權智集團 GroupSense

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 601)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH, 2008

RESULTS

The board of directors (the "Board") of Group Sense (International) Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2008, together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**2008** *HK$'000*	2007 *HK$'000*
REVENUE	2	**940,732**	1,237,317
Cost of sales		**(763,231)**	(954,096)
Gross profit		**177,501**	283,221
Other income and gains		**35,913**	26,621
Selling and distribution costs		**(50,256)**	(54,942)
Administrative expenses		**(92,504)**	(97,146)
Research and development expenses		**(82,624)**	(74,224)
Other expenses		**(3,109)**	(4,178)
Finance costs	3	**(54)**	(178)
Share of losses of:			
Jointly-controlled entities		**(1,094)**	–
Associates		**(352)**	(1,393)
PROFIT/(LOSS) BEFORE TAX	4	**(16,579)**	77,781
Tax	5	**1,684**	(17,873)
PROFIT/(LOSS) FOR THE YEAR		**(14,895)**	59,908
Attributable to:			
Equity holders of the Company		**(15,250)**	59,324
Minority interests		**355**	584
		(14,895)	59,908
DIVIDENDS	6		
Interim		**–**	23,952
Proposed final		**–**	29,940
		–	53,892
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic		**(HK1.3 cents)**	HK5.0 cents
Diluted		**(HK1.3 cents)**	HK5.0 cents

* *For identification purpose only*

CONSOLIDATED BALANCE SHEET

	Notes	2008	2007
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**102,799**	102,856
Prepaid lease payments		**17,644**	8,976
Deferred development costs		**5,859**	6,774
Interests in jointly-controlled entities		**11,001**	–
Interests in associates		**–**	9,024
Available-for-sale investments		**26,094**	26,209
Amount due from a related company		**1,587**	–
Long term deposits		**2,186**	3,490
Total non-current assets		**167,170**	157,329
CURRENT ASSETS			
Inventories		**115,833**	170,899
Trade receivables	8	**145,485**	163,706
Prepayments, deposits and other receivables		**44,451**	51,772
Amounts due from associates		**3,402**	1,549
Investments at fair value through profit or loss		**41,532**	41,211
Derivative financial instruments		**5,717**	–
Cash and cash equivalents		**252,165**	272,885
Total current assets		**608,585**	702,022
CURRENT LIABILITIES			
Trade and bills payables	9	**106,517**	166,826
Other payables and accruals		**52,537**	56,342
Tax payable		**24,859**	25,005
Derivative financial instruments		**3,775**	–
Interest-bearing bank borrowing		**2,594**	–
Total current liabilities		**190,282**	248,173
NET CURRENT ASSETS		**418,303**	453,849
TOTAL ASSETS LESS CURRENT LIABILITIES		**585,473**	611,178
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**–**	2,008
Net assets		**585,473**	609,170

	2008	2007
	HK$'000	*HK$'000*
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**119,766**	119,761
Reserves	**463,851**	457,998
Proposed final dividend	**–**	29,940
	583,617	607,699
Minority interests	**1,856**	1,471
Total equity	**585,473**	609,170

NOTES

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain available-for-sale investments, investments at fair value through profit or loss and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations have had no material effect on these financial statements.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 2 Amendments	Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2008

2. SEGMENT INFORMATION

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2008 and 2007.

Year ended 31 March 2008	Electronic handheld products	Original design manufacturing ("ODM") products	Corporate and others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	**601,337**	**339,395**	**–**	**940,732**
Segment results	**(3,982)**	**(25,547)**	**6,329**	**(23,200)**
Interest and dividend income and unallocated gains				**11,230**
Unallocated expenses				**(3,109)**
Finance costs				**(54)**
Share of losses of jointly-controlled entities				**(1,094)**
Share of losses of associates				**(352)**
Loss before tax				**(16,579)**
Tax				**1,684**
Loss for the year				**(14,895)**
Assets and liabilities				
Segment assets	**281,367**	**148,324**	**73,343**	**503,034**
Interests in jointly-controlled entities	**11,001**	**–**	**–**	**11,001**
Unallocated assets				**261,720**
Total assets				**775,755**
Segment liabilities	**106,211**	**52,329**	**3,775**	**162,315**
Unallocated liabilities				**27,967**
Total liabilities				**190,282**

Year ended 31 March 2008	Electronic handheld products *HK$'000*	ODM products *HK$'000*	Corporate and others *HK$'000*	Consolidated *HK$'000*
Other segment information:				
Depreciation and amortisation	**25,172**	**8,585**	**–**	**33,757**
Unallocated depreciation				**2,969**
				36,726
Capital expenditure	**16,698**	**5,852**	**8,344**	**30,894**
Unallocated capital expenditure				**5,647**
				36,541
Loss on disposal of items of property, plant and equipment, net	**58**	**29**	**–**	**87**
Provision for inventories	**11,050**	**1,000**	**–**	**12,050**
Impairment of trade receivables, net	**4,697**	**–**	**–**	**4,697**
Gain on dilution of an interest in an associate	**3,073**	**–**	**–**	**3,073**

Year ended 31 March 2007	Electronic handheld products *HK$'000*	ODM products *HK$'000*	Corporate and others *HK$'000*	Consolidated *HK$'000*
Segment revenue:				
Sales to external customers	779,628	457,689	–	1,237,317
Segment results	62,066	6,380	4,595	73,041
Interest and dividend income and unallocated gains				10,489
Unallocated expenses				(4,178)
Finance costs				(178)
Share of losses of associates				(1,393)
Profit before tax				77,781
Tax				(17,873)
Profit for the year				59,908
Assets and liabilities				
Segment assets	333,451	170,105	67,420	570,976
Interests in associates	9,024	–	–	9,024
Unallocated assets				279,351
Total assets				859,351
Segment liabilities	172,462	46,840	–	219,302
Unallocated liabilities				30,879
Total liabilities				250,181
Other segment information:				
Depreciation and amortisation	22,321	7,631	–	29,952
Unallocated depreciation				3,320
				33,272
Capital expenditure	19,458	4,067	–	23,525
Unallocated capital expenditure				1,180
				24,705
Gain on disposal of items of property, plant and equipment	(123)	(65)	–	(188)
Provision for inventories	14,267	1,800	–	16,067
Impairment of trade receivables, net	330	–	–	330

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2008 and 2007.

	Hong Kong	Mainland China	Other Asian markets	North America	Europe	Middle East	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2008							
Segment revenue:							
Sales to external customers	**122,330**	**31,326**	**688,428**	**57,354**	**14,460**	**26,834**	**940,732**
Other segment information:							
Segment assets	**449,877**	**294,462**	**31,416**	**–**	**–**	**–**	**775,755**
Capital expenditure	**6,282**	**30,084**	**175**	**–**	**–**	**–**	**36,541**
Year ended 31 March 2007							
Segment revenue:							
Sales to external customers	114,597	29,350	937,330	44,762	87,986	23,292	1,237,317
Other segment information:							
Segment assets	558,020	301,117	214	–	–	–	859,351
Capital expenditure	5,418	19,287	–	–	–	–	24,705

3. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on interest-bearing bank borrowing wholly repayable within five years	**54**	178

4. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	2008	2007
	HK$'000	*HK$'000*
Cost of inventories sold	**751,181**	938,030
Depreciation	**31,264**	29,203
Recognition of prepaid lease payments	**416**	251
Deferred development cost amortised	**5,046**	3,818
Auditors' remuneration	**1,680**	1,550
Impairment of amounts due from associates	**159**	3,928
Impairment of trade receivables, net	**4,697**	330
Provision for inventories	**12,050**	16,067
Product warranty provision	**500**	500
Loss/(gain) on disposal of items of property, plant and equipment (other than a leasehold property), net	**87**	(188)

5. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2008	2007
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**–**	11,727
Underprovision in prior years	**–**	3,980
Current – Elsewhere	**324**	634
Deferred	**(2,008)**	1,532
Total tax charge/(credit) for the year	**(1,684)**	17,873

6. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Interim – Nil (2007: HK2.0 cents per ordinary share)	**–**	23,952
Proposed final – Nil (2007: HK2.5 cents per ordinary share)	**–**	29,940
	–	53,892

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculations of basic and diluted earnings/(loss) per share are based on:

	2008	2007
	HK$'000	*HK$'000*
Earnings/(Loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic and diluted earnings/(loss) per share calculations	**(15,250)**	59,324

	Number of shares	
	2008	2007
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**1,197,650,871**	1,197,613,029
Effect of dilution – weighted average number of ordinary shares – Share options	**485,828**	576,947
	1,198,136,699	1,198,189,976

8. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally 60 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are interest-free. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The carrying amounts of the Group's trade receivables approximate to their fair values.

An aged analysis of the trade receivables as at the balance sheet date, based on the payment due dates and net of provisions, is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 – 60 days	**130,950**	155,670
61 – 90 days	**5,722**	505
Over 90 days	**8,813**	7,531
	145,485	163,706

9. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on the payment due dates is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 – 60 days	**103,009**	161,843
61 – 90 days	**1,606**	3,660
Over 90 days	**1,902**	1,323
	106,517	166,826

The trade payables are non-interest-bearing and are normally settled on 30-day terms. The carrying amounts of the trade payables approximate to their fair values.

FINAL DIVIDEND

The Board does not recommend any payment of final dividend (2007: HK2.5 cents) to shareholders for the year ended 31st March, 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Electronic Dictionary

In the financial year of 2007-2008, the SBU's (strategic business unit) turnover and gross profit have recorded a drop as compared with the last financial year.

Due to ongoing keen competition in worldwide electronic dictionary market, most competitors have been slashing the retail prices significantly in order to capture the market share. To stay competitive in the market, it is inevitable that we had to respond by cutting our selling prices and offering deeper discounts to our distributors.

Furthermore, there has been significant upward pressure on the materials and labor costs, and this has been made worse by the continual appreciation of Renminbi. As a result the sales revenues and gross profit margin of the SBU have been adversely affected.

In the financial year 2007-2008, some newly developed markets have recorded business growth. The overall electronic dictionary market in those countries continues to grow and in particular, the student market segment has expanded satisfactorily. However, the growth pace has slowed down due to recent economic overheat.

Original Design Manufacturing

The SBU has experienced considerable decline in sales revenue, which is one of the reasons for the Group's loss in the financial year 2007-2008.

Throughout the year, the SBU has put in significant efforts in developing new businesses, developing and manufacturing high value-added, unique products for the Japanese and USA markets. On the other hand, the conventional low value-added products line was forgone so as to shift the SBU's engineering resources and research capability to new products development. Amidst the declining trend in Japanese market, and a continual drop in sales of electronic dictionaries to major customers in Japan, the priority was given to developing high value-added electronic dictionaries and new businesses, making use of the newly setup subsidiary and network in Japan. However, the revenue contribution of these new businesses in the financial year 2007-2008 was still minimal, due to a delay in the launching of new products to the fourth quarter of the financial year. The new products include categories of eBook and bluetooth speaker for USA market, PHS wireless communication adaptor for car navigation system and wireless ePOP (electronic point-of-purchase) display device for Japanese market. There are four other categories of new products specially developed for Japanese market, all are expected to be launched by mid of new financial year 2008-2009.

Personal Communication Products

In the financial year 2006-2007, the SBU has been focusing on developing various personal communication products, by using WiFi, GPS and other technologies, which could be used for Internet Telephony, Internet Television, car navigation and tracking.

The SBU has invested more resources in developing the vertical markets, that is, developing products and applications for different industries' applications. Through wireless terminal, different industries could have the information, enquiry, data input, transaction and many other functions instantly transmitted and handled, anytime, anywhere. Apart from developing our products, the SBU has commenced the original design manufacturing (ODM) business for other personal communication products in the second half of the financial year 2007-2008.

Outlook

Electronic Dictionary

Despite that the competition in the electronic dictionary market is getting more intense, it is believed that with the Group's well-established brand name, distribution networks and sound technology and product know how, the SBU can still manage to command a good business prospect in the financial year of 2008-2009.

To minimize the squeeze on gross profit margin due to upward pressure on the material and PRC labor costs, and especially the continuous appreciation of Renminbi, the SBU will strive to maintain a reasonable gross profit margin through forging strong strategic partnership with the components vendors and continuously enhancing operational efficiency and containing the costs in product development and bill of materials.

The SBU continues to focus on developing medium and high end products with more innovative designs, better functional features, richer learning contents and leading speech and translation technology. The SBU will co-operate with several important partners in developing speech-to-speech technology and in particular speech-to-speech products for foreigners to learn Chinese.

With the launching of new products equipped with WiFi and GSM connectivity in the financial year 2008-2009 for Hong Kong and overseas markets, it is believed that the SBU can sustain its business growth and maintain its leading position in the market.

Despite various uncertainties and unstable economic environments in the newly developed markets such as Vietnam, the SBU believes the growth in these developing countries is promising. The SBU will monitor the markets closely and adopt appropriate product and market strategies and branding plan.

Original Design Manufacturing

The SBU's shifting focus to high value-added products line proves to be a correct one given the ever appreciation of Renminbi currency and increasing labor cost in the People's Republic of China. This development strategy will be consistently adopted in the new financial year 2008-2009 and another series of self designed new products are to be launched for Japanese market by the middle of the new financial year. These new products cover the categories of bluetooth keyboard and bluetooth handset which are to be complementary to new Japanese mobile phones, the electronic stationery which is a brand new concept product not ever existing in the market, and wireless tabletop ordering devices with display and touch panel which are used in the large restaurant chains. Furthermore, several key new products are under planning stage and expected to be launched by end of the new financial year. All of the new products are for Japanese market, and are initiated, coordinated by the Group's subsidiary in Japan under the support of the SBU's development team. This is the direct result of the subsidiary's considerable efforts in its first year of establishment since end of March 2007.

Difficult situation will continue in the first half of the financial year 2008-2009, due to the seasonal factor of electronic dictionary business in Japan. Future business growth is dependent on the new products to be launched in early 2008. As most of the new products being launched or developed belong to the new products categories, which notwithstanding having a huge growth potential, may need certain time before a positive market response could be got. As such, the business result in this new financial year is subject to the sales performance of such new products. The SBU and its subsidiary in Japan are continuing their utmost efforts to strive for the targeted return with all these new products at earliest possible time.

Personal Communication Products

In the financial year 2008-2009, the SBU will continue focusing on developing vertical markets and ODM business. With the increasing prevalence of the communications technologies and networks, new applications could be developed to cater for the various needs of different industries. In turn, there will be increasing demand for wireless communication terminals. Unlike the electronic consumables, these products require higher quality and thus will bring to the SBU more reasonable profit margins. And this should suit better the SBU as its long-term development strategy.

Wireless communication function will be indispensable for most handheld electronic products. More and more companies and factories will outsource the development and manufacturing of handheld wireless communication products. It is expected that this will provide stable orders and revenue for the SBU's ODM business in the financial year 2007-2008. The SBU's solid experience in designing, developing and manufacturing wireless communication products will be conducive to developing the SBU's ODM business.

During the past one year when the SBU endeavoured to reshuffle its business line, it has clearly laid down its future development direction. In the financial year 2008-2009, the SBU will strive to further improve its operation and enhance the product quality so as to match well with in the new business direction. The SBU will also focus on developing vertical markets and its ODM customers.

Liquidity and Financial Resources

On 31st March, 2008, the cash and cash equivalents were approximately HK$252 million in total, which was approximately HK$21 million or 8% lower than those of twelve months ago. Total bank borrowings were approximately HK$3 million (2007: nil). All the bank borrowings are denominated in Japanese Yen with fixed interest rate and short term in nature.

As at 31st March, 2008, the gearing ratio, defined as total bank borrowings divided by shareholders' equities, has been kept below 1% in the twelve months' period. The interest expense for the twelve months' period have decreased from approximately HK$0.2 million to approximately HK$0.1 million.

Contingent Liabilities

As at 31st March, 2008, the contingent liabilities of the Group were approximately HK$9 million (2007: approximately HK$4 million).

Foreign Currencies and Treasury Policy

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollars, United States dollars or Renminbi. A small portion of the Group's raw material purchase, assets and liabilities are denominated in Japanese Yen. 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 twelve months period, the Group manages its foreign exchange exposure caused by the appreciation of Renminbi by entering into hedging forward contracts. The Group does not engage in any interest rate or currencies speculations.

Employees

As at 31st March, 2008, the Group has on its payroll 269 (2007: 262) employees in Hong Kong and 2,573 (2007: 3,674) employees in the Mainland China and 9 (2007: Nil) employees in Japan, representing an increase of about 3%, a decrease of about 30% and an increase of 100% 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 year.

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 financial year ended 31st March, 2008.

AUDIT COMMITTEE

The Audit Committee comprises independent non-executive directors, Mr. Yung Wing Ki, Samuel 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 financial year ended 31st March, 2008, the Audit Committee has held four meetings with 93.75% 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 annual results for the year ended 31st March, 2008.

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 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 financial year ended 31st March, 2008.

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 financial year ended 31st March, 2008.

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

Hong Kong, 18th July, 2008

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