

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



GROUP SENSE (INTERNATIONAL) LIMITED

權智(國際)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00601)

2013/2014 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 2013, together with the comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2013

		Six months ended 30 September	
	Notes	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
REVENUE			
Cost of sales	3	<u>176,885</u> <u>(139,097)</u>	<u>149,632</u> <u>(114,897)</u>
Gross profit		37,788	34,735
Other income and gains, net		4,703	5,685
Selling and distribution costs		(18,704)	(16,088)
Administrative expenses		(35,887)	(38,900)
Research and development expenses		(21,770)	(37,961)
Other operating income, net		141	-
Finance costs	4	(289)	(291)
Share of loss of an associate		-	(48)
Share of (loss)/profit of a jointly-controlled entity		<u>(83)</u>	<u>118</u>
LOSS BEFORE TAX	5	(34,101)	(52,750)
Income tax expenses	6	<u>(1)</u>	<u>(10)</u>
LOSS FOR THE PERIOD		<u>(34,102)</u>	<u>(52,760)</u>
OTHER COMPREHENSIVE (LOSS) / INCOME			
Other comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		<u>(1,520)</u>	<u>1,423</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u>(35,622)</u>	<u>(51,337)</u>

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Cont'd)

For the six months ended 30 September 2013

		Six months ended 30 September	
	Notes	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Loss attributable to:			
Equity holders of the Company		(32,568)	(51,468)
Non-controlling interests		<u>(1,534)</u>	<u>(1,292)</u>
		<u>(34,102)</u>	<u>(52,760)</u>
 Total comprehensive loss attributable to:			
Equity holders of the Company		(34,103)	(50,045)
Non-controlling interests		<u>(1,519)</u>	<u>(1,292)</u>
		<u>(35,622)</u>	<u>(51,337)</u>
 LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u>(HK2.72 cents)</u>	<u>(HK4.30 cents)</u>
Diluted		<u>(HK2.72 cents)</u>	<u>(HK4.30 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 2013

	Notes	30.09.2013 HK\$'000 (Unaudited)	31.03.2013 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		134,486	125,894
Prepaid land lease payments		16,916	17,162
Deferred development costs		437	593
Investments in jointly-controlled entities		8,120	8,203
Available-for-sale investments		36,425	36,425
Long term deposits		3,766	3,275
Total non-current assets		200,150	191,552
CURRENT ASSETS			
Inventories		65,721	65,554
Trade receivables	9	48,301	56,999
Prepayments, deposits and other receivables		45,720	33,550
Amounts due from jointly-controlled entities		335	195
Amounts due from associates		4,612	3,328
Cash and cash equivalents		52,665	80,782
Total current assets		217,354	240,408
CURRENT LIABILITIES			
Trade payables	10	52,916	43,389
Other payables and accruals		40,430	30,646
Amounts due to a non-controlling shareholder of the Group's subsidiary		2,002	-
Interest-bearing bank borrowing	11	20,000	20,000
Provision		1,912	2,059
Tax payable		129	129
Total current liabilities		117,389	96,223
NET CURRENT ASSETS		99,965	144,185
Net assets		300,115	335,737
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		119,766	119,766
Reserves		178,523	212,626
		298,289	332,392
Non-controlling interests		1,826	3,345
Total equity		300,115	335,737

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

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 2013, 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</i> - Government Loans
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures</i> - Offsetting Financial Assets and Financial Liabilities
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 - Transition Guidance
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements</i> - Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC) – Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

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 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)
<i>Reconciliation:</i>				
Interest income				78
Other operating income, net				141
Finance costs				(289)
Share of loss of a jointly-controlled entity				(83)
Loss before tax				(34,101)
Income tax expenses				(1)
Loss for the period				(34,102)

At 30 September 2013

Segment assets	56,113	258,584	650	315,347
<i>Reconciliation:</i>				
Unallocated assets				102,157
Total assets				417,504
Segment liabilities	22,662	74,080	518	97,260
<i>Reconciliation:</i>				
Unallocated liabilities				20,129
Total liabilities				117,389

For the six months ended 30 September 2012

	Personal communication products <i>HK\$'000</i>	Strategic products <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
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)

At 31 March 2013

Segment assets	58,428	243,638	961	303,027
<i>Reconciliation:</i>				
Unallocated assets				128,933
Total assets				431,960
Segment liabilities	17,247	58,437	410	76,094
<i>Reconciliation:</i>				
Unallocated liabilities				20,129
Total liabilities				96,223

4. FINANCE COSTS

	Six months ended 30 September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	289	291

5. LOSS BEFORE TAX

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
The Group's loss before tax has been arrived at after charging/(crediting):		
Provision of inventories	3,688	3,816
Amortisation of deferred development cost (included in research and development expenses)	223	272
Amortisation of prepaid land lease payments	247	238
Depreciation	5,523	5,140
Fair value loss in investments at fair value through profit or loss	-	3
Dividend income	-	(921)
Interest income from investments at fair value through profit or loss	-	(213)
Bank interest income	(78)	(607)

6. INCOME TAX EXPENSES

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
The Group:		
Current - Elsewhere	1	10

7. DIVIDEND

The Board does not recommend any payment of interim dividend to shareholders for the six months ended 30 September 2013 (2012: 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\$32,568,000 (2012: HK\$51,468,000) and the 1,197,663,029 (2012: 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. 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:

	30.09.2013 HK\$'000	31.03.2013 HK\$'000
0 - 60 days	42,637	49,776
61 - 90 days	1,087	634
Over 90 days	4,577	6,589
	<u>48,301</u>	<u>56,999</u>

10. TRADE PAYABLES

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

	30.09.2013 HK\$'000	31.03.2013 HK\$'000
0 - 60 days	47,482	38,507
61 - 90 days	1,766	226
Over 90 days	3,668	4,656
	<u>52,916</u>	<u>43,389</u>

11. INTEREST-BEARING BANK BORROWING

	30.09.2013 Effective interest rate (%)	HK\$'000	31.03.2013 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 denominated in Hong Kong dollars, unsecured, carried interest at HIBOR plus 2.5% per annum and is short term in nature.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 September 2013, the Group recorded a revenue of approximately HK\$176,885,000, representing an increase of approximately 18% as compared with approximately HK\$149,632,000 in the corresponding period last year. The operating loss before tax was approximately HK\$34,101,000, representing a decrease in loss of approximately 35% as compared with a loss of approximately HK\$52,750,000 in the corresponding period last year. The slight improvement on results was mainly attributable to the commencement of revenue contribution by the newly established "Electronic Manufacturing Services" ("EMS")

Division and the effective control on the overall expenses of the Group. The Group will continue to strive for further improvement on its business performance with a view to achieve better results soonest possible.

Manufacturing Business Unit

Owing to the increase in labor cost in mainland year on year coupled with the continuous appreciation of Renminbi led to a persistent increase in the overall production costs. Notwithstanding this, with a series of improvement measures implemented by the Group last year, the results of the Manufacturing Business Unit has improved with a significant reduction in loss during the period under review.

Regarding the sub-contract manufacturing of touch panel business, the Group invested capital in acquisition of machineries and renovation of production plant at the beginning of this period with a view to cater for the processing of medium to large size touch panels, and the orders of the aforesaid products have been put into production since June 2013.

For further optimization of workflow and enhancement of competitiveness, the Group has outsourced some of its non-core division activities to the other professional organizations during the period in order to achieve better economic benefits.

Strategic Products Strategic Business Unit

Following the completion of merger and restructuring of business units last year, the Strategic Products Strategic Business Unit (“SP SBU”) concentrated on consolidation and re-allocation of internal resources as well as groped for new customer portfolios during the period under review. The effectiveness of the reformation would be reflected over a certain period of time. Therefore, the results of SP SBU remained unsatisfactory during the period.

SP SBU has secured two orders for manufacturing of electronic educational toys in the first half of this financial year. Although the marginal profits of these orders were slim, the production volume was high, so the Group could still benefit from such orders by enhancing production efficiency. As electronic consumer products were subject to seasonal fluctuations, the said orders could make up for the revenue of the Group during the low season period this year.

Furthermore, SP SBU has introduced a learning tablet into one of the Asian markets during the period. The preliminary response towards the product was satisfactory.

Personal Communication Products Strategic Business Unit

During the period under review, the results of Personal Communication Products Strategic Business Unit (“PCP SBU”) was similar to the same period last year. PCP SBU has launched “DT4000”, a new series handheld point-of-sale (“POS”) terminals which can support both WinCE and Android operating systems with expansion modules for different applications, in the first half of this financial year. In addition, PCP SBU has confirmed an original design and manufacturing (“ODM”) order from a customer in logistic industry during the period and has started to develop the handheld POS terminal for logistic applications.

OUTLOOK

Manufacturing Business Unit

The Group will strengthen the operation of the EMS Division under the Manufacturing Business Unit. It will expand the EMS business in mainland by accepting more external orders for contract processing arrangement of various products such as blue-tooth earphones and car chargers, etc.. Such Renminbi settlement orders not only can minimize the currency exchange cost but also can mitigate the impact of under capacity of the Group's production lines resulting from the low season period.

Strategic Products Strategic Business Unit

SP SBU has received enquiries on the enterprise tablet products from the Japanese potential customers from time to time. Some of such customers have already placed their orders with the Group and development of the relevant products has been commenced. It is expected that such enterprise tablets, which are applicable to the energy management, auto information and catering industry, etc., can be flowed into the Japan market gradually.

SP SBU was encouraged by the results of its learning tablets which were launched in the first half of this financial year catering for the primary students. In view of this, SP SBU plans to develop more electronic learning devices targeting at the kindergarten students in the second half of this year, which can support the new services such as online tuition, interactive learning, etc. The Group would like to co-operate with the companies that provide these kinds of services in future in order to strengthen the competitiveness of its products in the learning device market.

Personal Communication Products Strategic Business Unit

As there is an increasing demand for tablet products in the vertical market, PCP SBU is in the process of developing a tablet for different enterprise software applications. Such product is expected to be launched in the first quarter of 2014. Meanwhile, PCP SBU will continue to develop the North American and Asian markets as well as to extend the ODM business for POS terminals.

In the long term, the Group determined to make sustainable growth in the electronic technology products industry and to make best endeavor for public recognition. To achieve these, the Group believes that it is required to enhance product quality and popularity by the following three means:

- 1) Making use of the extensive network coverage of Internet to build up brand name and sales channels as well as to provide customer service and value-added service through the e-commerce platforms such as taobao.com, tmall.com, etc.
- 2) Leveraging on the Group's reputation and domain knowledge in the electronic device market to establish more strategic business partnerships for mutual benefits and higher efficiency.
- 3) Focusing on the development of the Asian market, particularly the China market, which the Group is familiar with and the growth potential is huge so as to achieve better results.

LIQUIDITY AND FINANCIAL RESOURCES

On 30 September 2013, the bank balances and cash of the Group (including bank deposits) were approximately HK\$52,665,000 in total, which was approximately HK\$28,117,000 or approximately 35% lower than those of six months ago. The Group's bank borrowing as at 30 September 2013 was HK\$20,000,000 (31 March 2013: HK\$20,000,000). The Group's bank borrowing was denominated in Hong Kong dollars with floating interest rate and was short term in nature.

As at 30 September 2013, the gearing ratio of the Group, defined as total bank borrowings divided by shareholders' equities, was approximately 7%. The interest expenses was approximately HK\$289,000 during the period.

CONTINGENT LIABILITIES

As at 30 September 2013, the contingent liabilities of the Group were approximately HK\$12,601,000 (31 March 2013: approximately HK\$4,895,000).

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 2013, the Group has on its payroll 117 employees (2012: 173) in Hong Kong, 1,176 employees (2012: 1,356) in China and 12 employees (2012: 15) in Japan, representing a decrease of approximately 32%, 13% and 20% 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.

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 2013.

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 2013, 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. Fung Henry, one of the Independent Non-executive Directors of the Company, was absent from the annual general meeting of the Company held on 11 September 2013 as he was out of town on the aforesaid date.

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 2013.

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

Hong Kong, 28 November 2013

As at the date of this announcement, the Board comprises the following members:

*Executive Directors : Dr. Tam Wai Ho, Samson JP, Mr. Tam Wai Tong, Thomas,
Mrs. Tam Mui Ka Wai, Vivian, Mr. Kazuhiro Otani and Mr. Lee Koon Hung*

Non-executive Director : Ms. Luk Chui Yung, Judith

Independent : Mr. Wong Kon Man, Jason, Mr. Fung Henry and Dr. Li Chi Kwong
Non-executive Directors

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