# 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, 2012

## 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, 2012, together with the comparative figures for the previous year, as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | *Notes* | **2012** *HK$'000* | 2011 *HK$'000* |
|---|---|---|---|
| **REVENUE** | 3 | **478,708** | 622,855 |
| Cost of sales | | **(350,395)** | (446,373) |
| Gross profit | | **128,313** | 176,482 |
| Other income and gains, net | | **15,588** | 12,175 |
| Selling and distribution costs | | **(42,681)** | (48,633) |
| Administrative expenses | | **(96,263)** | (89,694) |
| Research and development expenses | | **(78,274)** | (79,715) |
| Other expenses | | **(3,467)** | (1,600) |
| Finance costs | 4 | **(511)** | - |
| Share of profit/(loss) of a jointly-controlled entity | | **423** | (500) |
| **LOSS BEFORE TAX** | 5 | **(76,872)** | (31,485) |
| Income tax expense | 6 | **(46)** | (292) |
| **LOSS FOR THE YEAR** | | **(76,918)** | (31,777) |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Exchange differences on translation of foreign operations | | **6,328** | 10,888 |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | | **(70,590)** | (20,889) |

* *For identification purpose only*

| | Notes | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|---|
| Profit/(loss) attributable to: | | | |
| Equity holders of the Company | | **(73,182)** | (31,807) |
| Non-controlling interests | | **(3,736)** | 30 |
| | | **(76,918)** | (31,777) |
| Total comprehensive income/(loss) attributable to: | | | |
| Equity holders of the Company | | **(67,277)** | (21,175) |
| Non-controlling interests | | **(3,313)** | 286 |
| | | **(70,590)** | (20,889) |
| **LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY** | 8 | | |
| Basic | | **(HK6.1 cents)** | (HK2.7 cents) |
| Diluted | | **(HK6.1 cents)** | (HK2.7 cents) |

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | *Notes* | **2012** | 2011 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **121,525** | 101,091 |
| Prepaid lease payments | | **17,017** | 17,082 |
| Deferred development costs | | **890** | 1,265 |
| Interests in jointly-controlled entities | | **12,344** | 16,670 |
| Interests in associates | | **-** | - |
| Available-for-sale investments | | **38,218** | 38,153 |
| Long term deposits | | **5,811** | 4,942 |
| Total non-current assets | | **195,805** | 179,203 |
| **CURRENT ASSETS** | | | |
| Inventories | | **77,367** | 116,063 |
| Trade receivables | 9 | **59,640** | 90,424 |
| Prepayments, deposits and other receivables | | **42,473** | 50,391 |
| Amounts due from associates | | **1,423** | 1,453 |
| Investments at fair value through profit or loss | | **8,261** | 8,450 |
| Derivative financial instruments | | **-** | 227 |
| Cash and cash equivalents | | **138,990** | 163,900 |
| Total current assets | | **328,154** | 430,908 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | 10 | **39,666** | 38,554 |
| Other payables and accruals | | **52,585** | 88,205 |
| Interest-bearing bank borrowing | | **20,000** | - |
| Tax payable | | **155** | 9,644 |
| Total current liabilities | | **112,406** | 136,403 |
| **NET CURRENT ASSETS** | | **215,748** | 294,505 |
| Net assets | | **411,553** | 473,708 |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Issued capital | | **119,766** | 119,766 |
| Reserves | | **287,637** | 350,201 |
| | | **407,403** | 469,967 |
| **Non-controlling interests** | | **4,150** | 3,741 |
| Total equity | | **411,553** | 473,708 |

## 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 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 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* |
| HKAS 24 (Revised) | *Related Party Disclosures* |
| HK(IFRIC)-Int 14 Amendments | Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* |
| HK(IFRIC)-Int 19 | *Extinguishing Financial Liabilities with Equity Instruments* |
| *Improvements to HKFRSs 2010* | Amendments to a number of HKFRSs issued in May 2010 |

The adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

## 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 Amendments | Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [1] |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [1] |
| HKFRS 9 | *Financial Instruments* [6] |
| HKFRS 10 | *Consolidated Financial Statements* [4] |
| HKFRS 11 | *Joint Arrangements* [4] |
| HKFRS 12 | *Disclosure of Interests in Other Entities* [4] |
| HKFRS 13 | *Fair Value Measurement* [4] |
| HKAS 1 Amendments | *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* [3] |
| HKFRS 1 Amendments | Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[4] |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments: Offsetting Financial Assets and Financial Liabilities*[4] |
| HKAS 12 Amendments | Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [2] |

| | |
|---|---|
| HKAS 32 Amendments | Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5] |
| HKAS 19 (2011) | *Employee Benefits* [4] |
| HKAS 27 (2011) | *Separate Financial Statements* [4] |
| HKAS 28 (2011) | *Investments in Associates and Joint Ventures* [4] |
| Annual Improvements Project | *Annual Improvements to HKFRSs 2009-2011 Cycle*[4] |

[1] Effective for annual periods beginning on or after 1st July, 2011
[2] Effective for annual periods beginning on or after 1st January, 2012
[3] Effective for annual periods beginning on or after 1st July, 2012
[4] Effective for annual periods beginning on or after 1st January, 2013
[5] Effective for annual periods beginning on or after 1st January, 2014
[6] Effective for annual periods beginning on or after 1st January, 2015

The Group is in the progress of making an assessment of the impact of these new and revised HKFRS, upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have any significant impact on its 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 other unallocated head office assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowing, tax payable and other unallocated head office and corporate 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, 2012** | **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 | **231,758** | **246,950** | **-** | **478,708** |
| **Segment results** | **(48,032)** | **(28,013)** | **259** | **(75,786)** |
| *Reconciliation:* | | | | |
| Interest income | | | | **1,335** |
| Dividend income | | | | **1,134** |
| Finance costs | | | | **(511)** |
| Impairment loss on interests in a jointly-controlled entity | | | | **(1,600)** |
| Impairment loss on amount due from a joint venture partner | | | | **(1,867)** |
| Share of profit of a jointly-controlled entity | | | | **423** |
| Loss before tax | | | | **(76,872)** |

| | | | | |
|---|---|---|---|---|
| **Segment assets** | **212,030** | **110,549** | **21,951** | **344,530** |
| *Reconciliation:* | | | | |
| Unallocated assets | | | | **179,429** |
| Total assets | | | | **523,959** |
| | | | | |
| **Segment liabilities** | **66,675** | **25,042** | **534** | **92,251** |
| *Reconciliation:* | | | | |
| Unallocated liabilities | | | | **20,155** |
| Total liabilities | | | | **112,406** |
| **Other segment information:** | | | | |
| Share of profit of a jointly-controlled entity | **-** | **-** | **(423)** | **(423)** |
| Depreciation and amortisation | **7,414** | **5,090** | **2,050** | **14,554** |
| Capital expenditure | **29,464** | **1,832** | **1,017** | **32,313*** |
| Gain on disposal of items of property, plant and equipment, net | **(553)** | **(488)** | **-** | **(1,041)** |
| Provision for inventories | **4,996** | **2,355** | **-** | **7,351** |
| Product warranty provision | **1,193** | **-** | **-** | **1,193** |
| Impairment loss on trade receivables | **8,428** | **-** | **-** | **8,428** |
| Impairment loss on other receivables | **5,082** | **-** | **-** | **5,082** |
| Impairment loss on interests in a jointly-controlled entity | **-** | **-** | **1,600** | **1,600** |
| Interests in jointly-controlled entities | **-** | **-** | **12,344** | **12,344** |

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

| Year ended 31st March, 2011 | Electronic handheld products *HK$'000* | ODM products *HK$'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 | 1,629 | (31,142) |
| *Reconciliation:* | | | | |
| Interest income | | | | 695 |
| Dividend income | | | | 1,062 |
| Impairment loss on interests in a jointly-controlled entity | | | | (1,600) |
| Share of loss of a jointly-controlled entity | | | | (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 loss of a jointly-controlled entity | - | - | 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 in a jointly-controlled entity | - | - | 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.

**Geographical information**

(a) Revenue from external customers

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Japan | **258,209** | 320,082 |
| Hong Kong | **88,802** | 90,706 |
| Taiwan | **43,534** | 75,884 |
| North America | **14,799** | 50,814 |
| Vietnam | **12,727** | 16,782 |
| Korea | **43** | 4,048 |
| Mainland China | **17,755** | 20,492 |
| Other Asian countries | **7,116** | 11,925 |
| Others | **35,723** | 32,122 |
| | **478,708** | 622,855 |

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

(b) Non-current assets

| | **2012** *HK$'000* | 2011 *HK$'000* |
|---|---|---|
| Mainland China | **140,444** | 127,532 |
| Hong Kong | **16,808** | 13,006 |
| Others | **335** | 512 |
| | **157,587** | 141,050 |

The non-current assets information above is based on the location of assets and excludes available-for-sale investments.

**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:

| | **2012** | | |
|---|---|---|---|
| | **Electronic handheld products** *HK$'000* | **ODM products** *HK$'000* | **Total** *HK$'000* |
| Customer A | **-** | **51,038** | **51,038** |

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

## 4. FINANCE COSTS

| | **2012** *HK$'000* | 2011 *HK$'000* |
|---|---|---|
| Interest on bank borrowing wholly repayable within five years | **511** | - |

## 5. LOSS BEFORE TAX

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

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cost of inventories sold | **343,044** | 427,839 |
| Depreciation | **12,974** | 15,364 |
| Recognition of prepaid lease payments | **476** | 464 |
| Deferred development cost amortised | **1,104** | 2,064 |
| Auditors' remuneration | **1,100** | 1,550 |
| Impairment loss on amount due from a joint venture partner* | **1,867** | - |
| Impairment loss on interests in a jointly-controlled entity* | **1,600** | 1,600 |
| Impairment loss on trade receivables | **8,428** | - |
| Impairment loss on other receivables | **5,082** | - |
| Provision for inventories | **7,351** | 18,534 |
| Gain on disposal of items of property, plant and equipment, net | **(1,041)** | (1,336) |
| Product warranty provision | **1,193** | 646 |

*Impairment losses on interests in a jointly-controlled entity and amount due from a joint venture partner are included in "other expenses" in the consolidated statement of comprehensive income.

## 6. INCOME TAX EXPENSE

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 (2011: 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.

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Underprovision in prior years – Hong Kong | **-** | 176 |
| Current – Elsewhere | **46** | 116 |
| Total tax charged for the year | **46** | 292 |

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 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 recommend the payment of any dividend for the years ended 31st March, 2012 and 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$73,182,000 (2011: loss of HK$31,807,000) and the 1,197,663,029 (2011: 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 2012 and 2011 in respect of a dilution as the exercise price of the share options of the Company outstanding during the two years was higher than the average market price of the Company's ordinary shares and, accordingly, such share options held have no dilutive effect on the basic loss per ordinary shares.

## 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 of HK$15,666,000 (2011: HK$7,133,000), is as follows:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 - 60 days | **56,203** | 74,394 |
| 61 - 90 days | **267** | 1,913 |
| Over 90 days | **3,170** | 14,117 |
| | **59,640** | 90,424 |

## 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:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 - 60 days | **36,845** | 36,240 |
| 61 - 90 days | **746** | 109 |
| Over 90 days | **2,075** | 2,205 |
| | **39,666** | 38,554 |

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

## 11. EVENT AFTER THE REPORTING PERIOD

Subsequent to the reporting period, the Group has entered into the agreement with the non-controlling interest of Guangdong ZDXT Software Technology Company Limited (the "Purchaser") to dispose 17% equity interest of Guangdong ZDXT Software Technology Company Limited ("ZDXT") at cash consideration of RMB29.35 million (approximately HK$36 million) (the "Disposal") on 24 April 2012. Due to the fact that the Pre-sale Commercial Housing Permits or the House Ownership Certificate in respect of property of ZDXT might only be issued by the end of 2013, such progress does not match the development pace as originally planned by the Purchaser in the agreement. The Group and the Purchaser mutually agreed to terminate the Disposal by entering the termination agreement on 4 June 2012. Further particulars of the Disposal and the termination of the Disposal are set out in the Company's announcements published on 24 April 2012 and 4 June 2012.

## FINAL DIVIDEND

The Board does not recommend any payment of final dividend (2011: Nil) to shareholders for the year ended 31st March, 2012.

## CLOSURE OF REGISTER OF MEMBERS

The Board hereby announces that the register of members of the Company will be closed from Friday, 14th September, 2012 to Tuesday, 18th September, 2012, 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, 13th September, 2012.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

*Strategic Products*

The Electronic Dictionary Division has experienced a decline in sales turnover and profit in the financial year of 2011-2012. The orders from major markets such as Hong Kong and Taiwan showed no significant recovery even after launch of series of new products. The rapid growth of smartphones with standard operating system platforms that contains e-dictionary applications affected the demand in traditional electronic dictionary products. Major efforts have been made for reviewing the business strategy and for improvement in operating efficiency with a view of minimizing the loss.

The result of the Original Design Manufacturing Division in the second half of the financial year of 2011-2012 recorded a decrease in sales turnover and a negative profit. As the Japanese economy was still in decline after the natural disaster in March 2011, the orders from our Japanese customers had become sluggish and deviated from their forecast. The Division had responded by focusing on high value-added, higher profitable vertical markets products business. Nevertheless, the decrease in order quantity inevitably affected the efficiency of the factory operation. Sudden drop in the eBook readers orders in the US market had also affected the inventories level, resulting in a loss.

*Personal Communication Products*

The sales volume of PCP SBU (Personal Communication Products Strategic Business Unit) has increased noticeably in the financial year of 2011-2012 as compared to the financial year of 2010-2011, due to the increased delivery of POS (Point-of-Sale) Terminal products and M2M (Machine-to-Machine) communication products. The business of PCP SBU has turned around in the financial year of 2011-2012.

PCP SBU focused in developing wireless communication products business. The results of shifting from the consumer electronics market to vertical market are seen. PCP SBU mainly develops wireless communication products for vertical markets, including POS Terminal products and M2M communication products. POS Terminal products are a series of wireless communication terminals specially designed for hospitality, logistic, retail and other industries. Through non-intermittent communication, practitioners can complete the jobs efficiently by mastering and processing the information at any time and at any place. The corporate operation efficiency would then be enhanced.

M2M communication products enable the users to master the real-time and accurate location, movement, status and other important information through wireless communication technologies. Corporations are able to manage the assets efficiently, utilise the apparatus and control the logistics with a view of utilising the resources effectively.

## Outlook

*Strategic Products*

In view of continuous enhancement on efficiency and effectiveness of business operation flow and to cope with the Group's future business development plan, beginning from 1st April, 2012, a new SP SBU (Strategic Products Strategic Business Unit) was formed by combining the Electronic Dictionary Division and Original Design Manufacturing Division. "Learning Solution Department" is newly formed for developing value-added products and services in the education segment. SP SBU is strived to develop new Android-based products and services for different business sectors and business partners.

While the business situation and environment may remain tough in the financial year of 2012-2013, SP SBU will persistently pursue its strategy of penetrating the Japan market by continue enhancing the quality and the service. In addition, SP SBU will intensify its efforts in achieving the business recovery and restoring business growth by adopting different directions. In addition to the conventional ODM (original design manufacturing) business that we continue developing and manufacturing the products according to customers' product plan, SP SBU has started to develop new product plans to customers based on our profound knowledge on components trend and worldwide technology partnership. SP SBU expects that new products will be launched in Japan market with customers' brands and distribution channels.

At the same time, SP SBU will explore new business opportunities in view of utilizing manufacturing facilities and help strengthening the competitiveness of the Group.

*Personal Communication Products*

The further advancement of wireless communication network and technologies enable the widespread of wireless internet and lower the products costs to a reasonable level. Wireless communication network brings new applications and convenience to consumers, enables swift growth and widespread use of smartphones in the consumer markets, and this in turn leading to unlimited business opportunities. As for the vertical markets, wireless internet enables corporations to interconnect people and things, acquire real-time information and deploy resources effectively. This enhances the corporate operation efficiency. More value-added services could be provided to customers. We believe that the potential of wireless communication products for vertical markets is great.

In the coming year, PCP SBU would continue developing wireless communication products for vertical markets and strive to increase the product competitiveness by improving the products features, expansibility and reliability as well as enhancement of service quality. We believe that flexible order placing, sufficient technical support and full after-sales services are vital to the success in the vertical markets. In addition, with the well-established sales channel, goodwill and partnership, products could be launched to the end users effectively.

Looking forward to the coming years, we are facing challenges despite the potential in the market. Firstly, in the face of the uncertainty of global economy, corporations may be closed down or deducted the expenses, which in turn affect the products demand. Secondly, competitors impose another challenge. Severe consumer market competitions may have an effect on corporations to shift to vertical markets. PCP SBU will increase its competitiveness for success in the vertical markets.

**Liquidity and Financial Resources**

On 31st March, 2012, the bank balances and cash (including bank deposits) were HK$138,990,253 in total, which was HK$24,909,733 or 15% lower than those of twelve months ago. The Group's bank borrowing is HK$20,000,000 (31st March, 2011: Nil). The Group's bank borrowing is denominated in Hong Kong dollars with floating interest rate and short term in nature.

As at 31st March, 2012, the gearing ratio, defined as total bank borrowings divided by shareholders' equities was 5%. The interest expenses is HK$511,201 during the period.

**Contingent Liabilities**

As at 31st March, 2012, the contingent liabilities of the Group were HK$12,650,200 (2011: HK$4,895,000).

**Foreign Currencies and Treasury Policy**

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollars, Japanese Yen, United States dollars or Renminbi. The usual treasury policy of the Group is to manage significant currency exposure and minimize currency risk whenever it may have material impact to the Group. During the twelve months period, the Group does not engage in any interest rate or currencies speculations.

**Employees**

As at 31st March, 2012, the Group has on its payroll 201 (2011: 223) employees in Hong Kong, 1,583 (2011: 2,105) employees in the People's Republic of China and 13 (2011: 12) employees in Japan, representing a decrease of about 10%, a decrease of about 25% and an increase of about 8% respectively as compared with prior year. In addition to salary remuneration, the Group provides various fringe benefits such as annual leave, medical insurance and provident fund.

**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, 2012.

## AUDIT COMMITTEE

Currently, the Audit Committee comprises three independent non-executive directors, namely Mr. Yung Wing Ki, Samuel SBS, MH, JP (Chairman of the Audit Committee), Mr. Ho Kwok Shing, Harris and Mr. Wong Kon Man, Jason. During the financial year ended 31st March, 2012, 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 annual results for the year ended 31st March, 2012.

The Audit Committee has made positive contribution to enhancing the Company's corporate governance.

## CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") throughout the financial year ended 31st March, 2012 as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## 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, 2012.

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

Hong Kong, 26th June, 2012

*As at the date of this announcement, the Board comprises Dr. Tam Wai Ho, Samson JP, Mr. Tam Wai Tong, Thomas, Mrs. Tam Mui Ka Wai, Vivian, Mr. Kazuhiro Otani, Mr. Lee Koon Hung and Ms. Luk Chui Yung, Judith as executive directors; Mr. Yung Wing Ki, Samuel SBS, MH, JP, Mr. Ho Kwok Shing, Harris and Mr. Wong Kon Man, Jason as independent non-executive directors.*

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