Group Sense (International) Limited
權智（國際）有限公司*

(Incorporated in Bermuda with limited liability)

PROPOSED ISSUE OF US$10,500,000 VOTING CONVERTIBLE REDEEMABLE SERIES A PREFERRED SHARES OF GROUP SENSE PDA HOLDINGS LIMITED TO INTEL CAPITAL CORPORATION, SB CHINA HOLDINGS PTE LIMITED AND UTSTARCOM, INC., AND COLLABORATION BETWEEN GROUP SENSE PDA LIMITED AND INTEL

Financial adviser to Group Sense (International) Limited

CELESTIAL CAPITAL LIMITED

SUMMARY

The Company, GSPDA and the Investors entered into the Share Purchase Agreement on 22 May, 2001 in relation to the issue of GSPDA Preferred Shares to the Investors. The parties will also enter into the Ancillary Agreements on or before Completion in relation to the holding of shares in GSPDA.

GSPDA (HK) and INTEL entered into the Collaboration Agreement on 22 May, 2001 in relation to the establishment of a business relationship to integrate and validate certain products of GSPDA by using certain INTEL products, technologies and related devices.

The Company and its certain wholly-owned subsidiaries and GSPDA (HK) entered into the Various Service Agreements on 22 May, 2001 in relation to the provision of services and facilities by the Group (other than the GSPDA Group) to the GSPDA Group.

Trading in the shares of the Company on the Stock Exchange was suspended with effect from 10:00 am on Tuesday, 22 May, 2001 pending the issue of this announcement at the request of the Company. Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 10:00 am on Wednesday, 23 May, 2001.

1. ISSUE OF GSPDA PREFERRED SHARES

1.1 The Share Purchase Agreement and the Ancillary Agreements

The Share Purchase Agreement has been entered into among GSPDA, the Investors and the Company pursuant to which the Investors have agreed to subscribe for a total of 171,818 GSPDA Preferred Shares, representing approximately 19% and 16% of the entire issued share capital of GSPDA as at the date of this announcement and as enlarged by the issue thereof respectively, at an aggregate consideration of US$10,500,000 (equivalent to about HK$81,900,000) as follows:

Investor	Number of GSPDA Preferred Shares	Approximate shareholding in GSPDA upon Completion *(%)*	Consideration *(US$)*
Intel Capital	81,818	7.6	5,000,000
SB China	81,818	7.6	5,000,000
UTStarcom	8,182	0.8	500,000

Each GSPDA Preferred Share shall be convertible, at the option of the Investors, initially into one GSPDA Ordinary Share (subject to adjustment for certain share issues and capital changes in GSPDA (if any)) at any time after the date of issue of the GSPDA Preferred Shares. The Investors will also enjoy certain dividend, redemption, voting (which voting rights will be the same as those attached to the GSPDA Ordinary Shares) and other rights and preferences set forth in GSPDA's articles of association and the Ancillary Agreements.

Completion shall take place one business day after all conditions of the Share Purchase Agreement are satisfied or waived, being expected to be not later than 24 May, 2001.

GSPDA, the Investors and the Company will also enter into the Ancillary Agreements setting out the respective rights and obligations of each parties with regard to the holding of shares in GSPDA on or before Completion.

The Directors confirm that the respective terms (including the aggregate consideration for the GSPDA Preferred Shares) of the Share Purchase Agreement and the Ancillary Agreements were determined upon arm's length negotiations among the parties thereto with reference to, in particular, the business plan of GSPDA to launch new PDA products with enhanced functions and features, to expand the marketing and sales network and to develop new market segments, and its prospects as PDA has developed as an important electronic personal device that takes a vital part in the lives of many people over the past few years and the capability of PDAs to extend their functions to real-time information retrieval, e-mail, m-Commerce and many others.

1.2 The Investors

Each of the Investors is not a connected person (as ascribed under the Listing Rules) of the Company or its subsidiaries and is an independent third party not connected with any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or their respective associates (as ascribed under the Listing Rules).

(i) Intel Capital

Intel Capital is a subsidiary of Intel Corporation, a company listed on the NASDAQ and one of the world's leading manufacturers of computer components and related products. Intel Capital is responsible for carrying out Intel Corporation's worldwide strategic investment program and it is one of the largest worldwide corporate venture vehicles investing in the technology segment. Intel Capital seeks out and invests in promising companies working and focuses on making equity investments and acquisitions to grow the Internet economy, including Internet infrastructure, content and services in support of Intel Corporation's strategic interests.

(ii) SB China

The parent company of SB China, Softbank Corporation, is a company listed on the Tokyo stock exchange. Softbank Corporation is one of the world's leading Internet market forces and has ownership positions in more than 600 Internet companies. Moreover, Softbank Corporation is one of the leading global venture capital companies and its private equity funds and joint ventures invest strategically on a worldwide basis. Softbank Corporation provides funds to the investees and helps them in building useful networks with other investees of Softbank Corporation.

(iii) UTStarcom

UTStarcom is a company listed on the Nasdaq National Market and is principally engaged in the design, manufacture, sale and installation of communications equipment for service providers that operate wireless and wireline networks in rapidly growing communications markets. At present, China is the stated primary market focus of UTStarcom as the country has one of the fastest growing communications markets in the world.

1.3 Information on GSPDA

GSPDA is engaged in the development, manufacture and sale of PDA products. At present, GSPDA is owned as to 75% and 25% by the Company and Linverale respectively. Linverale is a technology company with investments in network application, data center, PHS and telecommunication technology. Upon Completion, the shareholding structure of GSPDA will be as follows:

Holder of shares in GSPDA	Approximately shareholding in GSPDA upon Completion *(%)*
The Company *(holding GSPDA Ordinary Shares)*	63.0
Linverale *(holding GSPDA Ordinary Shares)*	21.0
Investors *(holding GSPDA Preferred Shares)*	16.0
Total	100.0

At present, the board of directors of GSPDA comprises three directors namely Mr. Tam Wai Ho, Samson, Mr. Tam Wai Tong, Thomas and Mr. Lo Chi Chung, William, all of whom are executive Directors. Upon Completion, all of these three directors will continue to hold their offices and four additional directors will be appointed to the board of directors of GSPDA (two to be nominated by the Company and the other two to be nominated by the Investors).

As at 28 February 2001, unaudited consolidated net asset value of GSPDA was about HK$100.4 million and unaudited income before taxation for the period from 1 April, 2000 to 28 February, 2001 relating to the PDA operations of the Group was about HK$10.8 million.

1.4 Collaboration between GSPDA (HK) and INTEL

GSPDA (HK) and INTEL have entered into the Collaboration Agreement. Pursuant to the Collaboration Agreement, GSPDA (HK) and INTEL have agreed to enter into a business relationship whereby the parties will collaborate to integrate and validate certain products of the GSPDA Group by using certain INTEL products, technologies and related devices.

GSPDA (HK) is the principal operating subsidiary in the GSPDA Group engaged in the development, manufacture and sale of PDAs. GSPDA (HK) has developed and is developing software and hardware products and technologies for PDAs, PDAs with data communications, phones with PDA capabilities, and related design and support services. It is also developing reference designs as a basis for design and integration services. The envisioned outcome of the collaboration resulting from the Collaboration Agreement would be the introduction by the GSPDA Group of improved PDA products to the market and reference designs for the industrial customers segment.

The Directors confirm that the terms of the Collaboration Agreement were determined upon arm's length negotiations between the parties thereto.

1.5 Reason for the proposed issue of the GSPDA Preferred Shares and use of proceeds

The Group has been engaged in the PDA business since 1996 when it launched the world's first Chinese-based PDA in the Greater China region. Since then, the Group has developed a series of PDA products that has been highly acclaimed by both industrial critics and end users. Over the past several years, these products have established a strong market share and have been one of the leading brands in the Greater China region. In mid-2000, the Group rolled out a new PDA, Xplore 5000, which features open operating system architecture. By using the Xplore software development kit, users can develop downloadable application software for different purposes. The open platform architecture effectively lifts the Group's PDA to a new horizon where there is no boundary. This ground-breaking technology sets another "first-mover" landmark for the Group. The Group has also recently developed the GSM PDA, a model that has a built-in GSM module which enables both voice and data communication, which is scheduled to be launched in June 2001. The GSM PDA will have applications suitable for securities trading, banking, logistics services, etc. The built-in GSM capability would also make e-mail communication and Internet browsing truly anytime and anywhere. Besides GSM, the GSPDA Group is also working on PHS, 2-way paging, Bluetooth and GPRS for its PDAs.

It is the GSPDA Group's continuing strategy to integrate the most advanced technology and high value-added applications into its PDA products. The strategic relationship with the Investors could bring to the GSPDA Group cutting-edge microprocessor, wireless communication and multimedia technology and a wide connection to potential technology and business partners to further develop its PDAs.

The proceeds of US$10,500,000 (equivalent to about HK$81,900,000) from the issuance of the GSPDA Preferred Shares shall be applied to continuous improvement in the PDA technology, launching of new products with enhanced functions and features, expansion of the marketing and sales network and development of new market segments.

2. PROVISION OF SERVICES BY THE GROUP TO THE GSPDA GROUP

The Company and its certain wholly-owned subsidiaries and GSPDA (HK) have entered into the Various Service Agreements in relation to the provision of services and facilities (including manufacture, sales, management and administrative services and trade mark licence) by the Group (other than the GSPDA Group) to the GSPDA Group for its business operation. Such provision of services and facilities is an interim arrangement since the PDA business has been conducted by the Group in the past, and it is the intention of the Directors to establish the GSPDA Group as an independent group with administrative and management capability and its own sales and marketing network in the Mainland China.

3. GENERAL

The Directors confirm that save for as disclosed in this announcement, the entering into the agreements does not constitute any notifiable transaction for the Company. The Directors further confirm that as the shareholding of the Company in GSPDA, a major subsidiary of the Company, will decrease by approximately 12% (from 75% to approximately 63%), a deemed disposal of assets of the Company under Section 4 of Practice Note 13 of the Listing Rules will have occurred upon Completion but the dilution of the Company's interest in GSPDA upon Completion will not be considered as a material dilution of a major subsidiary as set out Practice Note 13 of the Listing Rules. Having considered the nature of the transactions and the interests of the Company's shareholders and the public, the Directors make this announcement to inform the public of such transactions pursuant to the general obligation imposed by paragraph 2 of the Listing Agreement.

It is the intention of GSPDA and Group Sense Technology (Singapore) Pte Limited, a wholly-owned subsidiary of GSPDA, to implement employee incentive schemes for their respective officers and employees. Terms of the schemes have not been finalized at this time.

4. SUSPENSION AND RESUMPTION OF TRADING

Trading in the shares of the Company on the Stock Exchange was suspended with effect from 10:00 am on Tuesday, 22 May, 2001 pending the issue of this announcement at the request of the Company. Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 10:00 am on Wednesday, 23 May, 2001.

5. DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

"Ancillary Agreement"	the investor rights agreement and the rights of first refusal and co-sale agreement, both to be entered into among GSPDA, the Company and the Investors on or before Completion
"Collaboration Agreement"	the collaboration agreement entered into by GSPDA (HK) and INTEL on 22 May, 2001
"Company"	Group Sense (International) Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
"Completion"	completion of the Share Purchase Agreement
"Directors"	the directors of the Company
"GPRS"	general packet radio service
"Group"	the Company and its subsidiaries
"GSPDA"	Group Sense PDA Holdings Limited, a company incorporated in the Cayman Islands with limited liability
"GSPDA Group"	GSPDA and its subsidiaries
"GSPDA (HK)"	Group Sense PDA Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of GSPDA
"GSPDA Ordinary Shares"	the ordinary shares in the capital of GSPDA with a par value of US$0.10 each
"GSPDA Preferred Shares"	the voting convertible redeemable series A preferred shares in the capital of GSPDA with a par value of US$0.10 each
"GSM"	global system for mobile communications
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Intel Capital"	Intel Capital Corporation, a company incorporated in the Cayman Islands
"INTEL"	Intel Semiconductor Limited, a company incorporated in Delaware, United States
"Investors"	Intel Capital, SB China and UTStarcom
"Linverale"	Linverale Profits Limited, a company incorporated in the British Virgin Islands with limited liability
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"PDA"	personal digital assistant
"PHS"	personal handyphone system
"SB China"	SB China Holdings Pte Limited, a company incorporated in Singapore
"Share Purchase Agreement"	the share purchase agreement entered into among GSPDA, the Company and the Investors on 22 May, 2001
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States"	the United States of America
"UTStarcom"	UTStarcom, Inc., a company incorporated in the United States and the securities of which are listed on the Nasdaq National Market
"Various Service Agreements"	a manufacturing agreement, a sales services agreement, a trade mark licence agreement, a management services agreement and an administrative services agreement respectively entered into between the Company and its certain wholly-owned subsidiaries and GSPDA (HK) on 22 May, 2001
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"US$"	United States dollar(s), the lawful currency of the United States
"%"	per cent.

On behalf of the Board
Group Sense (International) Limited
Tam Wai Tong, Thomas
Managing Director

Hong Kong, 22 May, 2001

* *For identification only*