GROUP SENSE (INTERNATIONAL) LIMITED
權智(國際)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00601)

2009/2010 INTERIM RESULTS ANNOUNCEMENT

RESULTS

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September, 2009

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

* *For identification purpose only*

	Notes	Six months ended 30th September, **2009** *HK$'000* ***(Unaudited)***	2008 *HK$'000* *(Unaudited) & Restated)*
Total comprehensive loss attributable to:			
Equity holders of the Company		**(17,003)**	(16,355)
Minority interests		**(1,710)**	(769)
		(18,713)	(17,124)
Dividend	7	**-**	-
Loss per share attributable to ordinary equity holders of the Company	8		
Basic		**(HK1.59cents)**	(HK1.97cents)
Diluted		**(HK1.59cents)**	(HK1.97cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2009

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

	30.09.09	31.03.09
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**119,766**	119,766
Reserves	**387,689**	404,692
	507,455	524,458
Minority interests	**2,421**	4,128
Total equity	**509,876**	528,586

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the six months ended 30th September, 2009

1. BASIS OF PREPARATION

The interim financial statements are unaudited, condensed and have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

HKFRS 8 Operating Segments
HKFRS 8, which replaces HKAS 14 "Segment Reporting", specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocation resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in

which the Group operates, and revenue from the Group's major customers. The Group adopted HKFRS 8 from 1st April, 2009. The adoption of standard has no effect on the financial position or results of operations of the Group. It does, however, result in certain presentational changes in the presentation and disclosures of financial statements.

HKAS 1 (Revised) Presentation of Financial Statements

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

3. SEGMENT INFORMATION

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

For the six months ended 30th September, 2009

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

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

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

4. FINANCE COSTS

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

5. LOSS BEFORE TAX

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

6. TAX

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

7. DIVIDEND

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

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic loss per share

The calculation of basic loss per share amount is based on the loss for the period attributable to equity holders of the Company of HK$19,079,385 (2008: HK$23,614,970) and the weighted average of 1,197,663,029 (2008: 1,197,663,029) shares in issue during the periods.

(b) Diluted loss per share

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

9. TRADE RECEIVABLES

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

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

	30.09.2009	31.03.2009
	HK$'000	*HK$'000*
0 - 60 days	**101,436**	106,820
61 - 90 days	**1,919**	108
Over 90 days	**7,798**	7,595
	111,153	114,523

10. TRADE AND BILLS PAYABLES

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

	30.09.2009	31.03.2009
	HK$'000	*HK$'000*
0 - 60 days	**79,075**	73,351
61 - 90 days	**303**	1,717
Over 90 days	**2,594**	3,188
	81,972	78,256

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

Electronic Dictionary

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

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

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

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

Original Design Manufacturing

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

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

Personal Communication Products

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

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

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

Outlook

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

Electronic Dictionary

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

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

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

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

Original Design Manufacturing

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

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

Personal Communication Products

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

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

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

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

Conclusion

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

Liquidity and Financial Resources

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

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

Contingent Liabilities

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

Foreign Currencies and Treasury Policy

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollars, Japanese Yen, United States dollars or Renminbi. The usual treasury policy of the Group is to manage significant currency exposure and minimize currency risk whenever it may have material impact to the Group. The Group does not engage in any interest rate or currencies speculations.

Employees

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

Appreciation

On behalf of the Board, I wish to thank all our shareholders, customers, suppliers and bankers for their continual support. I would also like to extend my appreciation to all the staff for their dedicated work and their contribution throughout the period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

The Audit Committee comprises independent non-executive directors, Mr. Yung Wing Ki, Samuel $_{\text{MH, JP}}$ (Chairman of the Audit Committee), Mr. Ho Kwok Shing, Harris and Mr. Wong Kon Man, Jason and a non-executive director, Mr. Lo Chi Chung, William. During the period under review, the Audit Committee has held two meetings with 100% attendance to review the accounting principles and practices adopted by the Group and discuss internal control and financial reporting matters. The Audit Committee has reviewed the unaudited interim report for the six months ended 30th September, 2009.

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

CORPORATE GOVERNANCE PRACTICES

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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. Having made specific enquiry of all Directors, all Directors have complied with the required standard set out in the Model Code throughout the six months ended 30th September, 2009.

By order of the Board
Group Sense (International) Limited
Dr. Tam Wai Ho, Samson $_{JP}$
Chairman

Hong Kong, 8th December, 2009

As at the date of this announcement, the Board comprises Dr. Tam Wai Ho, Samson $_{JP}$*, Mr. Tam Wai Tong, Thomas, Mrs. Tam Mui Ka Wai, Vivian, Mr. Kazuhiro Otani, Mr. Lee Koon Hung, Dr. Fok Ting Yeung, James and Ms. Luk Chui Yung, Judith as executive directors; Mr. Lo Chi Chung, William as non-executive director; Mr. Yung Wing Ki, Samuel* $_{MH, JP}$*, Mr. Ho Kwok Shing, Harris and Mr. Wong Kon Man, Jason as independent non-executive directors.*

Website: http://www.gsl.com.hk