

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)



2014/15
Interim Report

* For identification purpose only

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

Non-executive Director:

LUK Chui Yung, Judith

Independent Non-executive Directors:

WONG Kon Man, Jason

FUNG Henry

LI Chi Kwong

Audit Committee

LI Chi Kwong (*Chairman*)

WONG Kon Man, Jason

FUNG Henry

Remuneration Committee

WONG Kon Man, Jason (*Chairman*)

TAM Wai Ho, Samson JP

FUNG Henry

Nomination Committee

FUNG Henry (*Chairman*)

TAM Wai Ho, Samson JP

WONG Kon Man, Jason

Company Secretary

YU Leung Fai, Philip

Auditors

Ernst & Young

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

DBS Bank (Hong Kong) Limited

Registered Office

Clarendon House

Church Street

Hamilton HM11

Bermuda

Principal Place of Business

Rooms 13-24,

2/F., Sino Industrial Plaza

9 Kai Cheung Road

Kowloon Bay

Kowloon, Hong Kong

Principal Share Registrar and Transfer Office in Bermuda

Appleby Management (Bermuda) Ltd.

Canon's Court, 22 Victoria Street

Hamilton HM12

Bermuda

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Secretaries Limited

Level 22, Hopewell Centre

183 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 2014, together with the comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2014

		Six months ended 30 September	
	Notes	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
REVENUE	3	115,507	176,885
Cost of sales		<u>(90,473)</u>	<u>(139,097)</u>
Gross profit		25,034	37,788
Other income and gains, net		5,224	4,703
Selling and distribution expenses		(15,350)	(18,704)
Administrative expenses		(41,026)	(35,887)
Research and development expenses		(17,460)	(21,770)
Other operating (expenses)/income, net		(4,514)	141
Finance costs	4	(431)	(289)
Share of profit/(loss) of joint ventures		<u>406</u>	<u>(83)</u>
LOSS BEFORE TAX	5	(48,117)	(34,101)
Income tax expenses	6	<u>—</u>	<u>(1)</u>
LOSS FOR THE PERIOD		<u>(48,117)</u>	<u>(34,102)</u>
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		<u>(787)</u>	<u>(1,520)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u>(48,904)</u>	<u>(35,622)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

For the six months ended 30 September 2014

	Six months ended 30 September	
Note	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Loss attributable to:		
Equity holders of the Company	(45,884)	(32,568)
Non-controlling interests	<u>(2,233)</u>	<u>(1,534)</u>
	<u>(48,117)</u>	<u>(34,102)</u>
Total comprehensive loss attributable to:		
Equity holders of the Company	(46,671)	(34,103)
Non-controlling interests	<u>(2,233)</u>	<u>(1,519)</u>
	<u>(48,904)</u>	<u>(35,622)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		
Basic	8 <u>(HK3.83 cents)</u>	<u>(HK2.72 cents)</u>
Diluted	<u>(HK3.83 cents)</u>	<u>(HK2.72 cents)</u>

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2014

		30.09.2014	31.03.2014
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	132,741	133,106
Prepaid land lease payments		16,422	16,669
Deferred development costs		1,310	506
Investments in joint ventures		8,240	8,834
Investments in associates		—	—
Available-for-sale investments		20,055	31,199
Long term deposits		52	52
		<hr/>	<hr/>
Total non-current assets		178,820	190,366
CURRENT ASSETS			
Inventories		51,851	47,039
Trade receivables	10	30,366	43,587
Prepayments, deposits and other receivables		21,071	28,167
Amounts due from joint ventures		635	401
Amounts due from associates		6,235	5,734
Pledged deposits		1,036	1,001
Cash and cash equivalents		39,789	33,496
		<hr/>	<hr/>
Total current assets		150,983	159,425

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

At 30 September 2014

	Notes	30.09.2014 HK\$'000 (Unaudited)	31.03.2014 HK\$'000 (Audited)
CURRENT LIABILITIES			
Trade payables	11	28,790	40,145
Other payables and accruals		39,859	35,197
Amount due to a non-controlling shareholder of the Group's subsidiary		2,002	2,002
Interest-bearing bank borrowings	12	31,375	23,814
Amount due to a shareholder	13	28,000	—
Provision		1,622	1,573
Tax payable		129	130
		<u>131,777</u>	<u>102,861</u>
NET CURRENT ASSETS		<u>19,206</u>	<u>56,564</u>
Net assets		<u>198,026</u>	<u>246,930</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		119,766	119,766
Reserves		84,072	130,743
		<u>203,838</u>	<u>250,509</u>
Non-controlling interests		<u>(5,812)</u>	<u>(3,579)</u>
Total equity		<u>198,026</u>	<u>246,930</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	Attributable to equity holders of the Company									
	Issued capital	Share premium account	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
At 1 April 2014 (Audited)	119,766	409,710	419	(60,819)	5,241	53,596	(277,404)	250,509	(3,579)	246,930
Loss for the period	—	—	—	—	—	—	(45,884)	(45,884)	(2,233)	(48,117)
Other comprehensive loss	—	—	—	—	—	(787)	—	(787)	—	(787)
Total comprehensive loss for the period	—	—	—	—	—	(787)	(45,884)	(46,671)	(2,233)	(48,904)
At 30 September 2014 (unaudited)	119,766	409,710	419	(60,819)	5,241	52,809	(323,288)	203,838	(5,812)	198,026
At 1 April 2013 (Audited)	119,766	409,710	419	(60,819)	4,713	55,598	(196,995)	332,392	3,345	335,737
Loss for the period	—	—	—	—	—	—	(32,568)	(32,568)	(1,534)	(34,102)
Other comprehensive (loss)/income	—	—	—	—	—	(1,535)	—	(1,535)	15	(1,520)
Total comprehensive loss for the period	—	—	—	—	—	(1,535)	(32,568)	(34,103)	(1,519)	(35,622)
At 30 September 2013 (unaudited)	119,766	409,710	419	(60,819)	4,713	54,063	(229,563)	298,289	1,826	300,115

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 2014

	For the six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Cash flows from operating activities		
Loss before tax	(48,117)	(34,101)
Adjustments for:		
Finance cost	431	289
Share of profits and loss of joint ventures	(406)	83
Bank interest income	(34)	(78)
Loss/(gain) on disposal of items of property, plant and equipment	4	(90)
Depreciation	5,576	5,523
Recognition of prepaid land lease payments	247	247
Amortisation of deferred development costs	232	210
Write-down of inventories to net realisable value	7,443	3,688
Reversal of impairment of an amount due from an associate	—	(141)
Impairment of other receivables	4,008	—
Impairment of an available-for-sale investment	2,000	—
Impairment of goodwill included in investment in a joint venture	1,000	—
Loss on disposal of an available-for-sale investment	6	—
	(27,610)	(24,370)
Increase in inventories	(12,475)	(4,025)
Decrease in trade receivables	12,775	8,169
Decrease/(increase) in other receivables	3,038	(12,376)
Increase in amounts due from joint ventures	(234)	—
Increase in amounts due from associates	(501)	(1,142)
(Decrease)/increase in trade payables	(11,353)	9,540
Increase in other payables	4,913	7,601
Increase/(decrease) in provision for product warranty	65	(126)
	(31,382)	(16,729)
Cash used in operations	(31,382)	(16,729)
Overseas taxes paid	(1)	(1)
Net cash flows used in operating activities	(31,383)	(16,730)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

For the six months ended 30 September 2014

	For the six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest received	34	78
Purchases of items of property, plant and equipment	(5,449)	(9,952)
Proceeds from disposal of items of property, plant and equipment	28	108
Proceeds from disposal of an available-for-sale investment	9,139	—
Additions to deferred development costs	(1,037)	(56)
Increase in an amount due from a joint venture	—	(140)
Increase in long term deposit	—	(492)
Net cash flows from/(used in) investing activities	2,715	(10,454)
Finance costs	(431)	(289)
New bank loans	17,575	—
Repayment of bank loans	(10,014)	—
Increase in an amount due to a shareholder	28,000	—
Net cash flows from/(used in) financing activities	35,130	(289)
Net increase/(decrease) in cash and cash equivalents	6,462	(27,473)
Cash and cash equivalents at the beginning of the period	34,497	80,782
Effect of foreign exchange rate changes, net	(134)	(644)
Cash and cash equivalents at the end of the period	40,825	52,665
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	39,789	52,665
Time deposits with original maturity of less than three months when acquired, pledged as security for a bank loan	1,036	—
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	40,825	52,665

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

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 2014, except for the adoption of the revised standards and interpretation as noted below:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

For the six months ended 30 September 2014

3. OPERATING SEGMENT INFORMATION

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

For the six months ended 30 September 2014

	Personal communication products HK\$'000	Strategic products HK\$'000	Corporate and others HK\$'000	Consolidated HK\$'000
Segment revenue:				
Sales to external customers	36,199	79,308	—	115,507
Segment results	(10,862)	(33,956)	(302)	(45,120)
<i>Reconciliation:</i>				
Interest income				34
Finance costs				(431)
Impairment of goodwill included in investment in a joint venture				(1,000)
Impairment of an available- for-sale investment				(2,000)
Share of profit of joint ventures				406
Loss on disposal of an available-for-sale investment				(6)
Loss before tax				(48,117)
Income tax expenses				—
Loss for the period				(48,117)
At 30 September 2014				
Segment assets	72,630	177,400	3,783	253,813
<i>Reconciliation:</i>				
Unallocated assets				75,990
Total assets				329,803
Segment liabilities	19,303	52,478	492	72,273
<i>Reconciliation:</i>				
Unallocated liabilities				59,504
Total liabilities				131,777

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

For the six months ended 30 September 2014

3. OPERATING SEGMENT INFORMATION (CONT'D)

For the six months ended 30 September 2013

	Personal communication products HK\$'000	Strategic products HK\$'000	Corporate and others HK\$'000	Consolidated HK\$'000
Segment revenue:				
Sales to external customers	40,139	136,746	—	176,885
Segment results	(7,381)	(26,243)	(324)	(33,948)
<u>Reconciliation:</u>				
Interest income				78
Other operating income, net				141
Finance costs				(289)
Share of loss of a joint venture				(83)
Loss before tax				(34,101)
Income tax expenses				(1)
Loss for the period				(34,102)
At 31 March 2014				
Segment assets	53,564	214,851	711	269,126
<u>Reconciliation:</u>				
Unallocated assets				80,665
Total assets				349,791
Segment liabilities	16,751	59,759	405	76,915
<u>Reconciliation:</u>				
Unallocated liabilities				25,946
Total liabilities				102,861

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

For the six months ended 30 September 2014

4. FINANCE COSTS

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	<u>431</u>	<u>289</u>

5. LOSS BEFORE TAX

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
The Group's loss before tax has been arrived at after charging/(crediting):		
Provision of inventories	7,443	3,688
Loss/(gain) on disposal of items of property, plant and equipment	4	(90)
Impairment of goodwill included in investment in a joint venture	1,000	—
Impairment of an available-for-sale investment	2,000	—
Impairment of other receivables	4,008	—
Loss on disposal of an available-for-sale investment	6	—
Amortisation of deferred development costs	232	210
Amortisation of prepaid land lease payments	247	247
Depreciation	5,576	5,523
Bank interest income	<u>(34)</u>	<u>(78)</u>

6. INCOME TAX EXPENSES

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
The Group:		
Current – Elsewhere	<u>—</u>	<u>1</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

For the six months ended 30 September 2014

7. DIVIDEND

The Board does not recommend any payment of interim dividend to shareholders for the six months ended 30 September 2014 (2013: Nil).

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\$45,884,000 (2013: HK\$32,568,000) and the 1,197,663,029 (2013: 1,197,663,029) shares in issue during the period.

(b) Diluted loss per share

The Group had no potentially dilutive ordinary share in issue during those periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2014, additions of property, plant and equipment amounted to HK\$5,449,000 (2013: HK\$14,138,000). During the six months ended 30 September 2014, items of plant and equipment with net book value of HK\$32,000 (2013: HK\$18,000) were disposed of.

10. TRADE RECEIVABLES

The Group allows an average credit period of 30 to 60 days to its trade customers.

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

	30.09.2014	31.03.2014
	HK\$'000	HK\$'000
0 – 60 days	25,667	40,285
61 – 90 days	386	145
Over 90 days	4,313	3,157
	30,366	43,587

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

For the six months ended 30 September 2014

11. TRADE PAYABLES

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

	30.09.2014 HK\$'000	31.03.2014 <i>HK\$'000</i>
0 – 60 days	25,256	34,611
61 – 90 days	875	1,151
Over 90 days	2,659	4,383
	28,790	40,145

12. INTEREST-BEARING BANK BORROWINGS

	30.09.2014		31.03.2014	
	Effective interest rate (%)	HK\$'000	Effective interest rate (%)	HK\$'000
Current Bank borrowings, secured and repayable within one year	2.6 – 3.5	31,375	2.6 – 3.6	23,814

Notes:

- (a) As at 30 September 2014, the Group's bank loans are secured by:
- (i) a mortgage over the Group's building, which had an aggregate carrying value at the end of the reporting period of approximately HK\$7,596,000 (31 March 2014: HK\$7,736,000);
 - (ii) the pledge of certain of the Group's time deposits amounting to HK\$1,036,000 (31 March 2014: HK\$1,001,000); and
 - (iii) corporate guarantee executed by the Company and the subsidiary company within the Group.
- (b) As at 30 September 2014, included in the Group's secured bank loans are outstanding bank loans of HK\$21,326,000 and HK\$10,049,000 (31 March 2014: HK\$13,800,000 and HK\$10,014,000) which bear interest at HIBOR or LIBOR plus 3% (31 March 2014: HIBOR plus 3%) per annum and at the effective interest rate of 2.6% (31 March 2014: 2.6%) respectively, and are repayable within one year.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

For the six months ended 30 September 2014

13. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder is unsecured, non-interest-bearing and has no fixed terms of repayment.

14. CONTINGENT LIABILITIES

	30.09.2014 HK\$'000	31.03.2014 HK\$'000
Guarantees for loans granted to an available-for-sale investment	—	7,710
Legal proceeding against a subsidiary of the Group (Details refer to Note 36 to the Financial Statements of the 2014 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 2014: Nil)	<u>4,895</u>	<u>4,895</u>
	<u>4,895</u>	<u>12,605</u>

15. COMMITMENTS

	30.09.2014 HK\$'000	31.03.2014 HK\$'000
Contracted, but not provided for: Property, plant and equipment	<u>689</u>	<u>1,880</u>

16. RELATED PARTY TRANSACTION

During the six months ended 30 September 2014, the royalty expense charge by an associate amounts to HK\$56,000 (2013: HK\$146,000) and the purchase of products from an associate amounts to HK\$3,313,000 (2013: HK\$7,579,000).

During the six months ended 30 September 2014, the compensation to key management amounts to HK\$4,832,000 (2013: HK\$4,989,000) representing director's remuneration.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months ended 30 September 2014, the Group recorded a revenue of HK\$115,507,000, representing a decrease of 35% as compared with HK\$176,885,000 of the corresponding period last year. The operating loss before tax was HK\$48,117,000, representing an increase of 41% as compared with the loss of HK\$34,101,000 of the corresponding period last year.

Over the past half year, the Group posted a relatively sluggish performance on the overall as various major markets remained on a weak track, including Japan, on which the Group has a relative high dependence, being still far from recovery, and our major customers are lacking steam for growth. On the front of exploring new customers, deeper preliminary negotiation was being carried out with multiple potential customers and a few feasibility evaluations were underway. It is anticipated that sustained orders will be on the way after several trial orders are completed. The Group will continue to leverage on the platforms of its partners to fully capitalise on its internal resources, with the objective of concentrating its resources on areas with the highest potential. The review and prospects of different business units of the Group are set out as below:

Manufacturing Business Unit

Dragged by unstable orders, the Manufacturing Business Unit (“MBU”) fell short of posting significant improvement in its results. MBU will belligerently consolidate its Electronic Manufacturing Services (“EMS”) in the PRC as orders from its customers have commenced mass production. The Group will continue to develop the touch panel business that displays significant potential to attract more orders and enhance its production efficiency, and strive to improve the performance of MBU.

Strategic Products Strategic Business Unit

With a relative dependence on the Japan market that has yet to board the train of recovery, the performance of the Strategic Products Strategic Business Unit (“SP SBU”) was below target amidst generally sluggish orders from the market. Following the restructuring of SP SBU, an additional business exploration team was created to align with efforts to secure new customers. The team is now undergoing negotiation with multiple potential customers in depth to actualise orders. SP SBU will continue to reinforce cooperation with its partners in the application of their R&D solutions to minimise our product development costs and shorten the product design phase, which will in turn consolidate our competitiveness.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Strategic Products Strategic Business Unit (Cont'd)

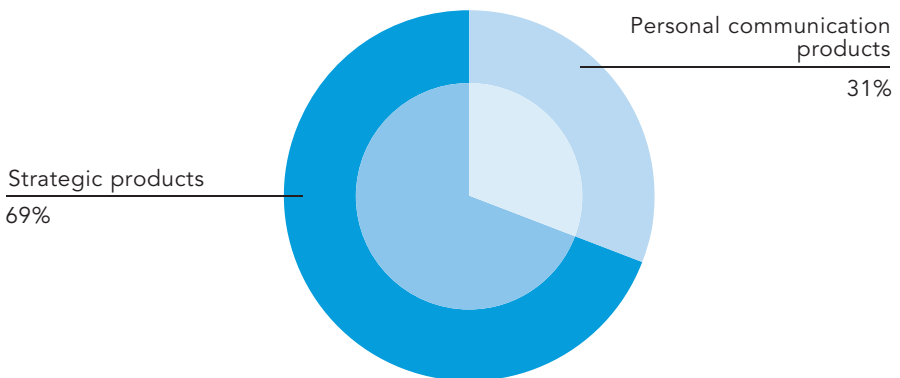
The Group has also launched a number of new learning products in the Mainland China and Southeast Asia markets with warm market responses. We will consolidate our local sales teams and expand our sales channels to complement online marketing and online-and-offline marketing activities, in order to extend the sales reach of the new products and step up the sales results.

Personal Communication Products Strategic Business Unit

The results of Personal Communication Products Strategic Business Unit ("PCP SBU") were generally in line with expectations. With a continuous focus on the development of the point-of-sale ("POS") business, PCP SBU has collaborated with a telecommunication carrier to develop a wireless terminal using near-field communication (NFC) technology designed for mobile payment in the food and beverage and retail industries. Customers only need to complete simple registration, then they can settle their bills by touching their mobile phones to the terminal.

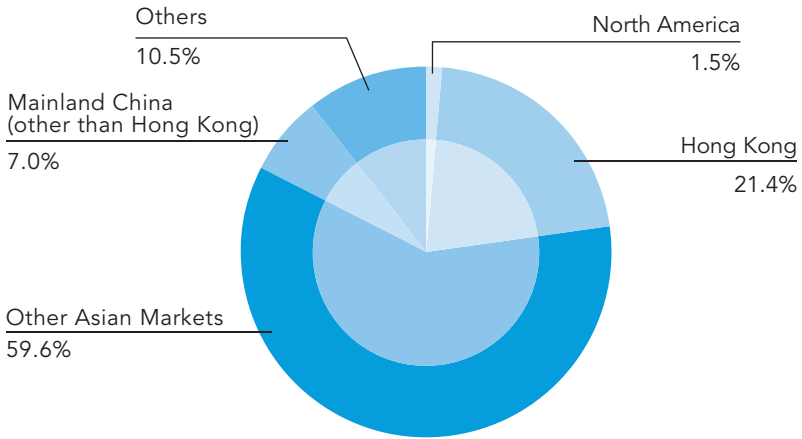
The Group believes that the popularisation of cloud computing and mobile payment will invigorate the demand for POS. PCP SBU will proactively explore new markets, improve the quality of its products and services and control its costs with the ultimate objectives of increasing its competitive advantages and further enhancing its results.

Analysis of Revenue by Principal Activities



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Analysis of Revenue by Geographical Markets



Outlook

The Group will continue to invest more resources in market exploration and strive to expand the EMS and original equipment manufacture customer bases and businesses. We tap into the PRC market, with the aim of securing one to two mid-size customers to ensure stable and continued orders and as a result, enhance its turnover. These will in turn allow the optimisation of production capacity, enhancement of operating efficiency and ultimately, achieving financial breakeven.

Apart from the sale of hardware, the Group will continue to introduce more product-related value additions and develop online learning platform to branch into new businesses and income models, to enhance its operating revenue and profits, and to recuperate its overall performance.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Liquidity and Financial Resources

On 30 September 2014, the bank balances and cash of the Group (including bank deposits) were HK\$40,825,000 (31 March 2014: HK\$34,497,000) of which HK\$1,036,000 (31 March 2014: HK\$1,001,000) was pledged. The Group's bank borrowing as at 30 September 2014 was HK\$31,375,000 (31 March 2014: HK\$23,814,000). The Group's bank borrowing was short term in nature and with floating interest rate. The Group has an amount due to a shareholder of HK\$28,000,000 as at 30 September 2014, which was unsecured, non-interest-bearing and had no fixed terms of repayment.

As at 30 September 2014, the gearing ratio of the Group, defined as total bank borrowings plus amount due to a shareholder divided by shareholders' equities, was 30%. The interest expenses was HK\$431,000 during the period.

The Group recorded consolidated net loss for consecutive years, in order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group is taking the following measures:

- (a) the Group had interest bearing bank borrowings of HK\$31,375,000 as at 30 September 2014 for working capital purposes. Although the bank borrowings will expire within one year, the directors are of the opinion that the Group will be able to renew/refinance the bank borrowings upon its expiry;
- (b) the Group had non-current assets including leasehold land and buildings located in Mainland China and available-for-sale investments as at 30 September 2014 that are available for the Group to realise significant cash or for securities for further bank borrowings; and
- (c) management has been endeavouring to improve the Group's operating results and cash flows.

After taking into account the above measures, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Contingent Liabilities

As at 30 September 2014, the contingent liabilities of the Group were HK\$4,895,000 (31 March 2014: HK\$12,605,000).

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. During the last six months, the Group did not engage in any interest rate or currencies speculations.

Employees

As at 30 September 2014, the Group has on its payroll 90 employees (2013: 117) in Hong Kong, 874 employees (2013: 1,176) in China and 7 employees (2013: 12) in Japan, representing a decrease of approximately 23%, 26% and 42% respectively as compared with the corresponding period last year. In addition to salary remuneration, the Group also provides other fringe benefits such as annual leave, medical insurance and provident fund, etc. 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 2014, 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)				% of issued share capital
	Personal interests	Family interests	Corporate interests	Total	
TAM Wai Ho, Samson JP	31,732,000 (Note 1)	2,300,000	537,877,118 (Note 2)	571,909,118	47.75
TAM Wai Tong, Thomas	34,732,000 (Note 1)	—	537,877,118 (Note 2)	572,609,118	47.81
TAM MUI Ka Wai, Vivian	2,300,000	—	—	2,300,000	0.19
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:

- 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.
- The 537,877,118 shares are registered in the name of Earnmill Holdings Limited ("Earnmill"), a company which is owned by Kiteway Assets Limited ("Kiteway") and TTNB Profits Limited ("TTNB") in equal shares. Kiteway and TTNB in turn are wholly owned by Dr Tam Wai Ho, Samson JP and Mr. Tam Wai Tong, Thomas respectively.
- Dr. Tam Wai Ho, Samson JP, Mr. Tam Wai Tong, Thomas and Mrs. Tam Mui Ka Wai, Vivian are also directors of Earnmill.
- The total number of issued shares of the Company as at 30 September 2014 was 1,197,663,029 shares.

OTHER INFORMATION (CONT'D)

Directors' Interests in Securities (Cont'd)

Save as disclosed above, at 30 September 2014, 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's old share option scheme was expired on 1 April 2012 and all the outstanding share options granted under such scheme were either forfeited or lapsed. The Company has not adopted any new share option scheme as at the date of this report.

Substantial Shareholders

At 30 September 2014, 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 shareholder had notified the Company of relevant interest and short position 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)	44.91

Note:

The shareholding is also included in the section "Directors' Interests in Securities" disclosed above.

Save as disclosed above, at 30 September 2014, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the SFO.

OTHER INFORMATION (CONT'D)

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 Dr. Li Chi Kwong (Chairman of the Audit Committee), Mr. Wong Kon Man, Jason and Mr. Fung Henry. During the period under review, the Audit Committee has held two meetings to review the accounting principles and practices adopted by the Group and discuss internal control and financial reporting matters. The Audit Committee has reviewed the unaudited consolidated interim results of the Group for the six months ended 30 September 2014.

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 as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 September 2014.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") set out in Appendix 10 to the Listing Rules as 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 2014.

OTHER INFORMATION (CONT'D)

Changes in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors since the publication of 2014 Annual Report were as follows:

- Mr. Wong Kon Man, Jason (“Mr. Wong”), an Independent Non-executive Director of the Company, has resigned as independent non-executive director of Neo Neon Holdings Limited, a company whose shares are listed on the Main board of The Stock Exchange of Hong Kong Limited, effective 22 September 2014.
- Mr Wong has appointed as Independent Non-executive Director and Audit Chair of DT Asia Investment Limited, a company whose shares are listed on NASDAQ Stock Market in the United States, effective 30 September 2014.

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

Hong Kong, 20 November 2014