

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)

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interim report
2011/2012

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www.gsl.com.hk

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

Independent Non-executive Directors:

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

Audit Committee

YUNG Wing Ki, Samuel SBS, MH, JP (*Chairman*)
HO Kwok Shing, Harris
WONG Kon Man, Jason

Remuneration Committee

TAM Wai Ho, Samson JP (*Chairman*)
HO Kwok Shing, Harris
WONG Kon Man, Jason

Company Secretary

YEUNG Sze Nga

Qualified Accountant

CHENG Yiu Kong

Auditors

Ernst & Young

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

HSBC Securities Services (Bermuda) Limited
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, 2011, together with the comparative figures for the corresponding period in 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September, 2011

	Notes	Six months ended 30th September,	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
REVENUE	3	261,452	345,987
Cost of sales		(188,237)	(248,261)
Gross profit		73,215	97,726
Other income and gains		4,172	5,677
Selling and distribution costs		(17,094)	(25,671)
Administrative expenses		(45,426)	(43,474)
Research and development expenses		(41,139)	(41,373)
Finance costs	4	(228)	—
Share of losses of jointly-controlled entities		(225)	(18)
LOSS BEFORE TAX	5	(26,725)	(7,133)
Income tax expenses	6	(5)	(71)
LOSS FOR THE PERIOD		(26,730)	(7,204)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translating foreign operations		7,542	7,022
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(19,188)	(182)
Loss attributable to:			
Equity holders of the Company		(20,659)	(6,913)
Non-controlling interests		(6,071)	(291)
		(26,730)	(7,204)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		(13,385)	109
Non-controlling interests		(5,803)	(291)
		(19,188)	(182)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		(HK1.72 cents)	(HK0.58 cents)
Diluted		(HK1.72 cents)	(HK0.58 cents)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2011

	Notes	30.09.11 HK\$'000 (Unaudited)	31.03.11 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	108,965	101,091
Prepaid lease payments		17,280	17,082
Deferred development costs		1,175	1,265
Interests in jointly-controlled entities		13,079	16,670
Available-for-sale investments		38,210	38,153
Long term deposits		6,375	4,942
Total non-current assets		185,084	179,203
CURRENT ASSETS			
Inventories		102,645	116,063
Trade receivables	10	87,428	90,424
Prepayments, deposits and other receivables		59,648	50,391
Amounts due from associates		1,385	1,453
Investments at fair value through profit or loss		8,346	8,450
Derivative financial instruments		—	227
Cash and cash equivalents		155,049	163,900
Total current assets		414,501	430,908
CURRENT LIABILITIES			
Trade and bills payables	11	46,191	38,554
Other payables and accruals		73,718	88,205
Tax payable		156	9,644
Interest-bearing bank borrowing	12	25,000	—
Total current liabilities		145,065	136,403
NET CURRENT ASSETS			
Net assets		269,436	294,505
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		119,766	119,766
Reserves		336,816	350,201
		456,582	469,967
Non-controlling interests			
		(2,062)	3,741
Total equity		454,520	473,708

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2011

	Attributable to equity holders of the Company									
	Issued capital	Share premium account	Share option reserve	Capital redemption reserve	Special reserve	Exchange fluctuation reserve	Accumulated loss	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2011(Audited)	119,766	409,710	2,856	419	(60,819)	48,980	(50,945)	469,967	3,741	473,708
Loss for the period	—	—	—	—	—	—	(20,659)	(20,659)	(6,071)	(26,730)
Other comprehensive income	—	—	—	—	—	7,274	—	7,274	268	7,542
Total comprehensive income/(loss) for the period	—	—	—	—	—	7,274	(20,659)	(13,385)	(5,803)	(19,188)
At 30th September, 2011 (unaudited)	119,766	409,710	2,856	419	(60,819)	56,254	(71,604)	456,582	(2,062)	454,520
At 1st April, 2010 (Audited)	119,766	409,710	2,856	419	(60,819)	38,348	(19,138)	491,142	3,455	494,597
Loss for the period	—	—	—	—	—	—	(6,913)	(6,913)	(291)	(7,204)
Other comprehensive income	—	—	—	—	—	7,022	—	7,022	—	7,022
Total comprehensive income/(loss) for the period	—	—	—	—	—	7,022	(6,913)	109	(291)	(182)
At 30th September, 2010 (unaudited)	119,766	409,710	2,856	419	(60,819)	45,370	(26,051)	491,251	3,164	494,415

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 STATEMENT OF CASH FLOWS

For the six months ended 30th September, 2011

	For the six months ended	
	30th September,	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash outflow from operating activities	(28,981)	(31,967)
Net cash outflow from investing activities	(9,534)	(12,184)
Net cash inflow from financing activities	24,772	—
Net decrease in cash and cash equivalents	(13,743)	(44,151)
Cash and cash equivalents at the beginning of the period	163,900	201,343
Effect of foreign exchange rate changes, net	4,892	6,981
Cash and cash equivalents at the end of the period	155,049	164,173

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2011

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, 2011, except for the adoption of the new standards and interpretation as noted below:

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: <i>Disclosures — Transfers of Financial Assets</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

Apart from the above, the Group has also adopted Improvements to HKFRSs 2010* issued by the HKICPA which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording.

* Improvements to HKFRSs 2010 contain amendments to HKFRS 1, HKFRS 3, HKFRS 7, HKAS 1, HKAS 27, HKAS 34 and HK(IFRIC)-Int 13.

The adoption of the above new standards and interpretations has had no material effect on the condensed consolidated interim financial statements.

The Group has not early adopted any standard interpretation or amendment that was issued but not yet effective.

3. Operating Segment Information

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

For the six months ended 30th September, 2011

	Electronic handheld products HK\$'000	Original design manufacturing ("ODM") products HK\$'000	Corporate and others HK\$'000	Consolidated HK\$'000
Segment revenue:				
Sales to external customers	131,007	130,445	—	261,452
Segment results	(14,386)	(12,965)	518	(26,833)
<i>Reconciliation:</i>				
Interest income				561
Finance costs				(228)
Share of losses of jointly-controlled entities				(225)
Loss before tax				(26,725)
Income tax expenses				(5)
Loss for the period				(26,730)

For the six months ended 30th September, 2010

	Electronic handheld products HK\$'000	ODM products HK\$'000	Corporate and others HK\$'000	Consolidated HK\$'000
Segment revenue:				
Sales to external customers	133,847	212,140	—	345,987
Segment results	(12,594)	2,698	2,364	(7,532)
<i>Reconciliation:</i>				
Interest income				417
Share of losses of jointly-controlled entities				(18)
Loss before tax				(7,133)
Income tax expenses				(71)
Loss for the period				(7,204)

4. Finance Costs

	Six months ended 30th September,	
	2011	2010
	HK\$'000	HK\$'000
Interest on bank borrowing wholly repayable within five years	228	—

5. Loss Before Tax

	Six months ended 30th September,	
	2011	2010
	HK\$'000	HK\$'000
The Group's loss before tax has been arrived at after charging/(crediting):		
Provision of inventories	2,895	7,452
Amortisation of deferred development cost (included in research and development expenses)	749	1,156
Amortisation of prepaid lease payments	213	227
Depreciation	6,477	8,116
Fair value changes in investments at fair value through profit or loss	112	591
Fair value change in derivative financial instruments	4	(156)
Dividend income	(422)	(1,062)
Interest income from investments at fair value through profit or loss	(213)	(1,341)
Bank interest income	(561)	(417)

6. Income Tax Expenses

	Six months ended 30th September,	
	2011	2010
	HK\$'000	HK\$'000
The Group:		
Current — Elsewhere	5	71

7. Dividend

The Board does not recommend any payment of interim dividend (2010: Nil) to shareholders for the six months ended 30th September, 2011.

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\$20,659,480 (2010: HK\$6,913,761) and the weighted average of 1,197,663,029 (2010: 1,197,663,029) shares in issue during the periods.

(b) Diluted loss per share

Diluted loss per share amounts for the periods ended 30th September, 2011 and 30th September, 2010 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, 2011, additions of property, plant and equipment amounted to HK\$12,439,353 (2010: HK\$12,415,698). During the six months ended 30th September, 2011, items of plant and equipment with net book value of HK\$230,192 (2010: Nil) 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:

	30.09.2011	31.03.2011
	HK\$'000	HK\$'000
0–60 days	73,679	74,394
61–90 days	1,780	1,913
Over 90 days	11,969	14,117
	87,428	90,424

11. Trade and Bills Payables

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

	30.09.2011	31.03.2011
	HK\$'000	HK\$'000
0–60 days	44,444	36,240
61–90 days	394	109
Over 90 days	1,353	2,205
	46,191	38,554

12. Interest-Bearing Bank Borrowing

	30.09.2011		31.03.2011	
	Effective interest rate (%)	HK\$'000	Effective interest rate (%)	HK\$'000
Current				
Bank borrowing, unsecured and repayable within one year	2.01	25,000	—	—

The Company has guaranteed the Group's bank borrowing amount to HK\$25,000,000 (31st March, 2011: Nil) as at 30th September, 2011.

The Group's bank borrowing is HK\$25,000,000 (31st March, 2011: Nil). The Group's bank borrowing is denominated in Hong Kong dollars, unsecured, carried interest at HIBOR plus 1.75% per annum and short term in nature.

13. Contingent Liabilities

	30.09.2011	31.03.2011
	HK\$'000	HK\$'000
Guarantees given to banks in respect of banking facilities granted to an available-for sale investment	7,796	—
Legal proceeding against a subsidiary of the Group (Details refer to Note 36 to the Financial Statements of the 2011 Annual Report of the Group) Based on the legal opinion of the representing solicitor of the subsidiary, the directors of the Company are of opinion that no provision is required to be made	4,895	4,895
	12,691	4,895

14. Commitments

	30.09.2011	31.03.2011
	HK\$'000	HK\$'000
Contracted, but not provided for:		
Capital contributions payable in investment in unlisted securities	1,205	1,177
Property, plant and equipment	21,087	20,225

15. Related Party Transaction

During the six months ended 30th September, 2011, no royalty expense charge by an associate (2010: HK\$3,007,499) and the purchase of products from an associate amounts to HK\$1,946,197 (2010: HK\$2,352,972).

During the six months ended 30th September, 2011, the compensation to key management amounts to HK\$5,784,445 (2010: HK\$5,715,109) representing director's remuneration.

INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend (2010: Nil) to shareholders for the six months ended 30th September, 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the first half of this financial year, the Group's revenue was HK\$261,452,193, representing a decrease of HK\$84,535,186 as compared with HK\$345,987,379 of the same period last year. The Group recorded an operating loss before tax of HK\$26,724,945, representing an increase of HK\$19,591,494 as compared with HK\$7,133,451 of the same period last year. The reasons for the drop in sales revenue are the delay in product launch and the slow down of export of our major products owing to the weakening of the Japan and North American markets. The operating loss was the result of the reduction in sales orders which affects the overall cost effectiveness, combined with the restructuring of the factory. In the past six months, parts of the factory have been redeployed for the module manufacturing business, a process that affected the operating costs, resulting in a transient loss.

Electronic Dictionary

The SBU (strategic business unit) has experienced a decline in sales turnover and negative profit in the first half of the financial year 2011–2012 as compared with the same period of the previous financial year.

The improvement in the global economy remained uncertain and this has weakened the consumer-spending sentiment. Most of the distributors and retailers have overstocked heavily, especially in the first quarter of the financial year 2011–2012, resulting in dramatic decline of orders from our customers. The emergence of integrated consumer electronic products that contains e-dictionary and basic e-learning applications also affected the SBU business a lot.

Although the SBU has been working hard for new business opportunities to minimize the dependence on the few existing product lines, the improvement pace is still not noticeable.

Original Design Manufacturing

The sales and profit of the SBU has declined in the first half of the financial year 2011–2012, owing to the sudden drop in the eBook orders in the US market and to the slow down in demand for most of the products designated for the Japan market.

Facing the continuously increasing labour cost in China and the rising material costs, the profit margins for many of the products of the SBU has been squeezed. The SBU has responded by shifting its product focus from consumer products with low profit margins to industrial products. In addition, the SBU has also started to focus more on the Japan market where quality and service are much more appreciated compared with other markets.

Development of a new ODM product, a wireless handheld ordering device with peripherals, has been completed and shipment to our Japanese customer, one of the leading companies in POS (Point-of-Sale) system, has started. The sale of this product is expected to be more stable and has a longer market window than ordinary consumer products.

The development of another brand new ODM product that enables ordinary consumers to make live video broadcast on the internet by connecting any available video cameras, has reached the final stage and first shipment is expected to be at the end of 2011. This product is one of the first products for the emerging trend of “prosumers” market (consumers participating in production) that has great growth potential.

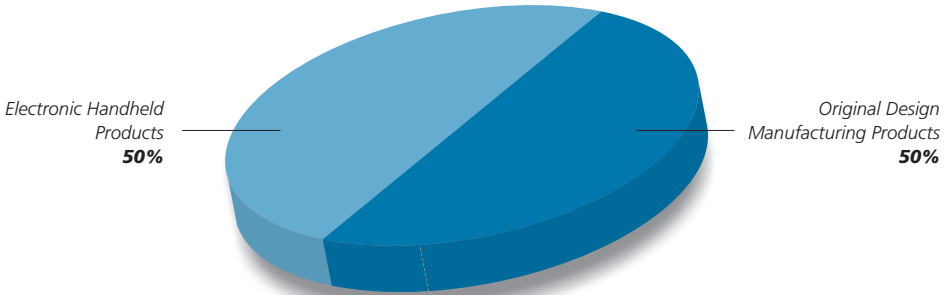
Personal Communication Products

The business of the SBU has turned around in the first half of the financial year 2011–2012. Compared to the same period of previous financial year, the sales volume has increased noticeably, due to the increased delivery of POS PDA products and the launch of M2M (Machine-to-Machine) communication products.

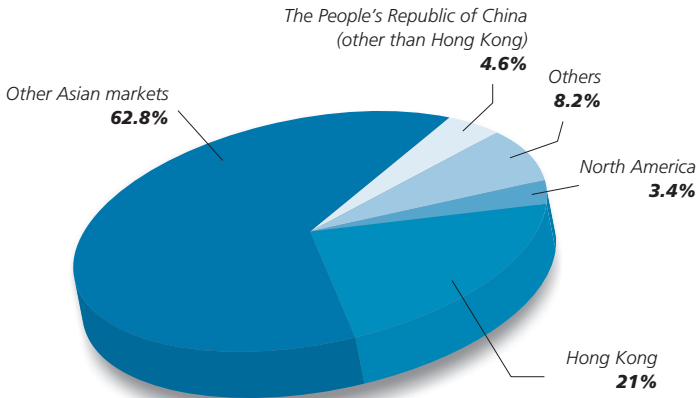
In the past years, the sales of POS PDA products have been growing steadily. In the first half of the financial year, the SBU has been developing new products for use by more industrial sectors. In view of the expansion of products categories and applications, the SBU has broadened the POS PDA product line into a POS Terminal line.

As for the Tracking Products, the SBU has developed Trackers, a kind of M2M telecommunication product. After detailed study of the M2M markets and products in the first half of the financial year, the SBU has expanded the Tracking Product line to become the M2M communication product line.

ANALYSIS OF REVENUE BY PRINCIPAL ACTIVITY



ANALYSIS OF REVENUE BY GEOGRAPHICAL MARKET



Outlook

The business restructuring of the factory has shown signs of early success. At the end of the year, the Group believes that some of the module manufacturing technologies have been mastered and expects to explore more opportunities in this business area. As for the development of new products, finding suitable partners and new products would be of paramount importance. The piece of land bought by the Group in Guangzhou a few years back is going to provide more than 30,000 square metres of office space. The Group plans to invite targeted business and technology partners to move into the premises to jointly exploit new business opportunities and explore the development of new products, thus providing room for further development of the Group.

Electronic Dictionary

As we believe the global economy will continue to be uncertain, the SBU will keep on monitoring the markets closely and adopt appropriate material procurement and inventory strategies to maintain a healthy cash flow position.

At the same time, the SBU will continue to expand its customer base in different markets. The SBU will also explore more business opportunities and partnership for Android-based related products and services with potential customers from different business sectors.

The SBU will strive to maintain a reasonable gross profit margin through the ceaseless enhancement of its operating efficiency and the containment of the product development and materials costs.

Original Design Manufacturing

While the business situation and environment may remain tough throughout the financial year 2011–2012, the SBU will persistently pursue its strategy of penetrating the Japan market further in the coming years, leveraging on the seamless team work with the Group's subsidiary company in Japan, capitalizing on its capability in marketing, R&D as well as serving as a bridge between customers in Japan and the development team in Hong Kong and China.

Further to deepening the partnership with existing valued customers in the development of new products, the SBU and the subsidiary in Japan will intensify their efforts in developing new customers in Japan and in marketing new products being planned for the market there. In support of this strategy, the SBU continues to implement, with sufficient human resources and external partners being assigned, the quality management system with a view to enhance the quality in design and manufacturing, as well as after sales service to customers.

Looking forward to the financial year 2012–2013, in addition to continuing the development of new ODM business in Japan, the SBU has made a decision to create two new strategic products. The first is for the next generation Table-top self-ordering device for use in restaurant, and the second is an electronic stationary product for the consumers. Both products are expected to become the powerhouse for (resuming) the growth of the business of the SBU in the coming years.

Personal Communication Products

Projecting into the second half of the financial year 2011–2012, the sales of the SBU is expected to drop in the third quarter, owing to the depressed sales of POS Terminals in the low season that is further compounded by the uncertain economic climate in Europe and North America. As these are short term issues, the sales volume of the SBU is expected to pick up again in the fourth quarter.

The POS Terminal business has lot of room for expansion. In the past, our products are for indoor use based on WLAN. New products equipped with mobile communication capabilities and different accessories will find applications in many more sectors of industries. The SBU is optimistic to enjoy a reasonable growth in business in the medium to longer term.

The further advancement and spread of wireless communication network will enable the emergence of Internet of Things, and this in turn will stimulate demand for different applications of M2M communication products, leading to great market potential. The SBU will actively pursue the development of such products and markets, turning this into another major product line.

Conclusion

In the face of uncertainty of the global economy, the Group will adopt a pragmatic and prudent approach in its business operations; continue to provide more competitive and appropriate products to its customers; and consolidate its basic product lines in maintaining and gradually increasing the sales volume of the Group.

Liquidity and Financial Resources

On 30th September, 2011, the bank balances and cash (including bank deposits) were HK\$155,049,217 in total, which was HK\$8,850,769 or 5% lower than those of six months ago. The Group's bank borrowing is HK\$25,000,000 (31st March, 2011: Nil). The Group's bank borrowing is denominated in Hong Kong dollars with floating interest rate and short term in nature.

As at 30th September, 2011, the gearing ratio, defined as total bank borrowings divided by shareholders' equities was 5%. The interest expenses is HK\$228,185 during the period.

Contingent Liabilities

As at 30th September, 2011, the contingent liabilities of the Group were HK\$12,691,354 (31st March, 2011: HK\$4,895,054).

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, 2011, the Group has on its payroll 208 (2010: 234) employees in Hong Kong, 2,169 (2010: 2,219) employees in the People's Republic of China and 13 (2010: 12) employees in Japan, representing a decrease of about 11%, a decrease of about 2% and an increase of about 9% 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, 2011, 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:

Names of Directors	Number of ordinary shares held (long position)					% of issued share capital
	Nature of interests	Personal interests	Family interests	Other interests	Total	
TAM Wai Ho, Samson JP	<i>Notes 1 & 2</i>	31,732,000	—	537,877,118	569,609,118	47.56
TAM Wai Tong, Thomas	<i>Notes 1 & 2</i>	34,732,000	—	537,877,118	572,609,118	47.81
TAM MUI Ka Wai, Vivian	<i>Note 1</i>	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

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, 2011, 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, 2011:

	Share options grant date	Outstanding at 1st April, 2011	Number of share options movement during the period				Outstanding at 30th September, 2011
			Granted	Exercised	Cancelled	Lapsed	
Directors							
Kazuhiro OTANI	13.09.2007	800,000	—	—	—	(800,000)	—
LEE Koon Hung	13.09.2007	800,000	—	—	—	(800,000)	—
FOK Ting Yeung, James	13.09.2007	400,000	—	—	—	(400,000)	—
LUK Chui Yung, Judith	13.09.2007	800,000	—	—	—	(800,000)	—
Total (Directors)		2,800,000	—	—	—	(2,800,000)	—
Employees	13.09.2007	5,465,000	—	—	(335,000)	(5,130,000)	—
Grand Total		8,265,000	—	—	(335,000)	(7,930,000)	—

Details of specific categories of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price HK\$
13.09.2007	13.09.2007–07.08.2008	08.08.2008–05.08.2011	0.584

SUBSTANTIAL SHAREHOLDERS

At 30th September, 2011, 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:

Names of shareholders	Number of ordinary shares held (long position)	% of issued share capital
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, 2011, 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 listed securities of the Company during the period.

AUDIT COMMITTEE

The Audit Committee comprises independent non-executive directors, Mr. Yung Wing Ki, Samuel SBS, MH, JP (Chairman of the Audit Committee), Mr. Ho Kwok Shing, Harris and Mr. Wong Kon Man, Jason. 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, 2011.

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 as set out in Appendix 14 to the Listing Rules throughout the six months ended 30th September, 2011.

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, 2011.

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

Hong Kong, 29th November, 2011