**50,463**	—
Mining rights		**50,434**	48,487
Investments in joint ventures		**6,490**	5,362
Investment in an associate		**18**	17
Available-for-sale investments		**3,000**	6,840
Long term deposits		**60**	372
Payment for acquisition of patents		—	50,049
Pledged bank deposits		**26,084**	31,587
Total non-current assets		**1,795,734**	1,469,961
CURRENT ASSETS			
Inventories		**151,941**	140,842
Trade and bill receivables	*10*	**296,988**	210,500
Prepaid land lease payment		**1,876**	1,750
Prepayments, deposits and other receivables		**128,832**	74,590
Amount due from a joint venture		**844**	133
Available-for-sale investments		—	22,245
Tax recoverable		**1,835**	1,706
Pledged bank deposits		**7,897**	21,874
Cash and cash equivalents		**172,854**	182,574
Total current assets		**763,067**	656,214
CURRENT LIABILITIES			
Trade payables	*11*	**113,516**	49,696
Other payables and accruals		**95,349**	76,826
Borrowings		**83,815**	81,642
Provision		**1,042**	933
Due to a non-controlling shareholder of a subsidiary		**152**	216
Tax payable		**6,969**	7,067
Total current liabilities		**300,843**	216,380
NET CURRENT ASSETS		**462,224**	439,834
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,257,958**	1,909,795
NON-CURRENT LIABILITIES			
Deferred revenue		**73,585**	66,176
Convertible bonds	*12*	**318,684**	—
Borrowings		**378,267**	273,811
Deferred tax liabilities		**19,972**	3,099
Amounts due to shareholders	*13*	**344,206**	407,774
Total non-current liability		**1,134,714**	750,860
Net assets		**1,123,244**	1,158,935

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(cont'd)*

	Notes	**31 December 2017** **HK$'000**	31 December 2016 *HK$'000* (Restated)
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**657,439**	287,439
Reserves		**473,641**	728,637
		1,131,080	1,016,076
Non-controlling interests		**(7,836)**	142,859
Total equity		**1,123,244**	1,158,935

NOTES

1. BASIS OF PREPARATION

The Group's financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinances. They have been prepared under the historical cost convention except for certain available-for-sale investments which have been measured at fair value. The Group's financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new and revised standard, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on or after 1 January 2017. A summary of the new HKFRSs are set out as below:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 cycle

In the opinion of directors, except as described below, the application of the new and revised HKFRSs in the current year has no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The amendments in Disclosure Initiative (Amendments to HKAS 7) come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities by improving information about (i) changes in an entity's liabilities that relate to financing activities in the statement of cash flows; and (ii) the availability of cash and cash equivalents and restrictions affecting an entity's decisions to use the cash and cash equivalent balances (including foreign exchange controls or tax implications associated with cash repatriation).

The HKAS 7 (Amendments) defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.

The proposed amendments would require an entity to disclose the following changes in liabilities arising from financing activities (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining, or losing, control of subsidiaries or other businesses; and (iii) other non-cash changes (for example, the effect of changes in foreign exchange rates and changes in fair values).

The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Also, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensations[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKAS 19	Employee Benefits[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 40	Transfer of Investment Property[1]
Amendments to HKFRS	Annual Improvement to HKFRSs 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the magnesium products segment manufactures and sells magnesium related products;

(b) the personal communication products segment designs, manufactures and sells a range of communications products;

(c) the strategic products segment designs, manufactures and sells ODM products and electronic dictionary products and provides electronic manufacturing services; and

(d) the corporate and others segment comprises corporate income, expenses, asset and liability items related to the Group's investment activities.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, impairment of available-for-sale investments, share of profits and losses of joint ventures and an associate are excluded from this measurement.

Segment assets exclude investments in joint ventures and associate, available-for-sale investments, amounts due from associate and joint ventures, pledged bank deposits, cash and cash equivalents and other unallocated head office assets as these assets are managed on a group basis.

Segment liabilities exclude head office borrowings, an amount due to a non-controlling shareholder of a subsidiary, amounts due to shareholders and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

	Magnesium products HK$'000	Personal communication products HK$'000	Strategic products HK$'000	Corporate and others HK$'000	Total HK$'000
Year ended 31 December 2017					
Segment revenue:					
Sales to external customers	1,158,261	68,277	260,793	—	1,487,331
Segment results	262,847	(1,131)	10,886	(14,786)	257,816
Reconciliation:					
Interest income					1,813
Impairment of an available-for-sale investments					(3,840)
Finance costs					(17,507)
Share of profits of joint ventures					1,087
Share of profit of an associate					1
Profit before tax					239,370
Segment assets	2,112,592	36,342	192,222	7,810	2,348,966
Reconciliation:					
Unallocated assets					209,835
Total assets					2,558,801
Segment liabilities	507,678	37,011	66,238	6,426	617,353
Reconciliation:					
Unallocated liabilities					818,204
Total liabilities					1,435,557
Other segment information:					
Depreciation and amortisation	43,361	1,025	3,928	1,078	49,392
Capital expenditure*	2,020,245	1,496	1,018	4	2,022,763
Gain on disposal of items of property, plant and equipment	—	(467)	(2,226)	—	(2,693)
Provision of slow moving inventories	—	—	3,400	—	3,400
Product warranty provision	—	219	84	—	303
Reversal of impairment of trade receivables	—	—	(102)	—	(102)
Impairment of trade receivables	—	—	532	—	532

* Capital expenditure consists of additions to property, plant and equipment and the consideration of acquisition of Fullocean Group Limited of approximately HK$1,752,000,000. For more details of the acquisition, please refer to the announcement date 30 November 2017.

	Magnesium products HK$'000 (Restated)	Personal communication products HK$'000	Strategic products HK$'000	Corporate and others HK$'000	Total HK$'000 (Restated)
Year ended 31 December 2016					
Segment revenue:					
Sales to external customers	891,250	58,692	172,963	—	1,122,905
Segment results	238,156	(12,006)	(626)	(4,642)	220,882
Reconciliation:					
Interest income					2,893
Impairment of an available-for-sale investments					(460)
Finance costs					(9,846)
Share of profits of joint ventures					1,695
Share of losses of an associate					(1)
Profit before tax					215,163
Segment assets	1,659,173	46,825	146,589	1,400	1,853,987
Reconciliation:					
Unallocated assets					272,188
Total assets					2,126,175
Segment liabilities	466,271	18,569	51,806	1,204	537,850
Reconciliation:					
Unallocated liabilities					429,390
Total liabilities					967,240
Other segment information:					
Depreciation and amortisation	33,097	1,954	6,071	1,075	42,197
Impairment of deferred development cost	—	358	1	—	359
Capital expenditure	86,435	122	786	22	87,365
Gain on disposal of items of property, plant and equipment	—	(23)	(66)	—	(89)
Provision of slow moving inventories	—	5,614	1,444	—	7,058
Product warranty provision	—	271	78	—	349
Reversal of unutilised product warranty provision	—	(72)	—	—	(72)
Write-back of long-aged accruals	(3,059)	—	—	—	(3,059)
Reversal of impairment of other receivables	—	—	(5,495)	—	(5,495)
Reversal of impairment of trade receivables	(279)	—	—	—	(279)
Impairment of trade receivables	192	—	592	—	784

Geographical information

(a) Revenue from external customers

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Japan	**210,250**	129,867
Hong Kong	**42,371**	49,715
Middle East	**2,261**	2,855
Taiwan	**14,329**	6,105
Europe	**52,770**	17,371
Mainland China (other than Hong Kong)	**1,143,489**	911,569
North America	**—**	57
Korea	**2,331**	301
Others	**19,530**	5,065
	1,487,331	1,122,905

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Mainland China (other than Hong Kong)	**1,785,487**	1,454,803
Hong Kong	**7,222**	8,289
Others	**25**	29
	1,792,734	1,463,121

The non-current asset information above is based on the locations of the assets and excludes available-for-sale investments.

Information about major customers

No sales to a single customer contributed 10% or more of the Group's revenue during the current year and prior year.

4. REVENUE, OTHER INCOME AND OTHER GAINS, NET

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the year.

An analysis of revenue and other income and gains, net is as follows:

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Revenue		
Sale of goods	**1,487,331**	1,122,905
Other income		
Bank interest income	**1,813**	2,893
Service fee income	**1,982**	3,729
Sales of scrap materials	**8,125**	7,286
Others	**6,878**	10,486
	18,798	24,394
Other gains, net		
Gain on disposal of items of property, plant and equipment	**2,444**	89
Gain on disposal of prepaid land lease payment	**249**	—
	2,693	89
Total other income and other gains, net	**21,491**	24,483

5. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Interest on bank and other borrowings wholly repayable within five years	**13,742**	1,362
Interest on bank and other borrowings wholly repayable after five years	**7,745**	17,567
Interest on convertible bonds	**3,765**	—
	25,252	18,929
Less: Amount capitalised in the cost of qualifying asset	**(7,745)**	(9,083)
	17,507	9,846

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2017 *HK$'000*	2016 *HK$'000* (Restated)
Cost of inventories sold#	**936,078**	717,283
Depreciation	**42,652**	38,346
Recognition of prepaid lease payments	**1,816**	1,770
Amortisation of mining right	**1,666**	1,684
Amortisation of intangible assets	**3,258**	—
Research and development expenses:		
Deferred development costs amortised	**—**	397
Impairment of deferred development costs	**—**	359
Current year expenditure	**16,690**	19,342
	16,690	20,098
Minimum lease payments under operating leases in respect of land and buildings	**3,606**	4,115
Auditors' remuneration		
— Audit Service	**2,559**	1,700
— Non-audit Service	**—**	—
Employee benefit expense (including directors' remuneration)		
Wages and salaries and benefits in kind	**140,401**	132,440
Pension scheme contributions	**5,631**	2,734
	146,032	135,174
Operating expense due to the idle capacity*	**—**	25,066
Gain on disposal of property, plant and equipment	**(2,444)**	(89)
Gain on disposal of prepaid land lease payment	**(249)**	—
Foreign exchange differences, net**	**(12,149)**	(3,447)
Provision of slow moving inventories#	**3,400**	7,058
Product warranty provision	**303**	349
Reversal of unutilised warranty provision	**—**	(72)
Write-back of long-aged accurals	**—**	(3,059)
Impairment of an available-for-sale investment*	**3,840**	460
Impairment of trade receivables***	**532**	784
Reversal of impairment of trade receivables***	**(102)**	(279)
Reversal of impairment of other receivables**	**—**	(5,495)

Included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income

* Included in "Other operating expenses, net" in the consolidated statement of profit or loss and other comprehensive income

** Included in "Administrative expenses, net" in the consolidated statement of profit or loss and other comprehensive income

*** Included in "Selling and distribution expenses" in the consolidated statement of profit or loss and other comprehensive income

7. INCOME TAX EXPENSE

The amount of income tax expense charged/(credited) to the consolidated statement of profit or loss and other comprehensive income represents:

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Current tax:		
— Hong Kong Profits Tax	**—**	—
— PRC Enterprises Income Tax	**55,752**	56,866
— Others	**12**	22
	55,764	56,888
Deferred taxation	**(461)**	(77)
	55,303	56,811

(a) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the years ended 31 December 2017 and 2016. No tax is payable for the year ended 31 December 2017 (2016: HK$Nil) since there was no assessable profit generated in Hong Kong.

(b) PRC Enterprise Income Tax

The PRC Enterprise income Tax is calculated at 25% on the estimated assessable profits arising in the PRC for the years ended 31 December 2017 and 2016.

8. DIVIDEND

The board of directors do not recommend the payment of any dividend for the years ended 31 December 2017 and 2016.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$168,320,000 (2016 (restated): HK$137,061,000) and the weighted average number of ordinary shares of 6,180,837,382 (2016 (restated): 6,144,310,038) during the year. The weighted average number of ordinary shares for the year ended 31 December 2016 is adjusted as if the 3,269,919,980 shares issued for the acquisition of Fullocean Group under common control had been outstanding throughout the entire reporting period.

Diluted earnings per share for the year ended 31 December 2017 was the same as the basic earnings per share as the convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share. The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2016.

10. TRADE AND BILL RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Trade receivable	**288,851**	210,500
Bill receivable	**8,137**	—
	296,988	210,500

The Group's trading terms with its customers are mainly on credit. The credit period is generally not over 180 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables related to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are interest-free.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Within 60 days	**188,588**	157,813
61 to 90 days	**46,416**	46,768
Over 90 days	**53,847**	5,919
	288,851	210,500

11. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice dates, is as follows:

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Within 60 days	**50,881**	36,528
61 to 90 days	**7,818**	2,986
Over 90 days	**54,817**	10,182
	113,516	49,696

The trade payables are non-interest-bearing and are normally settled within 180-day terms.

12. CONVERTIBLE BONDS

On 30 November 2017, as part of consideration for the acquisition of the Fullocean Group, the Company has issued 4% convertible bonds with aggregate principal amount of HK$420,000,000 pursuant to the sale and purchase agreement entered into by Capital Idea Investments Limited ("CIIL"), Sure Sino Global Limited ("Sure Sino"), Century Sunshine Group Holdings Limited and the Company.

According to the Group's accounting policy, the convertible bonds are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. The fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. The fair value assessment of the convertible bonds was performed by an independent professional valuer. The equity element is presented in equity under the heading of "convertible bond equity reserve". The effective interest rate of the liability element on initial recognition is 14% per annum. The carrying values of the liability component of the convertible bonds are as follows:

The convertivble bond issued on 30 November 2017 recognised in the statement of consolidated financial position was calculated as follow:

	HK$'000
Fair value of the convertible bond issued on 30 November 2017	420,000
Equity component	(103,650)
Liability component on initial recognition and amortised cost as 30 November 2017	316,350
Amortised cost as at 30 November 2017	316,350
Effective interest expenses charged	3,765
Interest expenses paid and payable	(1,431)
As at 31 December 2017	318,684

13. AMOUNT DUE TO SHAREHOLDERS

The amount due to shareholders are unsecured, non-interest bearing and are not repayable within 12 months.

14. APPLICATION OF MERGER ACCOUNTING

During the year ended 31 December 2017, the Company and its wholly-owned subsidiary Sure Sino entered into the sale and purchase agreement with CIIL and Ming Xin Developments Limited which are both the wholly-owned subsidiaries of Century Sunshine Group Holdings Limited for the 99.5% effective interest in Fullocean Limited and entered another sale and purchase agreement with an independent third party, Win Union Limited for the remaining 0.5% effective interest in Fullocean Limited. Upon the completion of which Group will have acquired 100% interest in the Fullocean Group. The consideration for the acquisition is to be satisfied by the issue of the Company's ordinary shares and convertible bond by the Company. The acquisition was completed on 30 November 2017. The Group has applied the merger accounting method in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA in the preparation of financial statements. The comparative amounts have been restated accordingly as if the business of the Company had always been carried out by the Group.

FINAL DIVIDEND

The Board does not recommend any payment of final dividend to the shareholders of the Company for the year ended 31 December 2017.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the shareholders of the Company (the "Shareholders") will be held on 30 May 2018 ("AGM") and a notice convening the AGM of the Company will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") in due course.

CLOSURE OF REGISTER OF MEMBERS

The Board hereby announces that the register of members of the Company will be closed from Wednesday, 23 May 2018 to Wednesday, 30 May 2018 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the attendance of the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 21 May 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group achieved significant business development in 2017. During the year, the Group successfully acquired China Rare Earth Magnesium Technology Holdings Limited ("CRE") owned by Century Sunshine Group Holdings Limited ("Century Sunshine") and its interests in magnesium business. With the unremitting efforts of the Group's management team in improving production capacity and increasing sales, the Group's performance (excluding the effect of merger accounting of CRE. Please see "FINANCIAL REVIEW" section for details) turned around to profit during the year, with a significant increase in revenue by 105%, and gross profit increased by 111%. During the year, the Group continued to increase investment in technological transformation and upgrade of its production lines in the Xinjiang base while improving the quality and output of magnesium products.

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

The Magnesium Business

After the Group completed the acquisition of the magnesium business of Century Sunshine, its current production bases of magnesium business are located in Hami City of Xinjiang and Baishan City of Jilin Province. In 2017, the Group's continued to upgrade its production lines in the Xinjiang production base. It started to build the first phase of its newly added magnesium production line with capacity of 30,000 tonnes in the third quarter, including the production of magnesium alloy products. After all production lines are fully completed and put into production, the total magnesium alloy production capacity of the Group will reach 170,000 tonnes.

The Group strives to increase its production capacity and maintain the quality of products. All the products of the Group's magnesium production bases obtained ISO9001 certification, which indicates that the Group possesses high quality technology and product. At present, the Group's magnesium products are mainly sold to distributors and downstream users. The major sales network includes Liaoning Province, Sichuan Province, Shandong Province, Jiangsu Province, Henan Province and Hebei Province.

Magnesium product plays an important role in the process of automotive lightweighting. With the increasing awareness on environmental protection and energy conservation globally, various countries have established various emission and fuel consumption standards for passenger vehicles. Weight reduction of cars can cut down vehicle fuel consumption; braking distance can be reduced and safety enhanced. The demand on light weight vehicles is increasing among automotive manufacturers given the global trend. Rare earth magnesium is significant in reducing fuel consumption and vehicle weight, and will become an important development highlight in the automotive manufacturing market.

During the year, the Group has commenced the trading business of magnesium products to the PRC and overseas and initiated to develop the overseas markets, extend the international distribution networks and explore the probable business opportunities put forward by "One Belt One Road".

Electronic Manufacturing Business Unit

The performance of the Group's manufacturing business unit continues to improve. However, the recent strong Renminbi and rising labour costs have increased operating costs. This business unit will continue to strive to increase production efficiency and improve operations so as to maintain its competitiveness.

Strategic Products Business Unit

The significant increase in revenue from Japan has resulted in a significant improvement in business performance and a return to profitability. This business unit will continue to expand its ODM business and product range to maintain profit growth.

Personal Communication Products Business Unit

The revenue of the personal communication products strategic business unit has also continued to grow. This business unit will optimise the ecosystem, work with solution providers and module suppliers to develop common customers and promote business development.

Outlook

Going forward, the demand market for magnesium alloy products will continue to expand significantly. The trend of light weight will coincide with the expansion of the automotive industry and will create a huge demand for magnesium alloy products; the market demand for 3C products (computers, communications and consumer electronics) will continue to grow, and demand on other sectors such as medical and aerospace continued to rise. The transportation sector represented by automotive vehicles will remain the leader of the demand for magnesium alloys. According to the China Association of Automobile Manufacturers, China's automobile production is expected to increase from 28.1 million units in 2016 to 46.3 million units in 2021. This will bring tremendous growth momentum to the magnesium market.

The government continues to implement policies to support market development for new materials and the magnesium products industry. In January 2017, the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Science and Technology and the Ministry of Finance jointly issued the "Guidelines for the Development of New Materials Industry" (《新材料產業發展指南》), in which they proposed the key tasks for the market development for magnesium materials, speeding up the market structure adjustment for magnesium materials and increasing the proportion of research and development in the magnesium materials market. In addition, the Non-ferrous Metals Industry Development Plan (2016-2020) of the 13th Five-Year Plan (the "Plan") also explicitly promotes the market development for ten non-ferrous metals including magnesium. The Plan estimated the consumption and production of major non-ferrous metals in 2020. Magnesium, listed as one of the five major varieties, will enjoy an annual growth rate of 7.1%, the highest average annual growth rate among the metals. According to the Plan the production of magnesium will reach 1.3 million tonnes in 2020, a 9.6% average annual growth rate in relevant to the production of 900,000 tonnes magnesium in 2016. The magnesium industry continues to grow rapidly given the support of national policies.

The management will grasp the development opportunities in the magnesium industry, accelerate the construction of magnesium production bases and further improve the product quality to provide the market with high-quality magnesium products.

FINANCIAL REVIEW

Operating results for the years (excluding the effect of merger accounting)

On 30 November 2017, the reorganization in relation to the acquisition of China Rare Earth Magnesium Technology Holdings Limited which is held by Fullocean Group Limited (the "Fullocean Group") were completed . As the Fullocean Group and the Company are both ultimately controlled by Century Sunshine Group Holdings Limited, the business combinations have been accounted for using the principles of merger accounting, in which it is assumed that the financial effects of the Fullocean Group have been taken up by the Group since 1 January 2016 in regardless of the completion of reorganization was actually effected on 30 November 2017.

To visualise the actual financial performance of the Group and present a sensible financial analysis to the stakeholders, the accounting effects arising from the adoption of merger accounting have been summarised and excluded as below:

Year ended 31 December 2017	**As presented in the consolidated statement of profit or loss**	**Less: Restatement effect of merger accounting**	**Actual performance**
	HK$'000	***HK$'000***	***HK$'000***
Revenue	**1,487,331**	**(742,853)**	**744,478**
Gross profit	**370,453**	**(251,144)**	**119,309**
Net profits for the year	**184,067**	**(173,323)**	**10,744**
Net profits attributable to the equity owners of the Company	**168,320**	**(157,608)**	**10,712**

Year ended 31 December 2016	As presented in the consolidated statement of profit or loss *HK$'000*	Less: Restatement effect of merger accounting *HK$'000*	Actual performance *HK$'000*
Revenue	1,122,905	(759,229)	363,676
Gross profit	326,505	(270,043)	56,462
Net profits/(loss) for the year	158,352	(189,375)	(31,023)
Net profits/(loss) attributable to the equity owners of the Company	137,061	(166,546)	(29,485)

Revenue of the Group for the year ended 31 December 2017 was approximately HK$744,478,000 (2016: HK$363,676,000), representing a year-on-year increase of 105%, which is mainly driven by the increase in sale volumes of the magnesium alloy business by approximately 163% to a level of 23,330 tonnes during the year. Such significant increases is mainly attributed by the unremitting efforts of the Group's management team in improving production capacity and increasing sales arising from the magnesium production base located in Xinjiang, the PRC.

Gross profit for the year ended 31 December 2017 was approximately HK$119,309,000 (2016: HK$56,462,000), representing a year-on-year increase of 111%, which is mainly driven by the increase in sale volumes of magnesium alloy business as well as the the optimization of product mix.

The corporate and others expenses was increased to approximately HK$14,786,000 (2016: HK$4,642,000) during the year, which is mainly attributable by the non-recurring professional fee charged for the re-organisation of the Fullocean Group and financing activities of the Company during the year.

The Group has recognised a significant improvement to record a net profit of HK$10,744,000 for the year ended 31 December 2017 as opposed to the net loss of HK$31,023,000 recorded in the last financial year. In addition, the net profits attributable to the equity owner of the Group has been turnaround from a loss of HK$29,485,000 in the last financial year to a profit of HK$10,712,000 during the year.

As supplemental information to present and summarise the financial performance as presented in the consolidated financial statements (taking into account the effect of merger accounting), the revenue of the Group was approximately HK$1,487,331,000 (2016: HK$1,122,905,000) for the year, representing a year-on-year growth of approximately 32.5% which was mainly supported by the increase in sales volume of magnesium alloy products from 36,201 tonnes in 2016 to 49,495 tonnes in 2017. The uplifted sales volume was mainly attributable to the increase in sales volume of basic magnesium alloy products by 12,583 tonnes (with a relatively lower selling prices and gross profit margin) mainly contributed by the production base in Xinjiang. Besides the commencement of magnesium products trading business also led to additional sales volume. As the product mix of the magnesium business was affected by the increased contribution from the basic magnesium alloy products, the overall gross profit margin dropped by approximately 4.2% from 29.1% in 2016 to 24.9% in 2017 and the average selling price of magnesium alloy products decreased from HK$24,388 per tonne in 2016 to HK$22,918 per tonne in 2017.

Liquidity and Financial Resources

On 31 December 2017, the cash and cash equivalent and pledged deposits of the Group were approximately HK$206,835,000 (2016 (restated): HK$236,035,000). The Group's borrowings and convertible bonds as at 31 December 2017 were HK$462,082,000 (2016: (restated) HK$355,453,000) and HK$318,684,000 (2016 (restated): HK$Nil), respectively. The Group's borrowings were denominated in Hong Kong dollars, United States dollars and Renminbi with floating interest rates while the convertible bond were denominated in Hong Kong dollars with fixed interest rate.

As at 31 December 2017, the gearing ratio of the Group, defined as borrowings, divided by total assets, was approximately 18%. The interest expenses was approximately HK$17,507,000 during the year, and the interest coverage of the Group is around 14.7 times.

The Group's existing cash resources together with the steady cash flows generated from business activities are sufficient to meet its business needs.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group has no contingent liabilities (31 December 2016: nil).

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 twelve months period, the Group did not engage in any interest rate or currencies speculations.

EMPLOYEES RELATIONS

As at 31 December 2017, the Group has 63 employees (31 December 2016: 69 employees) in Hong Kong, 5 employees (31 December 2016: 5 employees) in Japan and 1,541 employees (31 December 2016: 1,120 employees) in China, representing an overall increase of approximately 35%. The Group also provides other fringe benefits such as annual leave, medical insurance and provident fund, etc. for 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 year ended 31 December 2017.

AUDIT COMMITTEE

The Audit Committee currently 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 year 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 annual results of the Group for the year ended 31 December 2017. The Audit Committee has made positive contribution to enhancing the Company's corporate governance.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 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) was unable to attend the general meetings held on 26 May 2017, 4 July 2017, 21 November 2017 and 4 December 2017 as he was obliged to be away for other matters.

— Dr. Tam Wai Ho, Samson JP (being a non-executive Director) was unable to attend the general meetings held on 26 May 2017, 4 July 2017, 21 November 2017 and 4 December 2017 as he was obliged to be away for other matters.

— Mr. Kwong Ping Man (being an independent non-executive Director) was unable to attend the general meetings held on 26 May 2017 and 4 December 2017 as he was 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 the code of conduct of the Group regarding securities transactions of the directors of the Company (the "Directors") on terms no less exactly than 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 year ended 31 December 2017.

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

Hong Kong, 27 March 2018

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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