

權智集團  
**GroupSense**

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

(Incorporated in Bermuda with limited liability)  
(Stock Code: 00601)

**Interim Report**  
**2009/2010**



## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors:

TAM Wai Ho, Samson JP (*Chairman*)  
TAM Wai Tong, Thomas (*Managing Director*)  
TAM MUI Ka Wai, Vivian  
Kazuhiro OTANI  
LEE Koon Hung  
FOK Ting Yeung, James  
LUK Chui Yung, Judith

#### Non-executive Director:

LO Chi Chung, William\*

#### Independent Non-executive Directors:

YUNG Wing Ki, Samuel MH, JP\*  
HO Kwok Shing, Harris\*  
WONG Kon Man, Jason\*

\* *Member of Audit Committee*

### COMPANY SECRETARY

YEUNG Sze Nga

### QUALIFIED ACCOUNTANT

CHENG Yiu Kong

### AUDITORS

Ernst & Young

### SOLICITORS

Mallesons Stephen Jaques

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited  
Hang Seng Bank Limited

### REGISTERED OFFICE

Clarendon House  
Church Street  
Hamilton HM11  
Bermuda

### PRINCIPAL PLACE OF BUSINESS

6th Floor, Enterprise Place  
No. 5 Science Park West Avenue  
Hong Kong Science Park  
Shatin, New Territories, Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

The Bank of Bermuda Limited  
Bank of Bermuda Building  
6 Front Street  
Hamilton HM11  
Bermuda

### BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Secretaries Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Hong Kong

### WEBSITE

<http://www.gsl.com.hk>

### STOCK CODE

00601

## RESULTS

The board of directors (the “Board”) of Group Sense (International) Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th September, 2009, together with the comparative figures for the corresponding period in 2008 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September, 2009

	Notes	Six months ended 30th September, 2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited & Restated)
Revenue	3	284,537	383,977
Cost of sales		(204,327)	(292,805)
Gross profit		80,210	91,172
Other income and gains		7,220	8,558
Selling and distribution costs		(26,838)	(28,901)
Administrative expenses		(41,336)	(51,614)
Research and development expenses		(38,844)	(42,391)
Finance costs	4	(25)	(8)
Share of losses of jointly-controlled entities		(1,091)	(1,067)
Loss before tax	5	(20,704)	(24,251)
Tax	6	(86)	(133)
Loss for the period		(20,790)	(24,384)
Other comprehensive income			
Exchange differences on translating foreign operations		2,077	7,260
Total comprehensive loss for the period		(18,713)	(17,124)
Loss attributable to:			
Equity holders of the Company		(19,080)	(23,615)
Minority interests		(1,710)	(769)
		(20,790)	(24,384)
Total comprehensive loss attributable to:			
Equity holders of the Company		(17,003)	(16,355)
Minority interests		(1,710)	(769)
		(18,713)	(17,124)
Dividend	7	-	-
Loss per share attributable to ordinary equity holders of the Company	8		
Basic		(HK1.59cents)	(HK1.97cents)
Diluted		(HK1.59cents)	(HK1.97cents)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2009

	Notes	30.09.09 HK\$'000 (Unaudited)	31.03.09 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	84,228	89,993
Prepaid lease payments		17,369	17,596
Deferred development costs		3,954	5,196
Interests in jointly-controlled entities		8,516	9,607
Available-for-sale investments		26,094	26,094
Amount due from a joint-venture partner		1,727	1,680
Long term deposits		2,640	2,108
<b>Total non-current assets</b>		<b>144,528</b>	152,274
<b>CURRENT ASSETS</b>			
Inventories		109,854	96,743
Trade receivables	10	111,153	114,523
Prepayments, deposits and other receivables		61,409	50,940
Amounts due from associates		3,395	3,738
Amount due from a jointly-controlled entity		3,547	–
Investments at fair value through profit or loss		41,133	40,890
Derivative financial instruments		–	596
Cash and cash equivalents		187,040	227,296
<b>Total current assets</b>		<b>517,531</b>	534,726
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	81,972	78,256
Other payables and accruals		45,460	39,440
Amount due to a jointly-controlled entity		–	96
Tax payable		24,751	24,799
Derivative financial instruments		–	395
Interest-bearing bank borrowing		–	15,428
<b>Total current liabilities</b>		<b>152,183</b>	158,414
<b>NET CURRENT ASSETS</b>		<b>365,348</b>	376,312
<b>Net assets</b>		<b>509,876</b>	528,586
<b>EQUITY</b>			
Equity attributable to equity holders of the Company			
Issued capital		119,766	119,766
Reserves		387,689	404,692
		<b>507,455</b>	524,458
Minority interests		2,421	4,128
<b>Total equity</b>		<b>509,876</b>	528,586

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2009

	Attributable to equity holders of the Company										
	Issued capital	Share premium account	Share option reserve	Capital redemption reserve	Special reserve	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2009 (Audited)	119,766	409,710	2,856	419	(60,819)	37,408	15,118	-	524,458	4,128	528,586
Loss for the period	-	-	-	-	-	-	(19,080)	-	(19,080)	(1,710)	(20,790)
Other comprehensive income	-	-	-	-	-	2,077	-	-	2,077	-	2,077
Total comprehensive income/(expenses) for the period	-	-	-	-	-	2,077	(19,080)	-	(17,003)	(1,710)	(18,713)
Capital injection from minority shareholders for a subsidiary company	-	-	-	-	-	-	-	-	-	3	3
At 30th September, 2009 (unaudited)	<u>119,766</u>	<u>409,710</u>	<u>2,856</u>	<u>419</u>	<u>(60,819)</u>	<u>39,485</u>	<u>(3,962)</u>	<u>-</u>	<u>507,455</u>	<u>2,421</u>	<u>509,876</u>
At 1st April, 2008 (Audited)	119,766	409,710	2,461	419	(60,819)	32,289	79,791	-	583,617	1,856	585,473
Exchange realignment and total income and expense recognised directly in equity	-	-	-	-	-	-	-	-	-	(72)	(72)
Loss for the period	-	-	-	-	-	-	(23,615)	-	(23,615)	(769)	(24,384)
Other comprehensive income	-	-	-	-	-	7,260	-	-	7,260	-	7,260
Total comprehensive income/(expenses) for the period	-	-	-	-	-	7,260	(23,615)	-	(16,355)	(841)	(17,196)
Capital injection from minority shareholders for a subsidiary company	-	-	-	-	-	-	-	-	-	2,326	2,326
Equity-settled share option arrangements	-	-	395	-	-	-	-	-	395	-	395
At 30th September, 2008 (unaudited)	<u>119,766</u>	<u>409,710</u>	<u>2,856</u>	<u>419</u>	<u>(60,819)</u>	<u>39,549</u>	<u>56,176</u>	<u>-</u>	<u>567,657</u>	<u>3,341</u>	<u>570,998</u>

The special reserve represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1993.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2009

	For the six months ended	
	30th September,	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash outflow from operating activities	(18,774)	(18,075)
Net cash outflow from investing activities	(4,863)	(8,597)
Net cash outflow from financing activities	(15,450)	(323)
Net decrease in cash and cash equivalents	(39,087)	(26,995)
Cash and cash equivalents at the beginning of the period	227,296	252,165
Effect of foreign exchange rate changes, net	(1,169)	4,915
Cash and cash equivalents at the end of the period	187,040	230,085

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2009

## 1. BASIS OF PREPARATION

The interim financial statements are unaudited, condensed 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.

## 2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of these condensed consolidated interim financial statements are consistent with those used in the Group’s audited financial statements for the year ended 31st March, 2009, except in related to the following new/revised Hong Kong Financial Reporting Standards (“HKFRS”), HKASs and Interpretations (hereinafter collectively referred to as the “new/revised HKFRSs”), which have become effective for accounting periods beginning on or after 1st January, 2009, that are adopted for the first time for the current period’s financial statements:

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statement – Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HKFRSs (Amendments)	Improvement to HKFRSs*

\* *Except for the amendments to HKFRS 5 which are effective for annual periods beginning on or after 1st July, 2009.*

The adoption of the above new/revised HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated interim financial statements, except for the followings:

### **HKFRS 8 Operating Segments**

HKFRS 8, which replaces HKAS 14 "Segment Reporting", specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocation resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group adopted HKFRS 8 from 1st April, 2009. The adoption of standard has no effect on the financial position or results of operations of the Group. It does, however, result in certain presentational changes in the presentation and disclosures of financial statements.

### **HKAS 1 (Revised) Presentation of Financial Statements**

HKAS 1 (Revised) introduce changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognized in profit or loss, together with all other items of recognized income and expense recognized directly in equity, either in one single statement, or in two linked statements. The Group adopted HKAS 1 (Revised) from 1st April, 2009. The adoption of the revised standard has no effect on the financial position or results of operations of the Group. It does, however, result in certain presentational changes in the presentation and disclosures of financial statements.



### 3. SEGMENT INFORMATION

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

For the six months ended 30th September, 2009

	Electronic handheld products HK\$'000	Original design manufacturing ("ODM") products HK\$'000	Corporate and others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue:					
External	162,470	122,067	-	-	284,537
Inter-segment	89,367	33,198	-	(122,565)	-
Total revenue	<u>251,837</u>	<u>155,265</u>	<u>-</u>	<u>(122,565)</u>	<u>284,537</u>
Segment results	<u>(7,890)</u>	<u>(13,763)</u>	<u>1,608</u>	<u>-</u>	<u>(20,045)</u>
Interest income					457
Finance costs					(25)
Share of losses of jointly-controlled entities					(1,091)
Loss before tax					(20,704)
Tax					(86)
Loss for the period					<u>(20,790)</u>

For the six months ended 30th September, 2008 (Restated)

	Electronic handheld products HK\$'000	ODM products HK\$'000	Corporate and others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue:					
External	246,482	137,495	-	-	383,977
Inter-segment	77,794	22,813	-	(100,607)	-
Total revenue	<u>324,276</u>	<u>160,308</u>	<u>-</u>	<u>(100,607)</u>	<u>383,977</u>
Segment results	<u>(12,273)</u>	<u>(16,505)</u>	<u>3,816</u>	<u>-</u>	<u>(24,962)</u>
Interest income					1,786
Finance costs					(8)
Share of losses of jointly-controlled entities					(1,067)
Loss before tax					(24,251)
Tax					(133)
Loss for the year					<u>(24,384)</u>

#### 4. FINANCE COSTS

	Six months ended 30th September,	
	2009	2008
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	25	8

#### 5. LOSS BEFORE TAX

	Six months ended 30th September,	
	2009	2008
	HK\$'000	HK\$'000
Loss before tax has been arrived at after charging/(crediting):		
Provision of inventories	4,930	3,937
Amortisation of deferred development cost (included in research and development expenses)	1,602	2,315
Amortisation of prepaid lease payments	227	230
Depreciation	11,871	15,484
Fair value changes in investment at fair value through profit or loss	(243)	898
Fair value change in derivative financial instruments	61	(2,061)
Dividend income	(333)	(411)
Interest income from investments at fair value through profit or loss	(1,337)	(1,345)
Bank Interest income	(457)	(1,786)

#### 6. TAX

	Six months ended 30th September,	
	2009	2008
	HK\$'000	HK\$'000
The Group:		
Current – Elsewhere	86	134
Deferred	–	(1)
Total tax charge for the period	86	133

## 7. DIVIDEND

The Board does not recommend any payment of interim dividend (2008: Nil) to shareholders for the six months ended 30th September, 2009.

## 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\$19,079,385 (2008: HK\$23,614,970) and the weighted average of 1,197,663,029 (2008: 1,197,663,029) shares in issue during the periods.

### (b) Diluted loss per share

Diluted loss per share amounts for the period ended 30th September, 2009 and 30th September, 2008 have not been presented as the share options had an anti-dilutive effect on the basic loss per share for these periods.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th September, 2009, additions of property, plant and equipment amounted to HK\$8,685,806 (2008: HK\$9,694,314). During the six months ended 30th September, 2009, items of plant and equipment with net book value of HK\$2,608,954 (2008: HK\$30,343) were disposed of.

## 10. TRADE RECEIVABLES

The Group allows an average credit period of 60 – 90 days to its trade customers.

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

	30.09.2009 HK\$'000	31.03.2009 HK\$'000
0 – 60 days	101,436	106,820
61 – 90 days	1,919	108
Over 90 days	7,798	7,595
	<b>111,153</b>	<b>114,523</b>

## 11. TRADE AND BILLS PAYABLES

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

	30.09.2009 HK\$'000	31.03.2009 HK\$'000
0 – 60 days	79,075	73,351
61 – 90 days	303	1,717
Over 90 days	2,594	3,188
	<u>81,972</u>	<u>78,256</u>

## 12. CONTINGENT LIABILITIES

	30.09.2009 HK\$'000	31.03.2009 HK\$'000
Amount of banking facilities utilized by an associate	<u>58</u>	<u>104</u>

## 13. COMMITMENTS

	30.09.2009 HK\$'000	31.03.2009 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	<u>36,212</u>	<u>1,609</u>

## 14. RELATED PARTY TRANSACTIONS

During the six months ended 30th September, 2009, the royalty expense charge by an associate amounts to HK\$1,427,516 (2008: HK\$1,682,276) and the purchase of products from an associate amounts to HK\$3,051,405 (2008: HK\$3,394,320).

During the six months ended 30th September, 2009, the compensation to key management amounts to HK\$5,612,521 (2008: HK\$5,968,673) representing director's remuneration.

## INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend (2008: Nil) to shareholders for the six months ended 30th September, 2009.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the first half of this financial year, the Group's revenue was HK\$284,537,464, representing a decline of 26% as compared with HK\$383,976,672 (restated) of the same period of last year. The Group recorded an operating loss before tax of HK\$20,703,782, representing a decrease of 15% as compared with HK\$24,250,890 of the same period last year. The Asian markets in which the Group operated have been hit hard by the worldwide financial tsunami. The results of the Group in the first half of this financial year were adversely affected and the decrease in revenue was not unexpected. In view of such market conditions, the Group has adopted a prudent financial strategy, targeting to reduce inventory level, control the amount of accounts receivables and maintain a healthy cash flow.

### *Electronic Dictionary*

The SBU (strategic business unit) experienced decline in both sales turnover and gross profit in the first half of financial year of 2009-2010 as compared with the same period in the previous financial year.

Owing to the worldwide financial tsunami in October 2008, the consumer confidence plunged and the market demand for consumer electronic goods slowed down significantly in 2009. Most customers, including distributors and retailers, have adopted prudent measures to minimize their exposure to business uncertainties, either by applying very conservative sales strategies in promoting our products, or by sharply lowering the inventory in both their sales channels and warehouses to a safe level. The sales of medium to low end products, however, were less adversely impacted during the present economic downturn.

The continuous fluctuation of most Asian currencies exchange rates in the first half of the financial year of 2009-2010, especially the Korean WON, has also discouraged our Asian customers from importing our products. As a result, overall sales figures of the SBU have suffered.

The SBU recorded a positive growth in business in Vietnam in the first half of the financial year of 2009-2010 despite the worldwide market downslide. The continuous depreciation of Vietnam Dong to American Dollar, however, constitutes a threat to the pace of our business growth in this market.

### ***Original Design Manufacturing (“ODM”)***

In the first half of the financial year 2009-2010, the results of the SBU were not satisfactory. However, the SBU had secured a number of quality customers who have signed agreements and placed firm orders for the development and shipment of a series of new products. It is expected that in the second half of this financial year the number of orders would increase and the performance of the SBU would improved.

As for its product line, the SBU launched the first MID (Mobile Internet Device) in the first half of the financial year 2009-2010. The SBU has also received stable orders of the ODM products in the electronic stationary category for the Japanese market. A better cost-control of the research and development of new products remains one of the prime targets of the SBU.

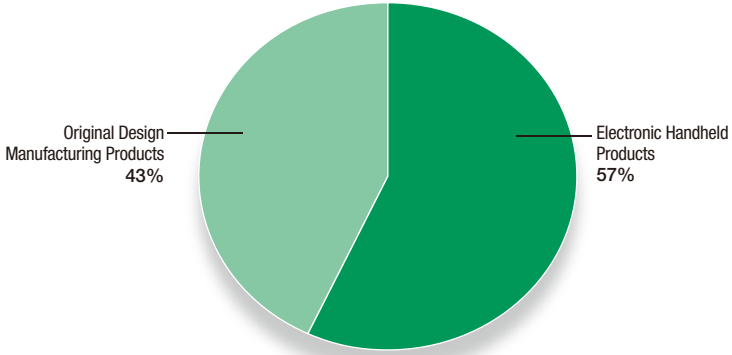
### ***Personal Communication Products***

In the first half of the financial year 2009-2010, the SBU focused on the development of the POS PDA (Point-of-sale Personal Digital Assistant) business, establishment of its distribution channel and the development of the European and American markets. Also, during the same period, the SBU has appointed distributors in different regions and started making shipments in small quantities. Besides the hospitality industries, the SBU planned to extend its POS PDA products for use in the retail and logistic industries, launching a POS PDA product with bar code scanner in the first half of this financial year.

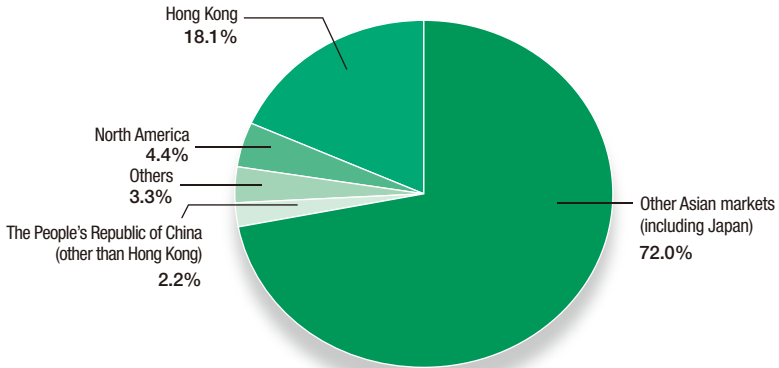
The SBU has been successful in establishing new clientele of the ODM business and extended its product range to cover reading machines for the blind and remote controllers for intelligent homes. These products should generate a steady income for the SBU.

To conclude, the sales of POS PDA business of the SBU increased slightly in the first half of the financial year 2009-2010. The orders of the ODM business have been stable. The business of the SBU gradually improved as compared to the corresponding period of last year although it has not attained the target that it had set itself.

## ANALYSIS OF REVENUE BY PRINCIPAL ACTIVITY



## ANALYSIS OF REVENUE BY GEOGRAPHICAL MARKET



## Outlook

The Group believes that the worst time of the Asian economy is over. The Group will exploit every opportunity to build new customers and introduce products to the market in a timely and effective manner. Compared to other markets, the China market is less affected by the worldwide economic tsunami. The Group would put more resources to develop the China market. Development of industrial application products would be the growth strategy of the Group. Orders of such products should be more steady than those in the consumer sector.

### ***Electronic Dictionary***

It is expected that business in the second half of the financial year of 2009-2010 will remain difficult. The improvement in sales performance of the SBU may have to wait for the next financial year of 2010-2011.

In response to the volatile market conditions and rapid demand changes, the SBU will continue to monitor the markets closely and adopt appropriate product and market strategies. The SBU will allocate more resources in the development of medium to low end products that are still in demand in a weak economy.

To minimize the pressure on gross profit margin, the SBU will strive to continually enhance its operational efficiency and control the product development and material costs. On the other hand, the SBU will continue to develop products with unique features and high gross profit margins in order to drive revenue growth.

The SBU will also continue to work hard in expanding its customer base in various markets. With a view to generate more business, the SBU is exploring the introduction of a new product line in the financial year 2009-2010. It is expected that this new product line will start generating sales revenues and contributing profit to the SBU in the next financial year 2010-2011.

### ***Original Design Manufacturing***

The business of the SBU is expected to improve in the second half of the financial year. With the expanding customer base and the growth of customers' businesses, it is expected that the performance of the SBU would improved. The SBU is developing handheld terminals with WiFi capabilities and will continue to focus on the further development of the eBook reader business in China as well as in the United States.



With the staff members of the SBU in Hong Kong, China and Japan working as a seamless team, the new ODM projects for the Japanese market are expected to make a significant contribution to the Group's results in the coming financial years. The Group is planning to increase the human resources in the Japan office to cope with the development in Japan market.

### ***Personal Communication Products***

In the second half of the financial year 2009-2010, the SBU will continue to develop its POS PDA business. The SBU will continue to develop the Europe and U.S.A. markets and is looking for new customers in the retail and logistic industries. It is expected orders from such market segments would be more stable. In addition, the SBU will also supply private label PDA products to POS companies with their own brand names.

As the economic environment is improving, the ODM side of the business of the SBU is seeing signs of recovery in the second half of the financial year. The SBU will put in more effort in search of new customers.

The SBU is also considering the broadening of its product line. Through the experience of its ODM business, the SBU will apply mobile communication technologies to personal care products and such products can improve the quality of living of the aged and the disabled. The SBU will collect product and market intelligence and expects to come up with a new product line in the near future.

With a clearer direction for the business areas and an established clientele, the SBU expects an increase in the sales of its products in all categories in the second half of the financial year.

### **Conclusion**

In conclusion, the business conditions of the Group in the financial year 2009-2010 will remain difficult. Nevertheless, the Group expects that the results of the second half financial year should improve. The Group believes that its strategy of making investment in technology and the continuous enhancement of reputation and its product quality is the key to a sustainable long term partnership with customers, and growth in business of the Group.

## Liquidity and Financial Resources

On 30th September, 2009, the bank balances and cash (including bank deposits) were HK\$187,040,163 in total, which was HK\$40,255,975 or 18% lower than those of six months ago. All bank borrowings were fully repaid by the Group during the period (31st March, 2009: HK\$15,428,422). All bank borrowings in 2009 were denominated in Japanese Yen with fixed interest rate and short term in nature.

As at 30th September, 2009, the gearing ratio, defined as total bank borrowings divided by shareholders' equities, has been reduced to 0% in the six months period. The interest expense has been increased from HK\$7,933 to HK\$25,183 as compared with the corresponding period.

## Contingent Liabilities

As at 30th September, 2009, the contingent liabilities of the Group were HK\$4,953,055 (31st March, 2009: HK\$4,999,465).

## 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. The Group does not engage in any interest rate or currencies speculations.

## Employees

As at 30th September, 2009, the Group has on its payroll 252 (2008: 269) employees in Hong Kong, 2,018 (2008: 2,475) employees in Mainland China and 11 (2008: 12) employees in Japan, representing a decrease of about 6%, 19% and 8% respectively as compared with prior year. In addition to salary remuneration and usual fringe benefits such as annual leave, medical insurance and provident fund, the Group also provides Share Incentive Plans for executive directors and senior 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.

## DIRECTORS' INTERESTS IN SECURITIES

At 30th September, 2009, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

Name of Director	Nature of interests	Number of ordinary shares held (long position)				Total	% of issued share capital
		Personal interests	Family interests	Other interests			
TAM Wai Ho, Samson JP	Notes 1 & 2	31,732,000	-	537,877,118	569,609,118	47.56	
TAM Wai Tong, Thomas	Notes 1 & 2	34,732,000	-	537,877,118	572,609,118	47.81	
TAM MUI Ka Wai, Vivian	Note 1	2,300,000	-	537,877,118	540,177,118	45.10	
Kazuhiro OTANI		2,000,000	-	-	2,000,000	0.17	
LEE Koon Hung		1,676,000	-	-	1,676,000	0.14	
LUK Chui Yung, Judith		550,000	-	-	550,000	0.05	
LO Chi Chung, William		2,900,000	-	-	2,900,000	0.24	

*Notes:*

1. The 537,877,118 shares are registered in the name of Earnmill Holdings Limited, a company ultimately beneficially owned by The Samson 1992 Trust and The Thomas 1992 Trust in equal shares. The Samson 1992 Trust is a discretionary trust, the discretionary beneficiaries of which include Dr. TAM Wai Ho, Samson JP and Mrs. TAM MUI Ka Wai, Vivian (spouse of Dr. TAM Wai Ho, Samson JP). The Thomas 1992 Trust is a discretionary trust, the discretionary beneficiaries of which include Mr. TAM Wai Tong, Thomas and Mrs. TAM NG Lai Yuen, Jocelyn (spouse of Mr. TAM Wai Tong, Thomas). Dr. TAM Wai Ho, Samson JP, Mrs. TAM MUI Ka Wai, Vivian and Mr. TAM Wai Tong, Thomas, being Directors, are directors of Earnmill Holdings Limited.
2. Included above is the 25,732,000 shares which are jointly owned by Dr. TAM Wai Ho, Samson JP and Mr. TAM Wai Tong, Thomas.

The interests of the Directors and their associates in the share options granted by the Company are set out in the section "Share Options".

Save as disclosed above, at 30th September, 2009, none of the Directors or their associates had any interests or short positions in the shares and underlying shares of the Company or any of its associated corporations as defined in the SFO.

## SHARE OPTIONS

The following table discloses movements in the Company's share options held by each of the Directors and the employees of the Company in aggregate granted under the share option scheme of the Company during the period ended 30th September, 2009:

	Share options grant date	Number of share options movement during the period					Outstanding at 30th September, 2009
		Outstanding at 1st April, 2009	Granted	Exercised	Cancelled	Lapsed	
<b>Directors</b>							
TAM Wai Ho, Samson JP	19.04.2004	900,000	-	-	-	-	900,000
TAM Wai Tong, Thomas	19.04.2004	900,000	-	-	-	-	900,000
TAM MUI Ka Wai, Vivian	19.04.2004	400,000	-	-	-	-	400,000
	07.08.2006	400,000	-	-	-	-	400,000
Kazuhiro OTANI	19.04.2004	900,000	-	-	-	-	900,000
	03.06.2005	800,000	-	-	-	(800,000)	-
	07.08.2006	800,000	-	-	-	-	800,000
	13.09.2007	800,000	-	-	-	-	800,000
LEE Koon Hung	19.04.2004	900,000	-	-	-	-	900,000
	03.06.2005	800,000	-	-	-	(800,000)	-
	07.08.2006	800,000	-	-	-	-	800,000
	13.09.2007	800,000	-	-	-	-	800,000
FOK Ting Yeung, James	19.04.2004	400,000	-	-	-	-	400,000
	03.06.2005	400,000	-	-	-	(400,000)	-
	07.08.2006	400,000	-	-	-	-	400,000
	13.09.2007	400,000	-	-	-	-	400,000
LUK Chui Yung, Judith	19.04.2004	500,000	-	-	-	-	500,000
	03.06.2005	500,000	-	-	-	(500,000)	-
	19.07.2006	500,000	-	-	-	-	500,000
	13.09.2007	800,000	-	-	-	-	800,000
Total (Directors)		13,100,000	-	-	-	(2,500,000)	10,600,000

Number of share options movement during the period

	Share options grant date	Outstanding at 1st April, 2009	Granted	Exercised	Cancelled	Lapsed	Outstanding at 30th September, 2009
<b>Employees</b>	19.04.2004	3,818,000	-	-	-	-	3,818,000
	03.06.2005	4,833,000	-	-	-	(4,833,000)	-
	19.07.2006	5,757,000	-	-	(50,000)	-	5,707,000
	13.09.2007	6,230,000	-	-	(85,000)	-	6,145,000
Total (Employees)		20,638,000	-	-	(135,000)	(4,833,000)	15,670,000
Grand Total		33,738,000	-	-	(135,000)	(7,333,000)	26,270,000

Details of specific categories of share options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price HK\$
19.04.2004	19.04.2004 – 19.01.2005	20.01.2005 – 19.01.2010	0.950
03.06.2005	03.06.2005 – 25.04.2006	26.04.2006 – 25.04.2009	0.606
19.07.2006	19.07.2006 – 14.06.2007	15.06.2007 – 14.06.2010	0.554
07.08.2006	07.08.2006 – 14.06.2007	15.06.2007 – 14.06.2010	0.554
13.09.2007	13.09.2007 – 07.08.2008	08.08.2008 – 05.08.2011	0.584

No amount (2008: HK\$394,591) is recognized in the consolidated statement of comprehensive income during the period in respect of the value of share options granted.

## SUBSTANTIAL SHAREHOLDERS

At 30th September, 2009, the register of substantial shareholders kept by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests and short positions in the issued capital of the Company:

<b>Name of shareholder</b>	<b>Number of ordinary shares held (long position)</b>	<b>% of issued share capital</b>
Earnmill Holdings Limited	537,877,118 <i>(Note 1)</i>	44.91
DJE Investment S.A.	72,284,000 <i>(Note 2)</i>	6.04
Dr. Jens Ehrhardt Kapital AG	72,284,000 <i>(Note 2)</i>	6.04
Dr. Jens Alfred Karl EHRHARDT	72,284,000 <i>(Note 2)</i>	6.04

Notes:

1. The shareholding is also included in the section "Directors' Interests in Securities" disclosed above.
2. DJE Investment S.A. held 72,284,000 shares as an investment manager. DJE Investment S.A. was 81% controlled by Dr. Jens Ehrhardt Kapital AG, which was in turn 68.50% controlled by Dr. Jens Alfred Karl EHRHARDT. Therefore, DJE Investment S.A., Dr. Jens Ehrhardt Kapital AG and Dr. Jens Alfred Karl EHRHARDT were all interested or deemed to be interested in such shares.

Save as disclosed above, at 30th September, 2009, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the SFO.

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

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

## AUDIT COMMITTEE

The Audit Committee comprises independent non-executive directors, Mr. Yung Wing Ki, Samuel MH, JP (Chairman of the Audit Committee), Mr. Ho Kwok Shing, Harris and Mr. Wong Kon Man, Jason and a non-executive director, Mr. Lo Chi Chung, William. During the period under review, the Audit Committee has held two meetings with 100% attendance 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 interim report for the six months ended 30th September, 2009.

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

## CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practice (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30th September, 2009, with deviation from the first part of the first sentence of the code provision E.1.2 of the Code.

Under the first sentence of the code provision E.1.2 of the Code, the chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting. Dr. Tam Wai Ho, Samson JP, the chairman of the Board and the chairman of the Remuneration Committee, was unable to attend the annual general meeting of the Company held on 4th September, 2009 due to personal engagement. Dr. Tam has arranged the other members of the Board and the Remuneration Committee to attend the annual general meeting and to be available to answer questions at the annual general meeting.



## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 have complied with the required standard set out in the Model Code throughout the six months ended 30th September, 2009.

By order of the Board  
**Group Sense (International) Limited**  
**Dr. TAM Wai Ho, Samson JP**  
*Chairman*

Hong Kong, 8th December, 2009