

Interim Report
2012/2013

**Innovation
Apps**

**Machine-to-Machine
Technology**

e-Learning

saggezza
wijsheid

지혜

智

sabedoria

trí khôn

kebijaksanaan

ちえ
知恵

мудрость



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
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

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

Nomination Committee

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

Company Secretary

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 30 September 2012, together with the comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	Notes	Six months ended 30 September	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
REVENUE	3	149,632	261,452
Cost of sales		(114,897)	(188,237)
Gross profit		34,735	73,215
Other income and gains, net		5,685	4,172
Selling and distribution costs		(16,088)	(17,094)
Administrative expenses		(38,900)	(45,426)
Research and development expenses		(37,961)	(41,139)
Finance costs	4	(291)	(228)
Share of loss of an associate		(48)	–
Share of profit/(loss) of a jointly-controlled entity		118	(225)
LOSS BEFORE TAX	5	(52,750)	(26,725)
Income tax expenses	6	(10)	(5)
LOSS FOR THE PERIOD		(52,760)	(26,730)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translating foreign operations		1,423	7,542
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(51,337)	(19,188)
Loss attributable to:			
Equity holders of the Company		(51,468)	(20,659)
Non-controlling interests		(1,292)	(6,071)
		(52,760)	(26,730)
Total comprehensive loss attributable to:			
Equity holders of the Company		(50,045)	(13,385)
Non-controlling interests		(1,292)	(5,803)
		(51,337)	(19,188)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		(HK4.30 cents)	(HK1.72 cents)
Diluted		(HK4.30 cents)	(HK1.72 cents)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2012

	Notes	30.09.12 HK\$'000 (Unaudited)	31.03.12 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	119,728	121,525
Prepaid lease payments		16,780	17,017
Deferred development costs		757	890
Interests in jointly-controlled entities		12,716	12,344
Interests in associates		248	–
Available-for-sale investments		38,210	38,218
Long term deposits		5,831	5,811
Total non-current assets		194,270	195,805
CURRENT ASSETS			
Inventories		65,777	77,367
Trade receivables	10	45,332	59,640
Prepayments, deposits and other receivables		43,562	42,473
Amounts due from associates		1,611	1,423
Investments at fair value through profit or loss		8,249	8,261
Cash and cash equivalents		112,251	138,990
Total current assets		276,782	328,154
CURRENT LIABILITIES			
Trade and bills payables	11	38,205	39,666
Other payables and accruals		52,246	52,585
Amounts due to associates		230	–
Interest-bearing bank borrowing	12	20,000	20,000
Tax payable		155	155
Total current liabilities		110,836	112,406
NET CURRENT ASSETS			
		165,946	215,748
Net assets		360,216	411,553
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		119,766	119,766
Reserves		237,592	287,637
		357,358	407,403
Non-controlling interests			
		2,858	4,150
Total equity		360,216	411,553

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	Attributable to equity holders of the Company										
	Issued capital	Share premium account	Share option reserve	Capital redemption reserve	Special reserve	Other 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	HK\$'000
At 1 April 2012 (Audited)	119,766	409,710	-	419	(60,819)	4,713	54,885	(121,271)	407,403	4,150	411,553
Loss for the period	-	-	-	-	-	-	-	(51,468)	(51,468)	(1,292)	(52,760)
Other comprehensive income	-	-	-	-	-	-	1,423	-	1,423	-	1,423
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	1,423	(51,468)	(50,045)	(1,292)	(51,337)
At 30 September 2012 (Unaudited)	119,766	409,710	-	419	(60,819)	4,713	56,308	(172,739)	357,358	2,858	360,216
At 1 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 30 September 2011 (Unaudited)	119,766	409,710	2,856	419	(60,819)	-	56,254	(71,604)	456,582	(2,062)	454,520

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 30 September 2012

	For the six months ended 30 September	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Net cash outflow from operating activities	(25,375)	(28,981)
Net cash outflow from investing activities	(2,495)	(9,534)
Net cash (outflow)/inflow from financing activities	(283)	24,772
Net decrease in cash and cash equivalents	(28,153)	(13,743)
Cash and cash equivalents at the beginning of the period	138,990	163,900
Effect of foreign exchange rate changes, net	1,414	4,892
Cash and cash equivalents at the end of the period	112,251	155,049



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

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 31 March 2012, except for the adoption of the revised standards and interpretation as noted below:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Transfer of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes — Deferred Tax: Recovery of Underlying Assets</i>

The adoption of the above revised 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 30 September 2012

	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	51,882	97,750	–	149,632
Segment results	(17,138)	(37,140)	221	(54,057)
<i>Reconciliation:</i>				
Interest income				607
Dividend income				921
Finance costs				(291)
Share of loss of an associate				(48)
Share of profit of a jointly-controlled entity				118
Loss before tax				(52,750)
Income tax expenses				(10)
Loss for the period				(52,760)

For the six months ended 30 September 2011

	Electronic handheld products HK\$'000 (Restated)	ODM products HK\$'000 (Restated)	Corporate and others HK\$'000	Consolidated HK\$'000
Segment revenue:				
Sales to external customers	72,228	189,224	–	261,452
Segment results	(6,316)	(21,035)	518	(26,833)
<i>Reconciliation:</i>				
Interest income				561
Finance costs				(228)
Share of loss of a jointly-controlled entity				(225)
Loss before tax				(26,725)
Income tax expenses				(5)
Loss for the period				(26,730)

4. FINANCE COSTS

	Six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Interest on bank borrowings wholly repayable within five years	291	228

5. LOSS BEFORE TAX

	Six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
The Group's loss before tax has been arrived at after charging/(crediting):		
Provision of inventories	3,816	2,895
Amortisation of deferred development costs (included in research and development expenses)	272	749
Amortisation of prepaid lease payments	238	213
Depreciation	5,140	6,477
Fair value losses in investments at fair value through profit or loss	3	112
Fair value loss in derivative financial instruments	–	4
Dividend income	(921)	(422)
Interest income from investments at fair value through profit or loss	(213)	(213)
Bank interest income	(607)	(561)

6. INCOME TAX EXPENSES

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
The Group:		
Current — Elsewhere	<u>10</u>	<u>5</u>

7. DIVIDEND

The Board does not recommend any payment of interim dividend (2011: Nil) to shareholders for the six months ended 30 September 2012.

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\$51,468,000 (2011: HK\$20,659,000) and the 1,197,663,029 (2011: 1,197,663,029) shares in issue during the period.

(b) *Diluted loss per share*

The Group had no potentially dilutive ordinary shares in issue during the current period.

No adjustment has been made to the basic loss per share amount presented for the period ended 30 September 2011 in respect of a dilution as the exercise price of the share options of the Company outstanding was higher than the average market price of the Company's ordinary shares and, accordingly, such share options held have no dilutive effect on the basic loss per ordinary share.

The Company's share option scheme was expired on 1 April 2012 and all the outstanding share options granted were either forfeited or lapsed.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2012, additions of property, plant and equipment amounted to approximately HK\$3,895,000 (2011: approximately HK\$12,439,000). During the six months ended 30 September 2012, items of plant and equipment with net book value of approximately HK\$563,000 (2011: approximately HK\$230,000) 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 the payment due dates:

	30.09.2012 HK\$'000	31.03.2012 HK\$'000
0 – 60 days	39,629	56,203
61 – 90 days	78	267
Over 90 days	5,625	3,170
	45,332	59,640

11. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade payable, based on the payment due dates:

	30.09.2012 HK\$'000	31.03.2012 HK\$'000
0 – 60 days	29,730	36,845
61 – 90 days	98	746
Over 90 days	8,377	2,075
	38,205	39,666

12. INTEREST-BEARING BANK BORROWING

	30.09.2012		31.03.2012	
	Effective interest rate (%)	HK\$'000	Effective interest rate (%)	HK\$'000
Current Bank borrowing, unsecured and repayable within one year	<u>2.9</u>	<u>20,000</u>	<u>2.9</u>	<u>20,000</u>

The Group's bank borrowing is HK\$20,000,000 (31 March 2012: HK\$20,000,000). The Group's bank borrowing is denominated in Hong Kong dollars, unsecured, carried interest at HIBOR plus 2.5% per annum and short term in nature.

13. CONTINGENT LIABILITIES

	30.09.2012 HK\$'000	31.03.2012 HK\$'000
Guarantees given to banks in respect of facilities granted to an available-for-sale investment	7,754	7,755
Legal proceeding against a subsidiary of the Group (Details refer to Note 36 to the Financial Statements of the 2012 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 (31 March 2012: Nil)	4,895	4,895
	<u>12,649</u>	<u>12,650</u>

14. COMMITMENTS

	30.09.2012 HK\$'000	31.03.2012 HK\$'000
Contracted, but not provided for:		
Capital contributions payable in investment in unlisted securities	1,205	1,205
Property, plant and equipment	10,843	11,426

15. RELATED PARTY TRANSACTIONS

During the six months ended 30 September 2012, the royalty expense charged by an associate amounted to approximately HK\$257,000 (2011: Nil) and the purchase of products from an associate amounted to approximately HK\$1,291,000 (2011: approximately HK\$1,946,000).

During the six months ended 30 September 2012, the compensation to key management amounted to approximately HK\$5,269,000 (2011: approximately HK\$5,784,000) representing director's remuneration.

16. COMPARATIVE AMOUNTS

The Group had merged its electronic dictionary division and ODM division beginning from 1 April 2012. Accordingly, figures of electronic dictionary division and ODM division have been combined for operating segment information purpose and comparative amounts of operating segment information have been reclassified to conform with the current period's presentation.



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the first half of this financial year, the Group's revenue was approximately HK\$149,632,000, representing a decrease of approximately 43% as compared with approximately HK\$261,452,000 of the corresponding period last year. The Group recorded an operating loss before tax of approximately HK\$52,750,000, representing an increase in loss of approximately 97% as compared with approximately HK\$26,725,000 of the corresponding period last year. The main reasons for the decrease in revenue were that during the period under review, the Group was still in the course of undergoing internal consolidation with an aim to further streamline its operation structure and make better utilization of resources. The merged Strategic Business Units ("SBU") require some time to make adjustments to such changes before bringing into full operation. Furthermore, the continued economic downturn in Japan and the European countries also affected our orders from the customers in these countries. Although the merits have not yet been reflected shortly after the restructuring, the management believes that such movements will have a positive impact to the Group as a whole in the long-term.

Loss made by the Manufacturing Business Unit in the first half of the year was still stern. In order to improve its operational efficiency, the Group has enhanced the quality of the plant management team to optimize the management of factory operation. Streamlining processes have been started and the management is confident that such processes can be performed smoothly.

Construction work of the Group's base in Guangzhou was completed and it is currently at the final stage of inspection. Decoration work will be carried out in the second half of the year. Moving in to the premises and introduction of business partners will be followed thereafter. Despite the construction progress of the base lags behind its schedule, the management considers that it would be in the best interest of the Group to have the construction progress in line with the infrastructure development progress of this area so as to achieve the synergy effect upon completion.

Strategic Products

Merger of the electronic dictionary division and the original design manufacturing ("ODM") division of the Group have been successfully implemented during the period under review. However, as the newly combined Strategic Products SBU is being undergone a transitional period after combination, its expected result is yet to be seen.



Strategic Products (cont'd)

As such, the results of the electronic dictionary business and the ODM business remain unsatisfactory during the period. The electronic dictionary business was adversely impacted by the popularity of smartphones which facilitate free download of e-dictionary applications while the ODM business has continue been affected by the uncertainty of the economic environment in Japan, particularly in the electronic consumer products market.

To cope with these, in addition to make efforts to restructure its internal structure to fit for the business environment, the Group also formed a learning solution department to rebuild its own brand products. Meanwhile, the Group has proactively approached its existing customers who have long lasting business relationship with the Group and has secured some new ODM projects which have been kicked off to have their first deliveries by the end of year 2012.

Personal Communication Products

The results of the personal communication products business slightly lagged behind its anticipated target during the period under review. This is mainly attributable to the fact that the European countries are still affected by the debt crisis and the economy is yet to be recovered. In addition, overstocking by some customers has resulted in a decline in purchase order. As such, the Group has stepped up its effort to diversify its customer base in other markets with a view to avoid over relying on the European market.

As regard to the machine-to-machine ("M2M") communication products, the Group has dedicated to develop the products to be used for monitoring purpose in the first half of the year, which allow corporations to monitor the facilities and environment anywhere via the mobile communication network, global positioning system (GPS) and various sensors. Such products are expected to be launched in the second half of the year.



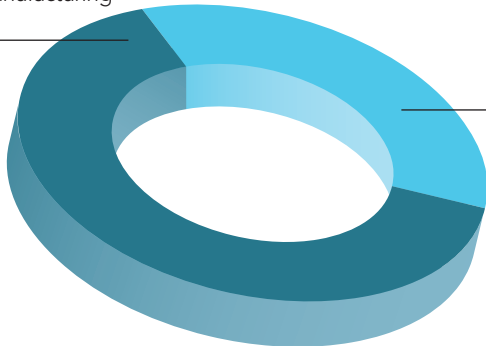
Analysis of Revenue by Principal Activities

Original Design Manufacturing Products

65%

Electronic Handheld Products

35%



Analysis of Revenue by Geographical Markets

Hong Kong

21.2%

China (other than Hong Kong)

1.8%

Others

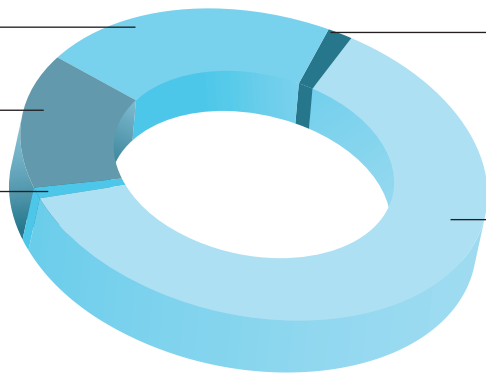
14.2%

North America

1.3%

Other Asian Markets

61.5%





Outlook

Improving the Manufacturing Business Unit's operational efficiency and striving to turn around its results are of top priority for the management of the Group.

The Group is forming a joint venture with other business partners for plastic injection moulding business. In addition to the new source of income to be brought in by the joint venture, the Group can also be benefited from this project by increasing the economies of scale in its plastic injection, spraying and moulding processes which in turn increase our competitiveness.

Regarding the sub-contract manufacturing of touch panel business, there is a sign of improvement in this sector since the Group changed its business model from manufacturing end products to semi-products. Consequently, revenue from this sector is expected to be increased in the coming quarters and its profit contribution to the Group is foreseeable.

Strategic Products

The Group has already established a learning solution department at the beginning of this period for development of value-added products and services in the education segment. As the consumer market in China becomes mature and has huge development potential, the Group will actively seek for appropriate business partners to deploy resources in developing children learning products in China.

Notwithstanding electronic consumer products experience seasonal fluctuations, there is still room for demand. In order for us to develop our low marginal profit business, the Group has to exercise stringent cost control coupled with good support from internal teams and external suppliers so as to offer competitive prices to our customers. The ODM business of industrial products is picking up gradually. To achieve further, the Group requires to enhance its product quality and reliability in a fast and economic ways in order to meet customers' requirements.

Personal Communication Products

A point-of-sale ("POS") product with basic functions will be launched in the second half of the year, which is principally designed for elementary users. Leveraging this, hopefully the Group can enter into the Eastern Europe, South America and the China markets. Another high performance personal communication product will also be launched in the fourth quarter of this year. Such product is highly competitive and can assist the Group to strengthen its existing market share. Furthermore, the Group also strives to expand its customer base in other industries in addition to the catering industry, as well as further developing the business in POS and M2M products, with a view to bring in steady income for the Group.



Personal Communication Products (cont'd)

Looking forward, the Group will continue to provide customers with quality products and, at the same time, to enhance its competitiveness at all levels with a view to returning to profitability in the near future and in turn, realizing a better return to our shareholders.

Liquidity and Financial Resources

On 30 September 2012, the bank balances and cash of the Group (including bank deposits) were approximately HK\$112,251,000 in total, which was approximately HK\$26,739,000 or approximately 19% lower than those of six months ago. The Group's bank borrowing is HK\$20,000,000 (31 March 2012: HK\$20,000,000). The Group's bank borrowing is denominated in Hong Kong dollars with floating interest rate and short term in nature.

As at 30 September 2012, the gearing ratio of the Group, defined as total bank borrowings divided by shareholders' equities, was approximately 6%. The interest expenses was approximately HK\$291,000 during the period.

Contingent Liabilities

As at 30 September 2012, the contingent liabilities of the Group were approximately HK\$12,649,000 (31 March 2012: approximately HK\$12,650,000).

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 30 September 2012, the Group has on its payroll 173 employees (2011: 208) in Hong Kong, 1,356 employees (2011: 2,169) in the People's Republic of China and 15 employees (2011: 13) in Japan, representing a decrease of approximately 17%, a decrease of approximately 37% and an increase of approximately 15% respectively as compared with the corresponding period last year. In addition to salary remuneration, the Group also provides usual fringe benefits such as annual leave, medical insurance and provident fund for its 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.

OTHER INFORMATION

Directors' Interests in Securities

At 30 September 2012, the interests of the directors of the Company (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)			Total	% of issued share capital
	Personal interests	Family interests	Other interests		
TAM Wai Ho, Samson JP	31,732,000 (Note 2)	–	537,877,118 (Note 1)	569,609,118	47.56
TAM Wai Tong, Thomas	34,732,000 (Note 2)	–	537,877,118 (Note 1)	572,609,118	47.81
TAM MUI Ka Wai, Vivian	2,300,000	–	537,877,118 (Note 1)	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 also directors of Earnmill Holdings Limited.
2. Such shares included the 25,732,000 shares which are jointly owned by Dr. TAM Wai Ho, Samson JP and Mr. TAM Wai Tong, Thomas.



Directors' Interests in Securities (cont'd)

Save as disclosed above, at 30 September 2012, 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 Company has not adopted any share option scheme as at the date of this report.

Substantial Shareholders

At 30 September 2012, 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 (Note 1)	44.91
DJE Investment S.A.	72,284,000 (Note 2)	6.04
Dr. Jens Ehrhardt Kapital AG	72,284,000 (Note 2)	6.04
Dr. Jens Alfred Karl EHRHARDT	72,284,000 (Note 2)	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 68.5% 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 30 September 2012, 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 three Independent Non-executive Directors, namely 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 30 September 2012.

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

Corporate Governance Practices

The Company has complied with the code provisions of the Corporate Governance Code (which has come into effect on 1 April 2012) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2012, except for the following deviation:

Code provision A.6.7 requires, inter alia, that independent non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Ho Kwok Shing, Harris, one of the Independent Non-executive Directors, was absent from the annual general meeting of the Company held on 18 September 2012 due to illness.

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 30 September 2012.

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

Hong Kong, 29 November 2012