GroupSense 權智集團

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 31 MARCH 2014

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 31 March 2014, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Notes	**2014**	2013
		HK$'000	*HK$'000*
REVENUE	4	**349,382**	383,340
Cost of sales		**(280,981)**	(294,346)
Gross profit		**68,401**	88,994
Other income and gains, net	4	**10,915**	19,756
Selling and distribution expenses		**(37,606)**	(36,036)
Administrative expenses		**(79,211)**	(86,826)
Research and development expenses		**(41,178)**	(58,345)
Other operating expenses, net		**(7,542)**	(3,391)
Finance costs	5	**(574)**	(580)
Share of profits and losses of:			
Joint ventures		**6**	(160)
An associate		**-**	(100)
LOSS BEFORE TAX	6	**(86,789)**	(76,688)
Income tax credit/(expense)	7	**(16)**	3
LOSS FOR THE YEAR		**(86,805)**	(76,685)

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(cont'd)*
For the year ended 31 March 2014

	Notes	**2014**	2013
		HK$'000	*HK$'000*
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(2,002)**	869
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(88,807)**	(75,816)
Loss attributable to:			
Equity holders of the Company		**(80,409)**	(75,724)
Non-controlling interests		**(6,396)**	(961)
		(86,805)	(76,685)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(82,411)**	(75,011)
Non-controlling interests		**(6,396)**	(805)
		(88,807)	(75,816)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	9	**(HK6.7 cents)**	(HK6.3 cents)
Diluted	9	**(HK6.7 cents)**	(HK6.3 cents)

Details of the dividends are disclosed in note 8 to this announcement.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2014

	Notes	**2014**	2013
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**133,106**	125,894
Prepaid land lease payments		**16,669**	17,162
Deferred development costs		**506**	593
Investments in joint ventures		**8,834**	8,203
Investments in associates		**-**	-
Available-for-sale investments		**31,199**	36,425
Long term deposits		**52**	3,275
Total non-current assets		**190,366**	191,552
CURRENT ASSETS			
Inventories		**47,039**	65,554
Trade receivables	10	**43,587**	56,999
Prepayments, deposits and other receivables		**28,167**	33,550
Amounts due from joint ventures		**401**	195
Amounts due from associates		**5,734**	3,328
Pledged deposits		**1,001**	-
Cash and cash equivalents		**33,496**	80,782
Total current assets		**159,425**	240,408
CURRENT LIABILITIES			
Trade payables	11	**40,145**	43,389
Other payables and accruals		**35,197**	30,646
Interest-bearing bank borrowings		**23,814**	20,000
Provision		**1,573**	2,059
Due to a non-controlling shareholder of a subsidiary		**2,002**	-
Tax payable		**130**	129
Total current liabilities		**102,861**	96,223
NET CURRENT ASSETS		**56,564**	144,185
Net assets		**246,930**	335,737
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**119,766**	119,766
Reserves		**130,743**	212,626
		250,509	332,392
Non-controlling interests		**(3,579)**	3,345
Total equity		**246,930**	335,737

NOTES

1. BASIS OF PREPARATION

The Group recorded a consolidated net loss of HK$86,805,000 (2013: HK$76,685,000) for the year ended 31 March 2014.

Management considers the going concern basis of preparation of the financial statements appropriate after taking in consideration the following:

(a) the Group had interest bearing bank borrowings of approximately HK$23,814,000 as at 31 March 2014 for working capital purposes. Although the bank borrowings will expire within one year, the directors are of the opinion that the Group will be able to renew/refinance the bank borrowings upon its expiry;

(b) the Group had non-current assets including leasehold land and buildings located in Mainland China and available-for-sale investments as at 31 March 2014 that are available for the Group to realise significant cash or for securities for further bank borrowings; and

(c) management has been endeavoring to improve the Group's operating results and cash flows.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the consolidated financial statements.

The Group's 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 Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The Group's financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES 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 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*

HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 11, HKFRS 12, HKFRS 13, amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKAS 1 and HKAS 36, and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-*Int 12 Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 April 2013.

(b) HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities–Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The classification of joint arrangements under HKFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with HKAS 28 (2011).

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11, and concluded that the application of HKFRS 11 does not change the classification of the Group's investment in a joint venture.

(c) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. The adoption of HKFRS 12 only affects disclosures in the financial statements.

(d) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. The amendments have had no effect on the financial position or performance of the Group.

(e) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. The adoption of HKFRS 13 has had no effect on the financial position or performance of the Group.

(f) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of profit or loss and other comprehensive income has been represented to reflect the changes.

(g) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 April 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

(h) *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of standards. 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 have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements:* Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation:* Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the personal communication products segment designs, manufactures and sells a range of communication products;

(b) the strategic products segment designs, manufactures and sells original design manufacturing ("ODM") products and electronic dictionary products and provides electronic manufacturing services; and

(c) the corporate and others segment comprises corporate income, expenses, asset and liability items related to the Group's investment activities.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that interest income, finance costs, dividend income as well as head office and corporate expenses are excluded from this measurement.

Segment assets exclude investments in joint ventures, available-for-sale investments, amounts due from associates and joint ventures, pledged deposits, 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 borrowings, an amount due to a non-controlling shareholder of a subsidiary, 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 31 March 2014	Personal communication products *HK$'000*	Strategic products *HK$'000*	Corporate and others *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	**78,158**	**271,224**	**-**	**349,382**
Segment results	**(36,308)**	**(42,168)**	**(339)**	**(78,815)**
Reconciliation:				
Interest income				**136**
Finance costs				**(574)**
Impairment of an amount due from an associate				**(1,174)**
Impairment of available-for-sale investments				**(5,226)**
Impairment of deposits and prepayments				**(1,425)**
Reversal of impairment of an amount due from an associate				**283**
Share of profits and losses of joint ventures				**6**
Loss before tax				**(86,789)**
Segment assets	**53,564**	**214,851**	**711**	**269,126**
Reconciliation:				
Unallocated assets				**80,665**
Total assets				**349,791**
Segment liabilities	**16,751**	**59,759**	**405**	**76,915**
Reconciliation:				
Unallocated liabilities				**25,946**
Total liabilities				**102,861**
Other segment information:				
Depreciation and amortisation	**2,451**	**9,117**	**619**	**12,187**
Capital expenditure	**3,007**	**16,986**	**-**	**19,993***
Loss/(gain) on disposal of items of property, plant and equipment, net	**(579)**	**(113)**	**213**	**(479)**
Write-down of inventories to net realisable value	**3,704**	**5,828**	**-**	**9,532**
Product warranty provision	**587**	**170**	**-**	**757**
Reversal of product warranty provision	**-**	**(400)**	**-**	**(400)**
Impairment of trade receivables	**-**	**1,720**	**-**	**1,720**
Impairment of other receivables	**3,508**	**4,492**	**-**	**8,000**

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

Year ended 31 March 2013	Personal communication products *HK$'000*	Strategic products *HK$'000*	Corporate and others *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	86,914	296,426	-	383,340
Segment results	(30,684)	(49,595)	(315)	(80,594)
Reconciliation:				
Interest income				1,020
Dividend income				1,137
Finance costs				(580)
Impairment of an amount due from a joint venture				(2,506)
Impairment of an amount due from an associate				(1,315)
Reversal of impairment of an amount due from an associate				430
Share of profits and losses of:				
Joint ventures				(160)
An associate				(100)
Gain on disposal of an available-for-sale investments				5,693
Gain on disposal of subsidiaries				287
Loss before tax				(76,688)
Segment assets	58,428	243,638	961	303,027
Reconciliation:				
Unallocated assets				128,933
Total assets				431,960
Segment liabilities	17,247	58,437	410	76,094
Reconciliation:				
Unallocated liabilities				20,129
Total liabilities				96,223
Other segment information:				
Depreciation and amortisation	2,590	7,813	791	11,194
Capital expenditure	1,431	10,093	8	11,532*
Gain on disposal of items of property, plant and equipment, net	(62)	(245)	-	(307)
Write-down of inventories to net realisable value	362	6,180	-	6,542
Product warranty provision	657	203	-	860
Impairment of trade receivables	26	-	-	26
Impairment of other receivables	3,673	8,384	-	12,057

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

Geographical information

(a) Revenue from external customers

	2014	2013
	HK$'000	*HK$'000*
Japan	**189,522**	241,191
Hong Kong	**82,332**	53,849
Middle East	**27,934**	24,582
Taiwan	**14,338**	22,430
Europe	**15,391**	13,934
Vietnam	**32**	9,385
Mainland China (other than Hong Kong)	**3,952**	4,078
North America	**2,128**	3,942
Others	**13,753**	9,949
	349,382	383,340

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

(b) Non-current assets

	2014	2013
	HK$'000	*HK$'000*
Mainland China (other than Hong Kong)	**151,015**	142,929
Hong Kong	**8,038**	11,987
Others	**114**	211
	159,167	155,127

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

Information about major customers

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

	2014		
	Personal communication products *HK$'000*	**Strategic products** *HK$'000*	**Total** *HK$'000*
Customer B	**-**	**49,316**	**49,316**
Customer C	**-**	**39,352**	**39,352**

	2013		
	Personal communication products *HK$'000*	Strategic products *HK$'000*	Total *HK$'000*
Customer A	-	56,302	56,302

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the year.

An analysis of revenue, other income and gains, net is as follows:

	2014 *HK$'000*	2013 *HK$'000*
Revenue		
Sale of goods	**349,382**	383,340
Other income		
Interest income from investments at fair value through profit or loss	**-**	226
Bank interest income	**136**	1,020
Service fee income	**1,771**	4,358
Dividend income from available-for-sale investments	**-**	1,137
Others	**9,487**	6,758
	11,394	13,499
Other gains/(losses), net		
Fair value losses, net:		
Investments at fair value through profit or loss	**-**	(30)
Gain/(loss) on disposal of items of property, plant and equipment	**(479)**	307
Gain on disposal of an available-for-sale investment	**-**	5,693
Gain on disposals of subsidiaries	**-**	287
	(479)	6,257
	10,915	19,756

5. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**574**	580

6. LOSS BEFORE TAX

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

	2014	2013
	HK$'000	*HK$'000*
Cost of inventories sold	**271,449**	287,804
Depreciation	**11,258**	10,182
Recognition of prepaid land lease payments	**493**	493
Deferred development cost amortised	**436**	519
Auditors' remuneration	**1,100**	1,100
Impairment of an amount due from a joint venture*	**-**	2,506
Impairment of an amount due from an associate*	**1,174**	1,315
Impairment of available-for-sale investments*	**5,226**	-
Reversal of impairment of an amount due from an associate*	**(283)**	(430)
Impairment of trade receivables**	**1,720**	26
Impairment of deposits and prepayments*	**1,425**	-
Impairment of other receivables***	**8,000**	12,057

* Included in "Other operating expenses, net" in the consolidated statement of profit or loss and other comprehensive income.

** Included in "Selling and distribution expenses" in the consolidated statement of profit or loss and other comprehensive income.

*** Included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Company and its subsidiaries did not generate any assessable profits arising in Hong Kong during the year (2013: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2014	2013
	HK$'000	*HK$'000*
Current – Elsewhere		
Charge for the year	**16**	28
Overprovision in prior years	-	(31)
Total tax charge/(credit) for the year	**16**	(3)

8. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 March 2014 (2013: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of HK$80,409,000 (2013: loss of HK$75,724,000) and 1,197,663,029 (2013: 1,197,663,029) shares in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2014 and 2013.

10. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 to 60 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. 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:

	2014	2013
	HK$'000	*HK$'000*
Within 60 days	**40,285**	49,776
61 to 90 days	**145**	634
Over 90 days	**3,157**	6,589
	43,587	56,999

11. TRADE PAYABLES

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

	2014	2013
	HK$'000	*HK$'000*
Within 60 days	**34,611**	38,507
61 to 90 days	**1,151**	226
Over 90 days	**4,383**	4,656
	40,145	43,389

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 to the shareholders of the Company for the year ended 31 March 2014.

CLOSURE OF REGISTER OF MEMBERS

The Board hereby announces that the register of members of the Company will be closed from Monday, 8 September 2014 to Thursday, 11 September 2014 (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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 5 September 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As mobile Internet becomes a global trend, many related new products and new techniques are being launched into the market. This phenomenon brings new business opportunities whilst eliminating some of the old products. In order to adapt to this change and to effectively establish a foothold in the new business environment, the Group has revised the positioning on its products, services and teams last year. The Group has made good use of its partners' platforms for better utilization of its internal resources, so that it can allocate its resources to the high-growth segments. To cope with the work allocation of the whole supply chain, the Group also made strategic adjustments on its product development, manufacturing and sales respectively. A review on the new strategies and progress of each strategic business units of the Group were as follows:

Manufacturing Business Unit

The results of Manufacturing Business Unit ("MBU") were unsatisfactory in the year under review due to the unexpected change in production orders. In view of this, the MBU has made subsequent adjustments to further streamlining every single production process. Apart from outsourcing more working procedures, it also endeavored to expand the "Electronic Manufacturing Services" ("EMS") business in the mainland China. The results of the MBU showed significant improvement thereafter, particularly the touch panel business has begun to record a profit. Following the slight improvement on demand of the entire production market, the Group is optimistic about the number of production orders to be obtained by the MBU next year. The MBU will continue to strive for enhancing its production efficiency, so as to alleviate the cost pressure resulting from the increase in labor cost. In general, the Group is confident in respect of the improvement in the performance of MBU in the coming year.

Strategic Products Strategic Business Unit

The major customers of Strategic Products Strategic Business Unit ("SP SBU") were from Japan over the years. Owing to the uncertainty of the Japan market, the purchase orders from this market decreased last year, causing SP SBU failed to meet its anticipated results. Although SP SBU strived hard to seek for other new customers, the result is yet to be seen. As such, the Group has made certain strategic adjustments by taking fewer high-risk ODM orders which were at the preliminary development stage. Meanwhile, it started to apply aggressively the solutions developed by its research and development partners in order to reduce the product development costs and to shorten the product design period. In addition to minimizing the risks associated with product research and development, the new strategy also focused on development of the new markets other than Japan with a view to boost sales volume.

Regarding the learning products, the Group has released a number of new products in the China and South East Asia markets recently. The product strategies of the Learning Solution Department ("LSD"), a sub-division under SP SBU, for the year of 2014/15 focused on children's learning products. LSD gradually grasped the product needs of the PRC children aged between 3-6 years old after more than a year's exploration. The relevant products are ready to be introduced into the market. One of the major tasks of LSD in the coming year is to work in parallel with the online marketing and the online-and-offline marketing activities to promote these new products. The Group believes that children's products have growth potential, however, it needs to work hard in order to outperform its competitors.

Personal Communication Products Strategic Business Unit

Turnover of Personal Communication Products Strategic Business Unit ("PCP SBU") slightly lagged behind its forecasted amount in the year of 2013/14. The reason for this was mainly attributable to the delay in development causing certain new products could not be launched into the market as scheduled and hence, affecting the results.

PCP SBU developed two new point-of-sale ("POS") terminal products in the year under review: one was the enterprise tablet with different add-on modules to be used mainly in the catering and retail sectors; the other was a paging system to be used in the catering industry to enhance operating efficiency of our customers. The popularity of cloud computing and mobile payment leads to an increase in demand for POS wireless terminals by the enterprises. Leveraging on its two new POS products, namely the "enterprise tablet" and "restaurant paging system", together with its existing POS handheld terminal products, it is believed that PCP SBU's performance in the year of 2014/15 will be improved.

In addition, PCP SBU strived to increase its competitiveness by opening up more new markets as well as to better control product quality and development costs.

OUTLOOK

After completion of restructuring and repositioning of the related divisions of the Group, it is expected that the business development capabilities of these divisions will be enhanced. The MBU experienced a positive feedback on its restructuring. It secured orders seeking for sub-contract services from new customers from time to time. Its production capacity can gradually be restored to a reasonable level. The Group will deploy more resources in market development in the year of 2014/15. It is believed that this will be helpful in exploiting new sources of customers for the EMS and Original Equipment Manufacturing businesses, hopefully the overall production efficiency of the MBU can be further enhanced and it can be able to breakeven soon.

Besides, development of the new generation of an e-learning tablet was basically completed and the product is ready to be launched into the market. Apart from selling of the hardware, the Group will introduce more value-added contents for this product with a view to establish a new business model in this area. As such, the Group is working hard to develop an online learning platform and to develop, together with other publishers, the softwares on its platform. It is hoped that this online learning platform can bring in revenue contribution to the Group by mid-2014.

Liquidity and Financial Resources

On 31 March 2014, the bank balances and cash of the Group (including bank deposits) were approximately HK$34,497,000 (2013: approximately HK$80,782,000) of which HK$1,001,000 were pledged (2013: Nil). The Group's bank borrowings as at 31 March 2014 were HK$23,814,000 (2013: HK$20,000,000). The Group's bank borrowings were denominated in Hong Kong dollars with floating interest rate and short term in nature.

As at 31 March 2014, the gearing ratio of the Group, defined as total bank borrowings divided by shareholders' equities, was approximately 10%. The interest expenses was approximately HK$574,000 during the year.

Contingent Liabilities

As at 31 March 2014, the contingent liabilities of the Group were approximately HK$12,605,000 (2013: approximately HK$4,895,000).

Foreign Currencies and Treasury Policy

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

Employees

As at 31 March 2014, the Group has 110 employees (2013: 139 employees) in Hong Kong, 1,014 employees (2013: 1,377 employees) in China and 11 employees (2013: 13 employees) in Japan, representing a decrease of approximately 21%, 26% and 15% respectively as compared with last year. In addition to salary remuneration, the Group also provides other fringe benefits such as annual leave, medical insurance and provident fund, etc. for its staff.

Appreciation

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial year ended 31 March 2014.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors, namely Dr. Li Chi Kwong (chairman of the Audit Committee), Mr. Wong Kon Man, Jason and Mr. Fung Henry. During the year under review, the Audit Committee has held four meetings to review the accounting principles and practices adopted by the Group and discuss internal control and financial reporting matters. The Audit Committee has reviewed the annual results of the Group for the year ended 31 March 2014.

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

EMPHASIS OF MATTER

Without qualifying their opinion, the auditors' report is likely to include a paragraph to draw attention of the Company's shareholders to the notes to the financial statements which indicates that the Group incurred a consolidated net loss of approximately HK$86,805,000 (2013: approximately HK$76,685,000) and net operating cash outflows of approximately HK$31,363,000 (2013: approximately HK$67,100,000) during the year ended 31 March 2014. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Group's financial statements have been prepared on a going concern basis, the validity of which depends on the on going availability of debt facilities, the realisation of certain non-current assets and improvement in the Group's operations to generate adequate cash flows to meet the Group's financial obligation as and when they fall due in the foreseeable future.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the financial year ended 31 March 2014, except for the following deviation:

Code provision A.6.7 requires, inter alia, that independent non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors on terms no less exactly than the required standard set out in the Model Code. Having made specific enquiry of all Directors, all Directors have complied with the required standard set out in the Model Code throughout the financial year ended 31 March 2014.

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

Hong Kong, 27 June 2014

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

Executive Directors	:	*Dr. Tam Wai Ho, Samson JP, Mr. Tam Wai Tong, Thomas, Mrs. Tam Mui Ka Wai, Vivian, Mr. Kazuhiro Otani and Mr. Lee Koon Hung*
Non-executive Director	:	*Ms. Luk Chui Yung, Judith*
Independent Non-executive Directors	:	*Mr. Wong Kon Man, Jason, Mr. Fung Henry and Dr. Li Chi Kwong*

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