GROUP SENSE (INTERNATIONAL) LIMITED
權智(國際)有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 00601)

2012/2013 INTERIM RESULTS ANNOUNCEMENT

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

		Six months ended 30 September	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	*(Unaudited)*
REVENUE	3	**149,632**	261,452
Cost of sales		**(114,897)**	(188,237)
Gross profit		**34,735**	73,215
Other income and gains		**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)

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Cont'd)

For the six months ended 30 September 2012

		Six months ended 30 September	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	*(Unaudited)*
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		**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	9	**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	10	**38,205**	39,666
Other payables and accruals		**52,246**	52,585
Amounts due to associates		**230**	-
Interest-bearing bank borrowing	11	**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

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

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)**
Reconciliation:				
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)
Reconciliation:				
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	2011
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**291**	228

5. LOSS BEFORE TAX

	Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'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 cost (included in research and development expenses)	**272**	749
Amortisation of prepaid lease payments	**238**	213
Depreciation	**5,140**	6,477
Fair value changes in investments at fair value through profit or loss	**3**	112
Fair value change 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	**10**	5

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 shares.

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

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:

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

10. TRADE AND BILLS PAYABLES

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

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

11. 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	**2.9**	**20,000**	2.9	20,000

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.

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.

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.

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.

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.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 of the Company, 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 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 2012.

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

Hong Kong, 29 November 2012

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 and Ms. Luk Chui Yung, Judith as executive directors; Mr. Yung Wing Ki, Samuel SBS, MH, JP, Mr. Ho Kwok Shing, Harris and Mr. Wong Kon Man, Jason as independent non-executive directors.

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