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, 2011

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, 2011, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2011** *HK$'000*	2010 *HK$'000*
REVENUE	3	**622,855**	663,261
Cost of sales		**(446,373)**	(478,275)
Gross profit		**176,482**	184,986
Other income and gains, net		**12,175**	11,480
Selling and distribution costs		**(48,633)**	(50,945)
Administrative expenses		**(89,694)**	(86,063)
Research and development expenses		**(79,715)**	(79,961)
Other expenses		**(1,600)**	-
Finance costs	4	**-**	(24)
Share of losses of jointly-controlled entities		**(500)**	(1,463)
LOSS BEFORE TAX	5	**(31,485)**	(21,990)
Income tax expenses	6	**(292)**	(12,942)
LOSS FOR THE YEAR		**(31,777)**	(34,932)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**10,888**	940
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(20,889)**	(33,992)

* *For identification purpose only*

	Notes	2011 HK$'000	2010 HK$'000
Profit/(loss) attributable to:			
Equity holders of the Company		**(31,807)**	(34,256)
Non-controlling interests		**30**	(676)
		(31,777)	(34,932)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**(21,175)**	(33,316)
Non-controlling interests		**286**	(676)
		(20,889)	(33,992)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		**(HK2.7 cents)**	(HK2.9 cents)
Diluted		**(HK2.7 cents)**	(HK2.9 cents)

Details of the dividends are disclosed in note 7 to this announcement.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2011**	2010
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**101,091**	85,581
Prepaid lease payments		**17,082**	17,142
Deferred development costs		**1,265**	3,011
Interests in jointly-controlled entities		**16,670**	13,122
Interests in associates		**-**	-
Available-for-sale investments		**38,153**	26,094
Long term deposits		**4,942**	7,556
Total non-current assets		**179,203**	152,506
CURRENT ASSETS			
Inventories		**116,063**	125,314
Trade receivables	9	**90,424**	84,617
Prepayments, deposits and other receivables		**50,391**	62,819
Amounts due from associates		**1,453**	2,833
Investments at fair value through profit or loss		**8,450**	40,654
Derivative financial instruments		**227**	-
Cash and cash equivalents		**163,900**	201,343
Total current assets		**430,908**	517,580
CURRENT LIABILITIES			
Trade and bills payables	10	**38,554**	83,750
Other payables and accruals		**88,205**	54,012
Tax payable		**9,644**	37,692
Derivative financial instruments		**-**	35
Total current liabilities		**136,403**	175,489
NET CURRENT ASSETS		**294,505**	342,091
Net assets		**473,708**	494,597
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**119,766**	119,766
Reserves		**350,201**	371,376
		469,967	491,142
Non-controlling interests		**3,741**	3,455
Total equity		**473,708**	494,597

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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards - Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment - Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation - Classification of Rights Issues*
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
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*
Improvement to HKFRs (May 2009)	Amendments to a number of HKFRSs*
HK Interpretation 4 (Revised in December 2009)	*Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements - Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause*

* Improvements to HKFRSs (May 2009) contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

The adoption of the new HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

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 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [3]
HKFRS 9	*Financial Instruments* [5]
HKAS 12 Amendments	*Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets* [4]
HKAS 24 (Revised)	*Related Party Disclosures* [2]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [2]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [1]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1st July, 2010, whereas 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 1st January, 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1st July, 2010
[2] Effective for annual periods beginning on or after 1st January, 2011
[3] Effective for annual periods beginning on or after 1st July, 2011
[4] Effective for annual periods beginning on or after 1st January, 2012
[5] Effective for annual periods beginning on or after 1st January, 2013

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1st January, 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1st January, 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKFRS 3 *Business Combinations:* Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) HKAS 1 *Presentation of Financial Statements:* Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) HKAS 27 *Consolidated and Separate Financial Statements:* Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1st July, 2009 or earlier if HKAS 27 is applied earlier.

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 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 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 31st March, 2011	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	**250,900**	**371,955**	**-**	**622,855**
Segment results	**(41,911)**	**9,140**	**2,691**	**(30,080)**
Reconciliation:				
Interest income				695
Impairment loss on interests of jointly-controlled entities				(1,600)
Share of losses of jointly-controlled entities				(500)
Loss before tax				(31,485)
Segment assets	**197,199**	**181,105**	**27,571**	**405,875**
Reconciliation:				
Unallocated assets				204,236
Total assets				610,111
Segment liabilities	**70,659**	**55,597**	**503**	**126,759**
Reconciliation:				
Unallocated liabilities				9,644
Total liabilities				136,403
Other segment information:				
Share of losses of jointly-controlled entities	-	-	500	500
Depreciation and amortisation	9,090	6,749	2,053	17,892
Capital expenditure	23,978	5,446	166	29,590*
Gain on disposal of items of property, plant and equipment, net	(502)	(834)	-	(1,336)
Provision for inventories	9,934	8,600	-	18,534
Product warranty provision	646	-	-	646
Impairment loss on interests on jointly-controlled entities	-	-	1,600	1,600
Interests in jointly-controlled entities	-	-	16,670	16,670

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

Year ended 31st March, 2010	Electronic handheld products *HK$'000*	ODM products *HK$'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)
Segment assets	216,439	165,429	57,714	439,582
Reconciliation:				
Unallocated assets				230,504
Total assets				670,086
Segment liabilities	68,093	69,193	511	137,797
Reconciliation:				
Unallocated liabilities				37,692
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
Interests in jointly-controlled entities	-	-	13,122	13,122

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

Geographical information

(a) Revenue from external customers

	2011	2010
	HK$'000	*HK$'000*
Japan	**320,082**	318,747
Hong Kong	**90,706**	97,706
Taiwan	**75,884**	72,176
North America	**50,814**	46,593
Vietnam	**16,782**	37,708
Korea	**4,048**	36,229
Mainland China	**20,492**	23,983
Other Asian countries	**11,925**	4,668
Others	**32,122**	25,451
	622,855	663,261

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

(b) Non-current assets

	2011	2010
	HK$'000	*HK$'000*
Mainland China	**127,532**	109,580
Hong Kong	**13,006**	16,398
Others	**512**	434
	141,050	126,412

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:

		2011	
	Electronic handheld products	**ODM products**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Customer A	**-**	**106,385**	**106,385**
Customer B	**71,464**	**-**	**71,464**
Customer C	**-**	**67,774**	**67,774**

		2010	
	Electronic handheld products	ODM products	Total
	HK$'000	*HK$'000*	*HK$'000*
Customer A	-	98,024	98,024
Customer B	67,374	-	67,374

4. FINANCE COSTS

An analysis of finance cost is follows:

	2011	2010
	HK$'000	*HK$'000*
Interest on interest-bearing bank borrowing wholly repayable within five years	**-**	24

5. LOSS BEFORE TAX

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

	2011	2010
	HK$'000	*HK$'000*
Cost of inventories sold	**427,839**	468,456
Depreciation	**15,364**	21,611
Recognition of prepaid lease payments	**464**	454
Deferred development cost amortised	**2,064**	2,947
Auditors' remuneration	**1,550**	1,515
Impairment loss on interests on jointly-controlled entities	**1,600**	-
(Gain)/loss on disposal of items of property, plant and equipment, net	**(1,336)**	559
Provision for inventories	**18,534**	9,819
Product warranty provision	**646**	738

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 (2010: 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.

	2011	2010
	HK$'000	*HK$'000*
Group:		
Underprovision in prior years – Hong Kong	**176**	12,748
Current – Elsewhere	**116**	194
Total tax charged for the year	**292**	12,942

During the year ended 31st 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. In the opinion of the directors of the Company, after taking the professional advice from its tax advisor, the Group had made an additional tax provision of HK$176,000 (2010: HK$12,748,000) during the year ended 31st March, 2011.

During the year ended 31st March, 2011, the IRD has finalised the tax review and has reached agreement with the Group on the additional tax liabilities and tax penalty on these companies.

7. DIVIDEND

The Board does not recommended the payment of any dividend (2010: Nil) for the year ended 31st March, 2011.

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$31,807,000 (2010: HK$34,256,000) and the weighted average of 1,197,663,029 (2010: 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 31st March, 2011 and 2010 in respect of a dilution as the impact of the Company's share options outstanding had an anti-dilutive effect on the basis loss per share amounts presented.

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:

	2011	2010
	HK$'000	*HK$'000*
0 - 60 days	**74,394**	66,633
61 - 90 days	**1,913**	7,347
Over 90 days	**14,117**	10,637
	90,424	84,617

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:

	2011	2010
	HK$'000	*HK$'000*
0 - 60 days	**36,240**	79,626
61 - 90 days	**109**	1,585
Over 90 days	**2,205**	2,539
	38,554	83,750

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 (2010: Nil) to shareholders for the year ended 31st March, 2011.

CLOSURE OF REGISTER OF MEMBERS

The Board hereby announces that the register of members of the Company will be closed from Friday, 9th September, 2011 to Thursday, 15th September, 2011, 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, 8th September, 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Electronic Dictionary

The SBU (strategic business unit) has experienced a decline both in its sales turnover and gross profit in the financial year of 2010-2011 as compared with the last financial year. The SBU is facing the challenge of increases in material and operating costs owing to the continuous appreciation of Japanese Yen and Renminbi.

The uncertainty of the global economy has continued to depress the consumer-spending sentiment. The sluggish consumer demand has inevitably impacted the business performance of the SBU. The emergence of integrated consumer electronic products that contains e-dictionary and basic e-learning applications also hindered the pace of business recovery of the SBU.

Since the worldwide financial tsunami at the end of 2008, the SBU has adjusted its business strategy to put more emphasis on the development of medium to low end products that were less likely to be affected during the economic downturn. Though the SBU could see the up trend on sales demand for this product segment, the contribution to the overall SBU's gross profit margin is not significant.

The SBU, in recent years, has put a lot of marketing efforts in Vietnam and has achieved a significant and positive business growth in the past two years. Nevertheless, many new competitors have also entered the Vietnam market in 2010 and price competition has been getting keener and tougher.

Original Design Manufacturing ("ODM")

The gradual recovery of business of the SBU that started in the previous financial year continued to the present financial year 2010–2011 with a satisfactory increase in profit. The sales and profit of the SBU, however, has shown signs of slowing down in the second half financial year owing to the changes in the product mix of the SBU. In particular, the previously fast-growing sales of eBook readers in the US markets has encountered a sudden decline owing to the availability of eBook applications on many popular standard platforms such as smart phones and tablet personal computers. In the face of such fierce competition, the selling price of our eBook readers has been cut.

Working closely with our valued customer in Japan, the electronic stationary product line is one of the major continuous growth areas of the SBU. One of the new ODM products, "Digital Name Card Holder", was launched in Japan in the middle of 2010 and has been well received by the market with stable sales throughout the second half of the financial year 2010–2011. This product has a unique feature of capturing and storing the name card images using the built-in CMOS (Complementary Metal Oxide Semiconductor) sensor camera in both image and text forms. The latter are generated automatically by the OCR (Optical Character Recognition) software in the device.

WND (Wireless Navigation Device) with 3G data communication capability for use with real time navigation information services was also launched in Japan in the middle of the financial year 2010–2011. This device, together with the unique value-added services offered by our customer, a leading navigation service provider in Japan, will create new demands amongst drivers there.

Personal Communication Products

In the financial year 2010-2011, the revenue of the SBU has dropped slightly with improvement in the business performance as compared with the previous financial year. This improvement is due to the drop in sales of the low profit margin ODM business together with the increase in sales of POSPDA (Point-of-Sale Personal Digital Assistant) products that have higher gross profit margins.

As for the POSPDA business, the products have begun to find market acceptance with sales growing steadily, in particular in the second half of the financial year. In view of the market acceptance, the SBU has also developed a series of POSPDA products for different sectors of industry for further market penetration. As for the ODM business, our revenue dropped in the financial year 2010-2011 as the sales of one of our major clients in the European and US markets has been unsatisfactory. On the other hand, the SBU has invested in the development of a new product line of Tracking Products, targeting both industrial and personal customers by making use of our expertise and experience in the design of GPS products.

In conclusion, despite the decrease in the sales in the financial year of 2010-2011, it is expected that the increase in the POSPDA business, the new ODM projects and the new product line will result in a better performance in the future.

Outlook

Electronic Dictionary

Though there are signs of economy recovery in some of the Asian markets, consumer confidence is still weak and uncertain. In response to the volatile market conditions and rapid demand changes, the SBU will continue to monitor the markets closely and adapt its product and market strategies accordingly.

To minimize the pressure on gross profit margins, the SBU will strive to continually enhance its operational efficiency and control the product development and material costs. To alleviate the adverse impact on material supply and component price owing to March 2011 earthquake and tsunami in Japan, the SBU will broaden its supply base and continue to monitor the performance of its supply chain and adjust the procurement strategy if necessary.

The SBU will also continue to work hard in expanding its customer base in various markets. With a view of lessening the threat posed by the emergence of integrated consumer products, the SBU will explore the e-learning markets by introducing a new e-learning platform and uniquely designed products that would have learning features and applications targeting the student and young executive customer segments in particular.

Original Design Manufacturing

The SBU expects to penetrate the Japanese markets further in the coming years, as many of our Japanese customers are enjoying stable business growth, and as our subsidiary company in Japan is doing good communication work in correctly understanding the customers' requirements and in matching our research and development and manufacturing capabilities in Hong Kong and in China. The risk for the SBU, however, may be the over reliance on the Japanese market. As both the consumer and industrial sectors of the Japanese economy may be in decline after the natural disaster in March 2011, this may weaken the business growth of the SBU in the coming year.

The SBU continues to develop new electronic stationary products and novel consumer products for the Japan market. Product design and development for these two products are in progress with market launch planned in the financial year of 2011–2012. Other projects are under discussion.

A brand new ODM product for the handheld terminal is being developed for another Japanese customer, one of the leading companies in POS system with handheld terminals. Shipment is planned in the first quarter of the financial year 2011–2012. With its unique wireless connectivity, our new handheld terminal will help reduce the cost of setting up wireless systems in retail shops and restaurants. Stable growth of this business is expected.

Work on the development of a new product related to the live video broadcast through the internet has been kicked off. This is for a new customer in Japan and the product will be launched in the year of 2011.

The SBU understands that quality in design, manufacturing and service to customers are important in serving the Japanese market. In line with the SBU's consistent strategy for the continual focus on the Japanese market, measures for enhancing quality are being taken with priority in the areas of human resources, organization and control systems.

Personal Communication Products

The POSPDA business will continue to grow in the financial year of 2011-2012. New ODM projects being developed will bring in more revenue. Together with the new products to be launched for the new product line of the Tracking Products, the revenue of the SBU in the financial year of 2011-2012 is expected to grow.

The focus of the POSPDA business is in developing new markets and new products for different sectors of industry. Penetrating the American and South-east Asian markets and acquiring new customers in the logistics and retail industries are key to the growth of the POSPDA business. The ODM business in the financial year of 2011-2012 will expand into the M2M (Machine-to-Machine) communication products and communication module businesses. As for the Tracking Product, the SBU will aim at securing a number of service partners to ensure the successfully launching of this product line.

The development of industrial communication products and ODM business have been the business focus of the SBU, and the key success factors are quality products, professional technical support and after-sale services. The SBU is committed to enhance the product quality and service level in the financial year of 2011-2012.

Liquidity and Financial Resources

On 31st March, 2011, the bank balances and cash (including bank deposits) were HK$163,899,986 in total, which was HK$37,442,854 or 19% lower than those of twelve months ago.

As at 31st March, 2011, the gearing ratio, defined as total bank borrowings divided by shareholders' equities was 0%. The interest expenses is HK$0 during the period.

Contingent Liabilities

As at 31st March, 2011, the contingent liabilities of the Group were HK$4,895,000 (2010: HK$4,907,618).

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, 2011, the Group has on its payroll 223 (2010: 244) employees in Hong Kong, 2,105 (2010: 2,360) employees in the People's Republic of China and 12 (2010: 13) employees in Japan, representing a decrease of about 9%, 11% and 8% respectively as compared with prior year. In addition to salary remuneration and usual fringe benefits such as annual leave, medical insurance and provident fund, the Group also provides Share Incentive Plans for executive directors and senior staff.

Appreciation

On behalf of the Board, I wish to thank all our shareholders, customers, suppliers and bankers for their continual support. I would also like to extend my appreciation to all the staff for their dedicated work and their contribution throughout the 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, 2011.

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. During the financial year ended 31st March, 2011, the Audit Committee has held four 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 audited annual report for the year ended 31st March, 2011.

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 Practices (the "Code") throughout the financial year ended 31st March, 2011 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").

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, 2011.

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

Hong Kong, 28th June, 2011

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