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

(Incorporated in Bermuda with limited liability)

(Stock Code: 00601)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH, 2010

RESULTS

The board of directors (the "Board") of Group Sense (International) Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st March, 2010, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2010 HK$'000**	2009 HK$'000
REVENUE	3	**663,261**	752,605
Cost of sales		**(478,275)**	(580,993)
Gross profit		**184,986**	171,612
Other income and gains, net		**11,480**	13,130
Selling and distribution costs		**(50,945)**	(59,215)
Administrative expenses		**(86,063)**	(101,604)
Research and development expenses		**(79,961)**	(84,669)
Other expenses		**-**	(1,970)
Finance costs	4	**(24)**	(8)
Share of losses of jointly-controlled entities		**(1,463)**	(1,744)
LOSS BEFORE TAX	5	**(21,990)**	(64,468)
Income tax expenses	6	**(12,942)**	(279)
LOSS FOR THE YEAR		**(34,932)**	(64,747)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**940**	5,139
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(33,992)**	(59,608)

* *For identification purpose only*

	Notes	2010	2009
		HK$'000	HK$'000
Loss attributable to:			
Equity holders of the Company		**(34,256)**	(64,673)
Minority interests		**(676)**	(74)
		(34,932)	(64,747)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(33,316)**	(59,554)
Minority interests		**(676)**	(54)
		(33,992)	(59,608)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		**(HK2.9 cents)**	(HK5.4 cents)
Diluted		**(HK2.9 cents)**	(HK5.4 cents)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2010**	2009
		HK$'000	HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**85,581**	89,993
Prepaid lease payments		**17,142**	17,596
Deferred development costs		**3,011**	5,196
Interests in jointly-controlled entities		**13,122**	9,607
Interests in associates		**-**	-
Available-for-sale investments		**26,094**	26,094
Amount due from a joint-venture partner		**-**	1,680
Long term deposits		**7,556**	2,108
Total non-current assets		**152,506**	152,274
CURRENT ASSETS			
Inventories		**125,314**	96,743
Trade receivables	9	**84,617**	114,523
Prepayments, deposits and other receivables		**62,819**	50,940
Amounts due from associates		**2,833**	3,738
Investments at fair value through profit or loss		**40,654**	40,890
Derivative financial instruments		**-**	596
Cash and cash equivalents		**201,343**	227,296
Total current assets		**517,580**	534,726
CURRENT LIABILITIES			
Trade and bills payables	10	**83,750**	78,256
Other payables and accruals		**54,012**	39,440
Amount due to a jointly-controlled entity		**-**	96
Tax payable		**37,692**	24,799
Derivative financial instruments		**35**	395
Interest-bearing bank borrowing		**-**	15,428
Total current liabilities		**175,489**	158,414
NET CURRENT ASSETS		**342,091**	376,312
Net assets		**494,597**	528,586

	2010	2009
	HK$'000	HK$'000
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**119,766**	119,766
Reserves	**371,376**	404,692
	491,142	524,458
Minority interests	**3,455**	4,128
Total equity	**494,597**	528,586

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 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.

2.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year'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 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue - Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements - 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*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009)

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current assets Held for Sale and Discontinued Operations - Plan to sell the controlling interest in a subsidiary* which are effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKAS 1 (Revised), HKFRS 7 and HKFRS 8, HKAS 18 admendment and Improvements to HKFRSs, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

(a) Amendments to HKFRS 7 *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

(b) 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 allocating 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 concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 3 to the financial statements.

(c) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces 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 includes 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 recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present one single statements.

(d) Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*

Guidance has been added to the appendix (which accompanies the standard) to determine whether the Group is acting as a principal or as an agent. The features to consider are whether the Group (i) has the primary responsibility for providing the goods or services, (ii) has inventory risk, (iii) has the discretion to establish prices and (iv) bears credit risk. The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as a principal in all arrangements. The amendment has had no impact on the financial position or results of operations of the Group.

(e) In October 2008, the HKICPA issued its first *Improvements* to HKFRSs which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations - Plan to Sell the Controlling Interest in a Subsidiary* which are effective for annual periods beginning on or after 1 July 2009, the Group adopted all the amendments from 1 January 2009. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant impact to the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 16 *Property, Plant and Equipment*: replaces the term "net selling price" with "fair value less costs to sell" and the recoverable amount of property, plant and equipment is the higher of an asset's fair value less costs to sell and its value in use.

  In addition, items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventories when rental ceases and they are held for sale.

- HKAS 36 *Impairment of Assets*: when discounted cash flows are used to estimate "fair value less costs to sell", additional disclosures (e.g., discount rate and growth rate used) are required which are consistent with the disclosures required when the discounted cash flows are used to estimate "value in use".

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards - Additional Exemptions for First-time Adopters* [2]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment - Group Cash-settled Share-based Payment Transactions* [2]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation - Classification of Rights Issues* [3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Items* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC) - Int 14 *Prepayments of a Minimum Funding Requirement* [5]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations - Plan to Sell the Controlling interest in a Subsidiary* [1]
HK Interpretation 4 (Revised in December 2009)	*Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* and *Improvements to HKFRSs 2010* which sets out amendments and transition requirements for amendments to a number of HKFRSs. For *Improvements to HKFRSs 2009*, the amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010. For *Improvements to HKFRSs 2010*, the amendments to HKFRS 3 and transition requirements for amendments arising as a result of HKAS 27 are effective for annual periods beginning on or after 1 July 2010 while the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

Segment assets exclude interests in jointly-controlled entities, available-for-sale investments, amounts due from associates and a joint-venture partner, cash and cash equivalents and unallocated head office assets as these assets are managed on a group basis.

Segment liabilities exclude amount due to a jointly-controlled entity, interest-bearing bank borrowing, tax payable and unallocated head office liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

Year ended 31 March 2010	**Electronic handheld products** *HK$'000*	**Original design manufacturing (“ODM”) products** *HK$'000*	**Corporate and others** *HK$'000*	**Total** *HK$'000*
Segment revenue:				
Sales to external customers	**327,229**	**336,032**	**-**	**663,261**
Segment results	**(33,356)**	**7,482**	**3,345**	**(22,529)**
Reconciliation:				
Interest income				2,026
Finance costs				(24)
Share of losses of jointly-controlled entities				(1,463)
Loss before tax				(21,990)

Year ended 31 March 2010	**Electronic handheld products** *HK$'000*	**ODM products** *HK$'000*	**Corporate and others** *HK$'000*	**Total** *HK$'000*
Segment assets	**218,206**	**165,435**	**70,378**	**454,019**
Reconciliation:				
Unallocated assets				216,067
Total assets				670,086
Segment liabilities	**67,871**	**69,415**	**35**	**137,321**
Reconciliation:				
Unallocated liabilities				38,168
Total liabilities				175,489
Other segment information:				
Share of losses of jointly-controlled entities	-	-	1,463	1,463
Depreciation and amortisation	13,841	7,970	3,201	25,012
Capital expenditure	17,026	3,291	305	20,622*
Loss/(gain) on disposal of items of property, plant and equipment, net	650	(46)	(45)	559
Provision for inventories	5,419	4,400	-	9,819
Product warranty provision	738	-	-	738
Interest in jointly-controlled entities	-	-	13,122	13,122

* Capital expenditure consists of additions to property, plant and equipment and deferred development costs.

Year ended 31 March 2009	Electronic handheld products *HK$'000*	ODM products *HK$'000*	Corporate and others *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	459,972	292,633	-	752,605
Segment results	(41,359)	(27,685)	4,482	(64,562)
Reconciliation:				
Interest income				2,816
Finance costs				(8)
Share of losses of jointly-controlled entities				(1,744)
Other unallocated expenses				(970)
Loss before tax				(64,468)

Year ended 31 March 2009	Electronic handheld products *HK$'000*	ODM products *HK$'000*	Corporate and others *HK$'000*	Total *HK$'000*
Segment assets	225,154	159,486	73,899	458,539
Reconciliation:				
Unallocated assets				228,461
Total assets				687,000
Segment liabilities	78,232	39,034	395	117,661
Reconciliation:				
Unallocated liabilities				40,753
Total liabilities				158,414
Other segment information:				
Share of losses of jointly-controlled entities	-	-	1,744	1,744
Depreciation and amortisation	22,562	8,453	3,835	34,850
Capital expenditure	16,547	4,585	-	21,132
Unallocated capital expenditure				735
				21,867*
Gain on disposal of items of property, plant and equipment, net	(203)	(163)	-	(366)
Impairment of amounts due from associate	-	-	1,970	1,970
Impairment of items of property plant and equipment	1,362	-	-	1,362
Impairment of trade receivables, net	805	-	-	805
Provision for inventories	6,932	1,200	-	8,132
Product warranty provision	800	-	-	800
Interest in jointly controlled entities	-	-	9,607	9,607

* Capital expenditure consists of additions to property, plant and equipment and deferred development costs.

Geographical information

(a) Revenue from external customers

	2010	2009
	HK$'000	HK$'000
Japan	**318,747**	290,569
Hong Kong	**97,706**	107,751
Taiwan	**72,176**	76,707
North America	**46,593**	32,184
Vietnam	**37,708**	31,097
Korea	**36,229**	142,404
Mainland China	**23,983**	28,092
Others	**30,119**	43,801
	663,261	752,605

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2010	2009
	HK$'000	HK$'000
Mainland China	**109,580**	104,898
Hong Kong	**16,398**	20,744
Others	**434**	538
	126,412	126,180

The non-current asset information above is based on the location of assets and excludes financial instruments.

Information about major customers

Revenue from major customers, each of them amounted to 10% or more of the Group's revenue, are set out below:

		2010	
	Electronic handheld products HK$'000	**ODM products HK$'000**	**Total HK$'000**
Customer A	**-**	**98,024**	**98,024**
Customer B	**67,374**	**-**	**67,374**
Customer C	**-**	**55,696**	**55,696**
Customer D	**33,832**	**-**	**33,832**

	2009		
	Electronic handheld products HK$'000	ODM products HK$'000	Total HK$'000
Customer A	-	49,086	49,086
Customer B	72,342	-	72,342
Customer C	-	91,531	91,531
Customer D	134,389	-	134,389

4. FINANCE COSTS

An analysis of finance cost is follows:

	2010 **HK$'000**	2009 HK$'000
Interest on interest-bearing bank borrowing wholly repayable within five years	**24**	8

5. LOSS BEFORE TAX

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

	2010 **HK$'000**	2009 HK$'000
Cost of inventories sold	**468,456**	572,861
Depreciation	**21,611**	30,107
Recognition of prepaid lease payments	**454**	454
Deferred development cost amortised	**2,947**	4,289
Auditors' remuneration	**1,515**	1,500
Impairment of amounts due from associates	**-**	1,970
Impairment of trade receivables, net	**-**	805
Impairment of items of property, plant and equipment	**-**	1,362
Loss/(gain) on disposal of items of property, plant and equipment	**559**	(366)
Provision for inventories	**9,819**	8,132
Product warranty provision	**738**	800

6. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits arising in Hong Kong during the year (2009: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the respective countries/ jurisdictions in which the Group operates.

	2010	2009
	HK$'000	HK$'000
Group:		
Underprovision in prior years – Hong Kong	**12,748**	-
Current – Elsewhere	**194**	279
Total tax charged for the year	**12,942**	279

During the year ended 31 March 2006, the Hong Kong Inland Revenue Department (the "IRD") initiated a tax audit on certain group companies for the years of assessment from 1999/2000 to 2004/2005. As the IRD is still conducting the tax review on these companies, it has issued protective profits tax assessments to them for the years of assessment from 1999/2000 to 2003/2004 (the "Protective Assessments"). The Group has lodged objections with the IRD against the protective profits tax assessments. According to the holdover notice issued by the IRD, the Group had paid profits tax of HK$188,000 for the year of assessment 2000/2001 and purchased Tax Reserve Certificates totalling HK$4,600,000 during the year ended 31 March 2006.

These Protective Assessments mainly relate to a dispute over the deductibility of certain expenses for tax assessment purposes. In the opinion of the directors of the Company, after taking the professional advice from its tax adviser, the tax audit is at its final stage and the final settlement is being discussed with the IRD. Based on the latest discussion with the IRD, the Group is expecting to arrive at a settlement and an additional tax liability of HK$12,748,000 is provided by the Group for the years of assessment from 2004/2005 to 2005/2006, and the Protective Assessments will be released upon the settlement is agreed with the IRD.

7. DIVIDEND

The Board does not recommended the payment of any dividend (2009: Nil) for the year ended 31 March 2010.

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 year attributable to ordinary equity holders of the Company of HK$34,256,000 (2009: HK$64,673,000) and the weighted average of 1,197,663,029 (2009: 1,197,663,029) shares in issue during the year.

(b) Diluted loss per share
No adjustment has been made to the basic loss per share amounts presented for the years ended 31 March 2010 and 2009 in respect of a dilution.

9. 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.

An aged analysis of the trade receivables as at the end of the reporting period, based on the payment due dates and net of provisions, is as follows:

	2010	2009
	HK$'000	HK$'000
0 - 60 days	**66,633**	106,820
61 - 90 days	**7,347**	108
Over 90 days	**10,637**	7,595
	84,617	114,523

10. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the payment due dates, is as follows:

	2010	2009
	HK$'000	HK$'000
0 - 60 days	**79,626**	73,351
61 - 90 days	**1,585**	1,717
Over 90 days	**2,539**	3,188
	83,750	78,256

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

FINAL DIVIDEND

The Board does not recommend any payment of final dividend (2009: Nil) to shareholders for the year ended 31st March, 2010.

CLOSURE OF REGISTER OF MEMBERS

The Board of the Company hereby announces that the register of members of the Company will be closed from Friday, 3rd September, 2010 to Tuesday, 7th September, 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the attendance of the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 2nd September, 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Electronic Dictionary

The SBU (strategic business unit) has experienced a decline in sales turnover and gross profit in the financial year of 2009-2010 as compared with the previous financial year.

The continual uncertainty of the global economy has significantly weakened the consumer-spending sentiment. The sluggish consumer demand has inevitably impacted the business performance of the SBU. Although the SBU has carried out intensive sales promotion programmes and adopted sales incentive scheme to stimulate demand, the sales results were not up to our expectation. However, these sales campaigns have helped the SBU clear most of its slow moving inventory and improved its cash flow position to a healthy level.

To cope with the uncertain business and market environment, the SBU has streamlined its manpower and workflow, re-engineered the product design (cost down), and tightened the operation expenses. Nevertheless, there has been a continual upward pressure on material and labour costs. As a result, the gross profit margin of the SBU was slightly affected.

The business growth in South East Asia in the financial year of 2009-2010 has slowed down but the SBU still could record a slight positive growth in this market in spite of worldwide market downturn. This damper on the upward pace of business growth has not been released and the stability of the currencies of the South East Asian countries is still a key issue to the growth momentum in this market.

Although the Korean Won has become more stable since the second half of the financial year of 2009-2010, the currency depreciation and economic turmoil has weakened the Korean market's constitution and vitality.

Original Design Manufacturing ("ODM")

The business of the SBU has recovered and become more stable in the second half of the financial year of 2009-2010. The solid partnership with valued customers in Japan and the successful launch of a series of new products both contributed to the business recovery.

In the category of electronic stationery, the award-winning "pocket memo writer", with a foldable keyboard and high resolution display, continued to enjoy market success, resulting in the launch of a series of new products in response to market demands. As for "TTO" (Table-Top Ordering) devices, customers in major chain restaurants in Japan had found their colour display and touch panel easy to use in ordering food and beverages. This business area is poised for further growth. In addition, table-top remote control devices for use in the entertainment industry in Japan have also been well received. Orders for these controllers have been stable.

The recovery is the results of the devoted efforts of the unified research and development team of the SBU in Hong Kong, Dongguan and Shenzhen, working together with the business unit in Japan. This team, motivated to maximize customers' satisfaction through maintaining good communication with clients and applying their profound engineering knowledge in turning customers' original concepts into real products, has become the unique competitive edge and driving force of the SBU in pursuing ODM business opportunities in Japan.

Personal Communication Products

In the financial year of 2009-2010, the business of the SBU has improved slightly. The revenue has increased as compared with the financial year of 2008-2009, resulting in a smaller loss.

As for the POS PDA (Point-of-sale Personal Digital Assistant) business, the SBU has increased its sales revenue through focusing on the development of the European markets, securing new customers and launching new products in the financial year of 2009-2010. As for the ODM business, the quantity of the products delivered to existing customers was higher than in the financial year of 2008-2009. In the financial year of 2009-2010, the SBU has established new clientele and developed new products. In addition, the SBU has conducted a number of feasibility studies on new technologies and products in support of its search for new business opportunities.

Outlook

Electronic Dictionary

The overall market situation will remain difficult in the first half of the financial year of 2010-2011. The situation is expected to improve slightly in the second half of the financial year of 2010-2011 after the introduction of a new product line.

The SBU will strive to maintain a reasonable gross profit margin through ceaselessly enhancing its operating efficiency, containing the product development and material costs. The SBU will strengthen the demand forecasting process in order to improve inventory management and maintain a healthy cash position.

In view of the many uncertainties and the unstable economic environment, the SBU will continue to monitor the markets closely and adopt appropriate product and market strategies. The SBU will work hard in expanding its customer base in different markets.

Moreover, the SBU will continue the development of innovative products with unique features and higher gross profit margins. The SBU will allocate more resources in developing low to medium end products that are favoured by most customers during the present weak economical seasons. Besides focusing on the consumer market, the SBU will be looking for new business opportunities in the vertical market that would allow the SBU to enjoy a more stable business environment and also an enriched business profile.

The SBU will explore more business opportunities and introduce a new product line with our strategic business partners in the financial year of 2010-2011. The new product line is expected to start bringing in sales revenues and contributing profit to the SBU in the second half of the next financial year.

Original Design Manufacturing

The SBU will remain intensively focused on the continual expansion of the ODM business in Japan and the eBook reader business in the worldwide markets. A new category of electronic stationery based on an entirely novel and unique concept is expected to create sensational demands in the market when it is launched in the middle of the 2010-2011 financial year in Japan. Moreover, the SBU is breaking new grounds in working with a major service provider in

Japan on a highly challenging ODM project. The launch date is also set in the middle of the next financial year, and the project is expected to generate substantial revenue for the SBU. Furthermore, focusing on the B2B market opportunities in Japan, the SBU has also started working on a customer-commissioned project for the development of a wireless handy terminal, with the target launch date of the product set in the first quarter of the financial year of 2011-2012.

The eBook reader business is another potential area of growth of the SBU. Following the rapid rise of the eBook reader markets in the USA last year, the SBU has started to get increased orders from its customers in the USA and Europe. Instead of the conventional eBook readers now on the market either using common paper display, or being part of the multi-functional MID (Mobile Internet Device) type of devices, the SBU is offering eBook readers that are comparatively simple, inexpensive, but with high performance and fast speed, using an exclusively-developed high contrast TFT (Thin Film Transistor) display technology. Two such new unique eBook readers will be launched in the coming financial year, and these eBook readers are expected to gain substantial market share and form the basis of further business growth of the SBU in the coming years.

Personal Communication Products

In the financial of 2010-2011, the SBU will continue to strengthen the development of vertical markets and expand the ODM business. The SBU will focus on the expansion of its client base and on the improvement of the competitiveness of its products.

As for the POS PDA business, the SBU aims to increase its revenue by strengthening its partnership with its European customers and by developing the American markets. The SBU will also launch new products to meet the customers' needs. The SBU will also strive to acquire new stable customers of ODM business this year, with a view to achieving stable growth in business.

The SBU is facing the challenge of higher operating costs owing to stringent supply in and the accompanying increase in price of parts and components on one hand, and the increasing manufacturing costs on the others. The SBU will strive to increase the product competitiveness by continuing its efforts in containing the material and production costs and in enhancing the product quality and supporting services to customers.

Liquidity and Financial Resources

On 31st March, 2010, the cash and cash equivalents were HK$201,342,840 in total, which was HK$25,953,298 or 11% lower than those of twelve months ago. Total bank borrowings have decreased from HK$15,428,422 to zero in the twelve months' period. The bank borrowing was denominated in Japanese Yen with fixed interest rate and short term in nature.

As at 31st March, 2010, the gearing ratio, defined as total bank borrowings divided by shareholders' equities was 0%. The interest expenses is HK$24,450 during the period.

Contingent Liabilities

As at 31st March, 2010, the contingent liabilities of the Group were HK$4,907,618 (2009: HK$4,999,411).

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 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, 2010, the Group has on its payroll 244 (2009: 262) employees in Hong Kong, 2,360 (2009: 2,437) employees in the Mainland China and 13 (2009:11) employees in Japan, representing a decrease of about 7%, a decrease of about 3% and an increase of 18% 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, 2010.

AUDIT COMMITTEE

Currently, the Audit Committee comprises three independent non-executive directors, namely Mr. Yung Wing Ki, Samuel MH, JP (Chairman of the Audit Committee), Mr. Ho Kwok Shing, Harris and Mr. Wong Kon Man, Jason. Mr. Lo Chi Chung, William resigned as a non-executive director and a member of the Audit Committee of the Company with effect from 1st January, 2010. During the financial year ended 31st March, 2010, the Audit Committee has held four meetings with 93.33% 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 audited annual report for the year ended 31st March, 2010.

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 financial year ended 31st March, 2010, 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 on terms no less exactly than the required standard set out in the Model Code 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, 2010.

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

Hong Kong, 6th July, 2010

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. 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