THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Group Sense (International) Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser or the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms of the Offer contained herein.

MING XIN DEVELOPMENTS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

GROUP SENSE (INTERNATIONAL) LIMITED
權智(國際)有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 601)

COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO UNCONDITIONAL MANDATORY CASH GENERAL OFFER BY

八方金融有限公司 OCTAL Capital Limited **AND** 結好證券有限公司 GET NICE SECURITIES LIMITED

FOR AND ON BEHALF OF MING XIN DEVELOPMENTS LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN GROUP SENSE (INTERNATIONAL) LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY MING XIN DEVELOPMENTS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

Financial Adviser to Ming Xin Developments Limited in respect of the Offer

八方金融有限公司 OCTAL Capital Limited

Financial Adviser to Group Sense (International) Limited

寶橋 BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

Independent Financial Adviser to the Independent Board Committee

普頓資本有限公司 PROTON CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Octal Capital and Get Nice Securities containing, among other things, details of the terms of the Offer is set out on pages 8 to 20 of this Composite Document.

A letter from the Board is set out on pages 21 to 24 of this Composite Document.

A letter from the Independent Board Committee is set out on pages 25 to 26 of this Composite Document.

A letter from Proton Capital, containing its advice to the Independent Board Committee, is set out on pages 27 to 46 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out on pages I-1 to I-10 in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptance of the Offer should be received by the Registrar by no later than 4:00 p.m. on Thursday, 26 March 2015 or such later time and/or the date as the Offeror may decide and announce, with the consent of the Executive, in accordance with the requirements under the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the paragraph headed "Overseas Shareholders" of Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents or any registration or filing which may be required and the compliance with other necessary formalities or legal requirements and payment of any transfer or other taxes due by such Overseas Shareholder in respect of such jurisdiction. Each Overseas Shareholder is advised to seek professional advice on deciding whether or not to accept the Offer.

The Composite Document will remain on the websites of the Stock Exchange at http://www.hkexnews.hk and the Company at http://www.gsl.com.hk as long as the Offer remains open.

5 March 2015

* *for identification purpose only*

CONTENTS

The expected timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.

All time and date references contained in this Composite Document refer to Hong Kong time and dates.

Event	**Time & Date**
Despatch date of this Composite Document and the accompanying Form of Acceptance and commencement date of the Offer *(Note 1)*	Thursday, 5 March 2015
Latest time and date for acceptance of the Offer *(Notes 2 and 4)*	4:00 p.m. on Thursday, 26 March 2015
Offer Closing Date *(Notes 1 and 2)*	Thursday, 26 March 2015
Announcement of the results of the Offer to be published on the website of the Stock Exchange *(Note 2)*	not later than 7:00 p.m. on Thursday, 26 March 2015
Latest date for posting of remittance for the amounts due under the Offer in respect of valid acceptances received on or before the latest time for acceptance of the Offer *(Notes 3 and 4)*	Thursday, 9 April 2015

Notes:

(1) The Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from Thursday, 5 March 2015 until the Offer Closing Date.

(2) In accordance with the Takeovers Code, the Offer must initially be opened for acceptance for at least 21 days following the date on which the Composite Document is posted. The latest time for acceptance of the Offer is 4:00 p.m. on Thursday, 26 March 2015. The Offer, which is unconditional, will be closed on Thursday, 26 March 2015. The Offeror will issue an announcement no later than 7:00 p.m. on Thursday, 26 March 2015 as to whether the Offer have been revised, extended or expired and, in relation to any revision or extension of the Offer, to state either the next closing date or that the Offer will remain open until further notice. In the event that the Offeror decides to extend the Offer and the announcement does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.

(3) *Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty in respect of acceptances of the Offer) payable for the Offer Shares tendered under the Offer will be posted to the accepting Independent Shareholders by ordinary post at their own risk as soon as possible, but in any event within 7 Business Days of the date of receipt by the Registrar of duly completed Forms of Acceptance and all the relevant documents of title to render the acceptance by such Shareholders respectively under the Offer complete and valid.*

Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in the paragraph headed "Right of Withdrawal" in Appendix I to this Composite Document.

(4) *If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:*

(a) *in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the posting of remittances will remain at 4:00 p.m. on the same Business Day; or*

(b) *in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.*

Save as mentioned above, if the latest time for the acceptance of the Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

In this Composite Document, unless otherwise defined or the context otherwise requires, the following expressions shall have the following meanings. Also, where terms are defined and used in only one section of this Composite Document, those defined terms are not included in the table below:

"acting in concert"	the same meaning ascribed to it under the Takeovers Code
"associate(s)"	the same meaning ascribed to it under the Takeovers Code
"Bermuda"	the Islands of Bermuda
"Board"	the board of Directors
"Business Day(s)"	a day on which the Stock Exchange is open for the transaction of business
"BVI"	the British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Century Sunshine"	Century Sunshine Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on Main Board of the Stock Exchange (Stock Code: 509)
"Century Sunshine Group"	Century Sunshine and its subsidiaries
"close associate(s)"	the same meaning ascribed to it under the Listing Rules
"Company"	Group Sense (International) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 601)
"Composite Document"	this composite offer and response document jointly issued by the Offeror and the Company, which sets out, among other things, details of the Offer in accordance with the Takeovers Code

"Directors"	the director(s) of the Company
"Dr. Tam"	Dr. Tam Wai Ho, Samson, *JP*, the chairman and an executive Director of the Company and a director of the Vendor
"Executive"	Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Facility"	a standby loan facility of up to HK$284,000,000 granted by Get Nice Securities to the Offeror upon and subject to the terms and conditions of the facility agreement dated 19 December 2014 entered into between the Offeror as borrower and Get Nice Securities as lender
"Form of Acceptance"	the form of acceptance and transfer of the Offer Shares in respect of the Offer accompanying this Composite Document
"Get Nice Securities"	Get Nice Securities Limited, a licensed corporation to carry out businesses in Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
"Group"	the Company and its subsidiaries
"Guarantors"	guarantors of the Vendor in the Sale and Purchase Agreement, namely Dr. Tam and Mr. Tam
"Hong Kong"	the Hong Kong Special Administrative Region of The People's Republic of China
"Independent Board Committee"	the independent committee of the Board comprising the non-executive Director, namely Ms. Luk Chui Yung, Judith, and all the independent non-executive Directors, namely Mr. Wong Kon Man, Jason, Mr. Fung Henry and Dr. Li Chi Kwong, which has been established by the Company to make recommendations to the Independent Shareholders in respect of the Offer

"Independent Shareholders"	Shareholders other than the Offeror and any parties acting in concert with it
"Joint Announcement"	the joint announcement issued by the Offeror, Century Sunshine and the Company dated 6 January 2015 in relation to, among other things, the Sale and Purchase Agreement, the Subscription Agreement and the Offer
"Last Trading Day"	19 December 2014, being the last trading day for the Shares prior to the suspension of trading in the Shares pending the release of the Joint Announcement
"Latest Practicable Date"	3 March 2015, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained in this Composite Document
"Letter of Undertaking"	the letter of undertaking issued by each of the Vendor, the Guarantors and Mrs. Tam in favour of the Purchaser dated 19 December 2014 whereby the Vendor, the Guarantors and Mrs. Tam have undertaken not to accept the Offer in respect of and not to create encumbrance over the Non-acceptance Shares, further details of which are set out in the subsection headed "Letter of Undertaking" under the section headed "The Offer" in the "Letter from Octal Capital and Get Nice Securities" set out in this Composite Document
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Chi"	Mr. Chi Wen Fu, the chairman, chief executive officer and an executive director of Century Sunshine and the sole director of New Bright
"Mr. Shum"	Mr. Shum Sai Chit, the chief operation officer and an executive director of Century Sunshine and the sole director of the Offeror
"Mrs. Tam"	Mrs. Tam Mui Ka Wai, Vivian, an executive Director and the wife of Dr. Tam

"Mr. Tam"	Mr. Tam Wai Tong, Thomas, managing Director of the Company, a director of the Vendor and the elder brother of Dr. Tam
"New Bright"	New Bright Group Limited, a company incorporated in the BVI with limited liability on 12 December 2002 which is beneficially and wholly-owned by Century Sunshine
"Non-acceptance Shares"	the 80,909,118 Shares in aggregate held by the Vendor, Dr. Tam, Mr. Tam and Mrs. Tam immediately after the Sale and Purchase Completion and the Subscription Completion
"Octal Capital"	Octal Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, who has been appointed as the financial adviser to the Offeror
"Offer"	the unconditional mandatory cash general offer made by Octal Capital and Get Nice Securities on behalf of the Offeror to acquire all the Offer Shares pursuant to Rule 26.1 of the Takeovers Code
"Offer Closing Date"	26 March 2015, the first closing date of the Offer, which is 21 days after the date on which this Composite Document is posted, or if the Offer is revised or extended, any subsequent closing date of the Offer as revised or extended and announced by the Offeror in accordance with the Takeovers Code
"Offer Period"	the period commencing on the date of the Rule 3.7 Announcement up to and including the Offer Closing Date
"Offer Price"	the price at which the Offer is made, being HK$0.4592 per Offer Share
"Offer Share(s)"	all the Share(s) in issue, other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it

"Offeror" or "Purchaser"	Ming Xin Developments Limited, a company incorporated in the BVI with limited liability on 31 July 2014 which is beneficially and wholly-owned by New Bright
"Overseas Shareholders"	Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong
"PRC"	The People's Republic of China which, for the purpose of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Proton Capital" or "Independent Financial Adviser"	Proton Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee in relation to the Offer
"Registrar"	Tricor Secretaries Limited, the Company's branch registrar and transfer office in Hong Kong located at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
"Relevant Period"	the period from 5 March 2014, being six months prior to 5 September 2014 (the date of commencement of the Offer Period) and ending on and including the Latest Practicable Date
"Rule 3.7 Announcement"	the announcement issued by the Company dated 5 September 2014 in relation to possible sale of all or part of Dr. Tam and Mr. Tam's shareholding interest in the Company
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 19 December 2014 entered into amongst the Vendor, the Purchaser and Dr. Tam and Mr. Tam as Guarantors in respect of the Sale Shares
"Sale and Purchase Completion"	completion of the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement

"Sale Shares"	an aggregate of 500,000,000 Shares, representing approximately 34.79% of the Company's issued share capital as at the Latest Practicable Date, acquired by the Offeror from the Vendor pursuant to the Sale and Purchase Agreement
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Shareholder(s)"	holder(s) of Shares
"Shares"	the ordinary shares of HK$0.10 each in the share capital of the Company
"Share Charge"	the share charge dated 2 March 2015 entered into between Get Nice Securities and the Offeror whereby (i) the Sale Shares; (ii) the Subscription Shares and (iii) the Offer Shares to be acquired by the Offeror through the Offer were charged to Get Nice Securities as security for the Facility
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription of the Subscription Shares by the Offeror pursuant to the Subscription Agreement
"Subscription Agreement"	the subscription agreement entered into between the Company and the Offeror on 19 December 2014 in relation to the subscription of the Subscription Shares
"Subscription Completion"	the completion of the Subscription
"Subscription Shares"	239,532,000 new Shares, representing approximately 16.67% of the Company's issued share capital as at the Latest Practicable Date, subscribed by the Offeror and issued by the Company at the subscription price of HK$0.32 per Share

"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers as in force and as amended from time to time
"Vendor"	Earnmill Holdings Limited, a company incorporated in the BVI with limited liability on 10 November 1992 which is ultimately beneficially owned by Dr. Tam and Mr. Tam in equal shares
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent

801-805, 8/F, Nan Fung Tower
88 Connaught Road Central
Hong Kong

10th Floor, Cosco Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

5 March 2015

To the Independent Shareholders

Dear Sir/Madam,

**UNCONDITIONAL MANDATORY CASH GENERAL OFFER BY
OCTAL CAPITAL LIMITED
AND
GET NICE SECURITIES LIMITED
FOR AND ON BEHALF OF MING XIN DEVELOPMENTS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
GROUP SENSE (INTERNATIONAL) LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
MING XIN DEVELOPMENTS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

(I) INTRODUCTION

Reference is made to the Joint Announcement, the circular of the Company dated 26 January 2015 in relation to the Subscription Agreement and the circular of Century Sunshine dated 3 February 2015 in relation to, among other things, the Sale and Purchase Agreement, the Subscription Agreement and the Offer.

The Sale and Purchase Completion and the Subscription Completion took place simultaneously on 26 February 2015. Upon the Sale and Purchase Completion and Subscription Completion, the Offeror has acquired an aggregate of 739,532,000 Shares, representing approximately 51.46% of the entire issued share capital of the Company as at the Latest Practicable Date.

Pursuant to the Sale and Purchase Agreement, the Guarantors have jointly and severally undertaken that for so long as any of the Guarantors remains to be a director or takes any senior management role of any of the subsidiaries of the

Company after the Sale and Purchase Completion, unless otherwise approved by the Company in writing, they will procure that such subsidiaries, will not (a) borrow or otherwise raise money or incur any indebtedness (save for certain exceptions) or give any guarantee, indemnity or surety; or (b) create or permit to arise any encumbrance on or in respect of any of its undertaking, property or assets; or (c) sell or otherwise dispose of the real properties owned by the Group or any part thereof.

As the Offeror and parties acting in concert with it are holding more than 50% of the issued share capital of the Company, the Offeror is required under Rule 26.1 of the Takeover Code to make a mandatory cash general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it), which is unconditional in all respects.

The purpose of this letter is to provide you with, inter alia, information on the Offer, the Offeror and its intention regarding the Group. Further terms of the Offer and the procedures of acceptance are set out in this letter and in Appendix I to this Composite Document and the Form of Acceptance.

The Independent Shareholders are strongly advised to carefully consider the information contained in the "Letter from the Board", the "Letter from the Independent Board Committee", the "Letter from Proton Capital" and the appendices as set out in this Composite Document and the Form of Acceptance and to consult their professional advisers if in doubt before reaching a decision as to whether or not to accept the Offer.

(II) THE OFFER

Principal terms of the Offer

Octal Capital and Get Nice Securities are making, on behalf of the Offeror, the Offer to acquire all the Offer Shares in accordance with the Takeovers Code on the following basis:

For every Offer Share .... HK$0.4592 in cash

The Offer is not conditional upon any minimum level of acceptances of the Offer and is unconditional. The Offer will close on Thursday, 26 March 2015.

As at the Latest Practicable Date, the Company had 1,437,195,029 Shares in issue and the Offeror and parties acting in concert with it own 739,532,000 Shares. Excluding the Non-acceptance Shares under the Letter of Undertaking, 616,753,911 Shares will be subject to the Offer and the total consideration of the Offer, if accepted in full, would be approximately HK$283,213,396 based on the Offer Price. For details of the Letter of Undertaking, please refer to the sub-section headed "Letter of Undertaking" below.

The Offer Price is the same as the purchase price per Sale Share under the Sale and Purchase Agreement which was arrived at after arm's length negotiations between the Purchaser and the Vendor.

Based on the Offer Price of HK$0.4592 per Offer Share and 1,437,195,029 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company is valued at approximately HK$659,959,957.

The Offer will extend to all Shares in issue on the date on which the Offer is made, being the date of despatch of the Composite Document, other than those Shares held by the Offeror and persons acting in concert with it.

Comparison of value

The Offer Price of HK$0.4592 represents:

(i) a premium of approximately 45.78% over the closing price of HK$0.315 per Share as quoted on the Stock Exchange on 4 September 2014, being the last trading day for the Shares prior to the commencement of the Offer Period;

(ii) a discount of approximately 7.23% to the closing price of HK$0.495 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 0.70% over the average closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of HK$0.456 per Share;

(iv) a premium of approximately 2.73% over the average closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of HK$0.447 per Share;

(v) a premium of approximately 0.92% over the average closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK$0.455 per Share;

(vi) a premium of approximately 9.07% over the average closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of approximately HK$0.421 per Share;

(vii) a discount of approximately 7.23% to the closing price of HK$0.495 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(viii) a premium of approximately 170.12% over the unaudited consolidated net asset attributable to the equity holders of the Company per Share of approximately HK$0.170 per Share as at 30 September 2014.

Highest and lowest Share price

During the six-month period preceding the date of the Rule 3.7 Announcement and the period up to and including the Latest Practicable Date:

(i) the highest closing price of the Shares as quoted on the Stock Exchange was HK$0.55 on 23 September 2014; and

(ii) the lowest closing price of the Shares as quoted on the Stock Exchange was HK$0.209 on 7 May 2014.

As at the Latest Practicable Date, save for the 1,437,195,029 Shares in issue, the Company had no other outstanding options, warrants, derivatives or convertibles in issue which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

Value of the Offer

Based on the above, without taking into account of the Non-acceptance Shares, 616,753,911 Shares are subject to the Offer, and the Offer is valued at approximately HK$283,213,396 based on the Offer Price.

As at the Latest Practicable Date, Mr. Kazuhiro Otani, being the executive Director of the Company, has indicated that it is his intention to accept the Offer in respect of 1,000,000 Shares out of the 2,000,000 Shares owned by him. Mr. Lee Koon Hung, being the executive Director of the Company and Ms. Luk Chui Yung, Judith, being the non-executive Director of the Company, have indicated that they intend to accept the Offer in respect of the 1,676,000 Shares and 550,000 Shares owned by each of them respectively.

Save and except for Mr. Kazuhiro Otani, Mr. Lee Koon Hung, Ms. Luk Chui Yung, Judith and the Letter of Undertaking, the Offeror has not received any indication or irrevocable commitment from any Shareholder that he/she/it will accept or reject the Offer as at the Latest Practicable Date.

Letter of Undertaking

On 19 December 2014, each of the Guarantors and the Vendor and Mrs. Tam has executed the Letter of Undertaking in favour of the Purchaser, pursuant to which each of the Guarantors, the Vendor and Mrs. Tam has irrevocably and unconditionally undertaken to the Purchaser (i) before the closing of the Offer, not to transfer, sell, give or otherwise dispose of, or create or permit to exist any encumbrance over; and (ii) not to accept the Offer in respect of an aggregate of 80,909,118 Shares owned by them respectively as at the date of the Letter of Undertaking.

Financial resources available to the Offeror

The Offeror intends to finance the consideration payable by the Offeror under the Offer with the Facility.

Octal Capital, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the consideration for the full acceptance of the Offer.

Compulsory acquisition

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offer.

Effect of accepting the Offer

The Offer is unconditional in all aspects and will remain open for acceptance from the date of this Composite Document until 4:00 p.m. on the Offer Closing Date. By accepting the Offer, the Shareholders will sell their Shares free from all liens, charges, options, claims, equities, adverse interests, third-party rights or encumbrances whatsoever and together with all rights accruing or attaching to them including, without limitation, the right to receive all dividends and distributions which may be declared, paid or made, if any, at any time on or after the date on which the Offer is made, being the date of despatch of this Composite Document. Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code, details of which are set out in the paragraph headed "Right of Withdrawal" in Appendix I to this Composite Document.

Hong Kong stamp duty

Seller's Hong Kong ad valorem stamp duty on acceptances of the Offer at a rate of 0.1% (HK$1.00 for every HK$1,000) (or part thereof) of the consideration payable in respect of the relevant acceptance by the Shareholders or if higher, the market value of the Shares, will be deducted from the amount payable to Shareholders who accept the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders accepting the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) Business Days of the date on which the duly completed forms of acceptance of the Offer and the relevant documents of title in respect of such acceptances are received by the Offeror (or its agent) to render each such acceptance complete and valid.

Taxation advice

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Octal Capital, Get Nice Securities, and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

Dealing and interests in the Company's securities

The Offeror, New Bright, Century Sunshine and parties acting in concert with any of them have not dealt in the shares, convertible securities, warrants, options or derivatives of the Company during the six-month period preceding the date of the Rule 3.7 Announcement and the period up to and including the Latest Practicable Date, save for the transactions contemplated by the Sale and Purchase Agreement and the Subscription Agreement to which the Offeror is a party.

Overseas Shareholders

The Offer is made in respect of securities of a company incorporated in Bermuda and is subject to the statutory procedural and disclosure requirements of Hong Kong, which may be different from those of other jurisdictions. The Offeror intends to make the Offer available to all Shareholders, including those with registered addresses, as shown in the register of members of the Company, outside Hong Kong. The availability of the Offer to persons not resident in Hong Kong and the ability of Shareholders outside Hong Kong to participate in the Offer will however be subject to, and may be limited by, the laws and regulations of their respective jurisdictions. The making of the Offer to persons with a registered address in jurisdiction outside Hong Kong may be prohibited or limited by the laws of the relevant jurisdiction.

The Overseas Shareholders should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

(III) INFORMATION OF THE OFFEROR

The Offeror is a company incorporated in the BVI with limited liability on 31 July 2014 and is beneficially and wholly-owned by New Bright, which is in turn wholly-owned by Century Sunshine, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 509). Mr. Shum is the sole director of the Offeror and Mr. Chi is the sole director of New Bright. The Offeror and New Bright are investment holding companies and did not carry on any business since its incorporation until the entering of the Sale and Purchase Agreement and the Subscription Agreement and the transactions in connection therewith. The principal activity of Century Sunshine is investment holding and its subsidiaries are principally engaged in magnesium product business, fertiliser business and metallurgical flux business.

(IV) FUTURE INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Following the close of the Offer, the Offeror intends that the Group will continue the principal business of the Group and will maintain the listing status of the Company on the Main Board of the Stock Exchange. However, the Offeror will conduct a review on the business activities and assets of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the result of the review, the Offeror may explore other business opportunities for the Company and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company. In addition, the Offeror will, in long-term, explore into restructuring the Century Sunshine Group's magnesium related business with the Group as a separate listing platform to conduct magnesium product business and in particular future development of chain model of circular economy in magnesium and magnesium product related business by leveraging on the experience, technology and business network of magnesium product business of the Century Sunshine Group. As at the Latest Practicable Date, no such investment or business opportunities had been identified nor had the Offeror entered into any agreement, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group. For the Offeror's intention regarding the Group as set out above, the Offeror has no intention to discontinue the employment of the employees of the Group (save for the changes in the composition of the Board) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

Proposed change of Board composition

The Board is currently made up of nine Directors, comprising five executive Directors, being Dr. Tam, Mr. Tam, Mrs. Tam, Mr. Kazuhiro Otani and Mr. Lee Koon Hung, and one non-executive Director, being Ms. Luk Chui Yung, Judith and three independent non-executive Directors, being Mr. Wong Kon Man, Jason, Mr. Fung Henry and Dr. Li Chi Kwong.

It is expected that Dr. Tam will remain on the Board after completion of the Offer. Save for Dr. Tam, all the existing Directors will resign as Directors with effect from the earliest date on which such resignation may take effect under the Takeovers Code.

The Offeror at present intends to appoint Mr. Shum and Ms. Chi Bi Fen as new executive Directors; Professor Meng Jian as new non-executive Director; and Mr. Kwong Ping Man, Mr. Cheung Sound Poon and Mr. Chen Gang as new independent non-executive Directors with effect from a date no earlier than the date of this Composite Document or at a date as permitted under the Takeovers Code, the Listing Rules and laws applicable to the Company. Any changes to the composition of the Board will be made in compliance with the Takeovers Code and the Listing Rules. An announcement will be published by the Company in this regard.

Biographies of new Directors to be nominated by the Offeror

Executive Directors

Shum Sai Chit

Mr. Shum, aged 57, is proposed to be appointed as an executive Director. Mr. Shum is an executive director of Century Sunshine and the sole director of the Offeror. He was a managing director of Go Modern Limited which was principally engaged in manufacturing of textile products and trading activities. In 1984, Mr. Shum joined Fujian Textiles Import and Export Corporation as a manager to oversee importing and exporting of textile products.

Chi Bi Fen ("**Ms. Chi**")

Ms. Chi, aged 56, is proposed to be appointed as an executive Director. Ms. Chi is an executive director of Century Sunshine. Ms. Chi was a deputy general manager of an electronics equipment company for over 17 years. She has an extensive experience in accounting, taxation and finance in the PRC for more than 15 years.

Non-executive Director

Professor Meng Jian ("**Professor Meng**")

Professor Meng, aged 58, is proposed to be appointed as a non-executive Director. Professor Meng is currently a consultant of Century Sunshine for rare earth magnesium alloys projects. Professor Meng is a professor and deputy officer of State Key Laboratory for Rare Earth Resource Utilisation, Changchun Institute of Applied

Chemistry of Chinese Academy of Science (中國科學院長春應用化學研究所稀土資源利用國家重點實驗室). He is a deputy officer of Professional Committee of Solid Science and New Materials of Chinese Society of Rare Earth (中國稀土學會固體科學與新材料專業委員會). He is also a director of Chinese Society of Rare Earth (中國稀土學會) and Nonferrous Metals Society of China (中國有色金屬學會). He is an expert of the Association of China Rare Earth Industry (中國稀土行業協會) and China Magnesium Association (中國鎂協). Professor Meng has been engaging in research and development of rare earth magnesium alloys and new materials. He has contributed to the development and application of rare earth magnesium alloys in China. Professor Meng majored in semiconducting from Jilin University (吉林大學), and holds a master's degree from the chemistry department of Chinese Academy of Science (中國科學院化學部). He holds a degree of doctor of Engineering from Toyohashi University of Technology, Japan.

Independent non-executive Directors

Kwong Ping Man ("**Mr. Kwong**")

Mr. Kwong, aged 50, is proposed to be appointed as an independent non-executive Director. He is a director of O'Park Corporate Services Limited which provides corporate advisory services. Mr. Kwong had served as the chief financial officer of various companies for almost seven years. Mr. Kwong has over 15 years of experience in accounting, finance and administration. He obtained a master's degree in Professional Accounting from the Hong Kong Polytechnic University. He is a member of the Australian Society of Certified Practising Accountants, fellow member of the Hong Kong Institute of Certified Public Accountants, and associate member of the Hong Kong Institute of Company Secretaries. Mr. Kwong is currently an independent non-executive director of Century Sunshine, Tang Palace (China) Holdings Limited (Stock Code: 1181), Elegance Optical International Holdings Ltd. (Stock Code: 907) and Yat Sing Holdings Ltd. (Stock Code: 3708).

Cheung Sound Poon ("**Mr. Cheung**")

Mr. Cheung, aged 54, is proposed to be appointed as an independent non-executive Director. Mr. Cheung is currently a senior audit manager at Chui & Kwok (CPA). He was an audit senior at Gary W. K. Yam & Co. (CPA). Mr. Cheung has over 35 years of experience in accounting and auditing. He was an independent non-executive director and the chairman of audit committee of Century Sunshine between February 2004 and May 2007.

Chen Gang ("**Mr. Chen**")

Mr. Chen, aged 39, is proposed to be appointed as an independent non-executive Director. Mr. Chen is the chief executive officer of Weloan Inc. He has over 15 years of experience in venture capital, private equity investment and fund management. He was an investment director of China Everbright Assets Management Limited, a senior manager of Ajia Partners SSG (Hong Kong) Limited and a senior investment officer of Kheng Leong Company (Private) Limited. Mr. Chen took the role of financial advisor in initial public offering (IPO) of many Chinese enterprises. He is experienced in corporate restructuring, private equity, IPO and post-IPO capital appreciation. He obtained a bachelor degree of engineering from South China University of Technology, a master's degree of management from Sichuan University and a master's degree of Engineering from National University of Singapore.

Save as disclosed above, each of the six proposed Directors has not held any other directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

As at the Latest Practicable Date, each of Mr. Shum and Ms. Chi was beneficially interested in 10,311,940 and 7,842,857 shares of Century Sunshine (the holding Company of the Offeror and the Company); Mr. Cheung and his wife were jointly interested in 600,000 shares of Century Sunshine and Mr. Cheung himself was also beneficially interested in another 400,000 shares of Century Sunshine. In addition, each of Mr. Shum, Ms. Chi and Mr. Kwong was interested in share options granted by Century Sunshine to entitling him or her to subscribe for 9,000,000, 15,000,000 and 5,000,000 shares of Century Sunshine respectively as at the Latest Practicable Date.

Save as disclosed in the above paragraph, as at the Latest Practicable Date, each of the six proposed Directors did not have any interest in the Shares (within the meaning of Part XV of the SFO).

Save as disclosed above, as at the Latest Practicable Date, each of the six proposed Directors (i) did not hold any other positions in the Company or its subsidiaries; and (ii) did not have any other relationship with any other Directors, senior management, substantial Shareholders or controlling Shareholders.

Each of the six proposed Directors will enter into a service contract with the Company after his/her appointment. Their directorships will be subject to retirement by rotation and re-election pursuant to the provisions of the Listing Rules and Bye-laws of the Company. The remuneration of each of the six proposed Directors will be determined and recommended by the Remuneration Committee of the Company (the "**Remuneration Committee**") and approved by the Board with reference to their qualifications, experiences and duties and responsibilities in the Group. The remuneration of each of the Appointed Directors will be subject to annual review by the Remuneration Committee and the Board.

Save as disclosed above, in relation to the appointment of the proposed Directors, there is no information which is required to be disclosed nor are/were they involved in any of the matters required to be disclosed pursuant to Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules; and there is no other matter that needs to be brought to the attention of the Shareholders.

Save as disclosed above, the Offeror does not intend to implement any material change to the existing management of the Group following the close of the Offer.

Maintaining the listing status of the Company

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer.

In the event that after the completion of the Offer, the public float of the Company falls below 25%, the new Directors who will be nominated by the Offeror and to be appointed as Directors and the then director(s) of the Company will undertake to the Stock Exchange that they will take appropriate steps to restore the minimum public float as required under the Listing Rules including placing down of the Shares as soon as possible following the close of the Offer to ensure that sufficient public float exists for the Shares.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

(V) ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding further terms and conditions of the Offer, the procedures for acceptance and settlement and the acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

(VI) GENERAL

This Composite Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as which would have been disclosed if this Composite Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

Attention of the Overseas Shareholders is drawn to paragraph headed "Overseas Shareholders" of Appendix I to this Composite Document.

All documents and remittances to be sent to the Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Shareholders at their respective addresses as they appear in the register of the members of the Company or in the case of joint Shareholders, to such Shareholder whose name appears first in the register of members of the Company. The Offeror and parties acting in concert with it, the Company, Octal Capital, Get Nice Securities, Proton Capital, the Registrar or professional advisers or any of their respective directors or any other parties involved in the Offer will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

(VII) ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document which form part of this Composite Document. You are reminded to carefully read the "Letter from the Board", the "Letter from the Independent Board Committee", the "Letter from Proton Capital" and other information about the Group, which are set out in this Composite Document and the Form of Acceptance before deciding whether or not to accept the Offer.

Yours faithfully,
For and on behalf of
Octal Capital Limited
Alan Fung *Managing Director*
Wong Wai Leung *Director*

Yours faithfully,
For and on behalf of
Get Nice Securities Limited
Larry Ng
Director

GROUP SENSE (INTERNATIONAL) LIMITED
權智(國際)有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 00601)

Executive Directors:
Tam Wai Ho, Samson *JP (Chairman)*
Tam Wai Tong, Thomas *(Managing Director)*
Tam Mui Ka Wai, Vivian
Kazuhiro Otani
Lee Koon Hung

Non-executive Director:
Luk Chui Yung, Judith

Independent non-executive Directors:
Wong Kon Man, Jason
Fung Henry
Li Chi Kwong

Registered Office:
Clarendon House
Church Street
Hamilton HM11
Bermuda

Principal Place of Business:
Rooms 13–24, 2/F.
Sino Industrial Plaza
9 Kai Cheung Road
Kowloon Bay, Kowloon
Hong Kong

5 March 2015

To the Independent Shareholders,

Dear Sir or Madam,

UNCONDITIONAL MANDATORY CASH GENERAL OFFER BY
OCTAL CAPITAL LIMITED
AND
GET NICE SECURITIES LIMITED
FOR AND ON BEHALF OF MING XIN DEVELOPMENTS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
GROUP SENSE (INTERNATIONAL) LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
MING XIN DEVELOPMENTS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

It was announced on 26 February 2015 that the Sale and Purchase Completion and the Subscription Completion took place simultaneously on 26 February 2015. Immediately

* *for identification purpose only*

after the Sale and Purchase Completion and the Subscription Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in 739,532,000 Shares, representing approximately 51.46% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

The purpose of this Composite Document, of which this letter forms part, is to provide you with, amongst others, information relating to the Group and the Offer as well as setting out the letter from the Independent Board Committee containing its recommendation and advice to the Independent Shareholders in respect of the Offer and the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offer.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Ms. Luk Chui Yung, Judith, being the non-executive Director and Mr. Wong Kon Man, Jason, Mr. Fung Henry and Dr. Li Chi Kwong, being all the independent non-executive Directors, constitute the Independent Board Committee to advise the Independent Shareholders and to make recommendations in respect of the Offer.

Proton Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee in connection with the Offer and such appointment has been approved by the Independent Board Committee.

THE OFFER

The "Letter from Octal Capital and Get Nice Securities" set out in this Composite Document contained the information in respect of the Offer including those set out below.

According to the "Letter from Octal Capital and Get Nice Securities", Octal Capital and Get Nice Securities are making, on behalf of the Offeror, the Offer to acquire all the Offer Shares on the following basis:

For every Offer Share . . . . HK$0.4592 in cash

As at the Latest Practicable Date, the Company had 1,437,195,029 Shares in issue and the Company had no outstanding warrants, options, derivatives in respect of the Shares or securities convertible into Shares.

Your attention is drawn to the paragraph headed "Letter of Undertaking" in the "Letter from Octal Capital and Get Nice Securities" set out in this Composite Document for further details of the undertakings given by the Guarantors, the Vendor and Mrs. Tam in respect of, among other things, the non-acceptance of the Offer in respect of an aggregate 80,909,118 Shares owned by them. Your attention is also drawn to the paragraph headed "Introduction" in the "Letter from Octal Capital and Get Nice Securities" set out in this Composite Document for details of undertakings given by the Guarantors under the Sale and Purchase Agreement for so long as they remain as directors or senior management of any subsidiaries of the Company after the Sale and Purchase Completion.

The procedure for acceptance and further terms of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

INFORMATION ON THE OFFEROR

Your attention is drawn to the paragraph headed "Information of the Offeror" in the "Letter from Octal Capital and Get Nice Securities" set out in this Composite Document for the information of the Offeror.

INFORMATION ON THE GROUP

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in design, manufacturing and sale of original design manufacturing products, electronic dictionary products and personal communication products, and the provision of electronic manufacturing services.

Your attention is drawn to Appendices II and III to this Composite Document which contain further financial and general information of the Group.

OFFEROR'S INTENTION ON THE GROUP AND PROPOSED CHANGE OF COMPOSITION OF THE BOARD

Your attention is drawn to the section headed "Future intention of the Offeror in relation to the Group" in the "Letter from Octal Capital and Get Nice Securities" set out in this Composite Document for the Offeror's intention with respect to the Group, including proposed change of the Board composition and maintaining the listing status of the Company. The Board is aware of the intention of the Offeror in respect of the Group and is willing to render reasonable co-operation with the Offeror where in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out in this Composite Document, which contains its recommendation to the Independent Shareholders in respect of the Offer, and the letter from the Independent Financial Adviser, which contains its advice to the Independent Board Committee in respect of the fairness and reasonableness of the Offer and the principal factors and reasons it has considered before arriving at its advice to the Independent Board Committee. You should also read the "Letter from Octal Capital and Get Nice Securities", the appendices to this Composite Document and the accompanying Form of Acceptance.

Yours faithfully,
For and on behalf of the Board of
Group Sense (International) Limited
Dr. Tam Wai Ho, Samson *JP*
Chairman

Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Offer.

GROUP SENSE (INTERNATIONAL) LIMITED
權智(國際)有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 00601)

5 March 2015

To the Independent Shareholders

Dear Sir or Madam,

UNCONDITIONAL MANDATORY CASH GENERAL OFFER BY OCTAL CAPITAL LIMITED AND GET NICE SECURITIES LIMITED FOR AND ON BEHALF OF MING XIN DEVELOPMENTS LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN GROUP SENSE (INTERNATIONAL) LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY MING XIN DEVELOPMENTS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

We refer to the Composite Document jointly issued by the Offeror and the Company dated 5 March 2015 of which this letter forms part. Unless the context otherwise requires, terms defined in the Composite Document shall have the same meanings when used in this letter.

We have been appointed by the Board to form the Independent Board Committee to consider and to advise the Independent Shareholders as to whether or not the terms of the Offer are fair and reasonable and to make a recommendation as to acceptance of the Offer.

Proton Capital Limited has been appointed as the Independent Financial Adviser to advise us in respect of the above.

We draw your attention to the letter from the Board and the letter from the Independent Financial Adviser as set out in the Composite Document.

* *for identification purpose only*

Having considered the terms of the Offer, taking into account the information contained in the Composite Document and the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in its letter in the Composite Document, we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend you to accept the Offer.

Those Independent Shareholders who are not confident in the future prospects of the Group and/or who would like to dispose part or all of their Shares before the close of the Offer are advised to closely monitor the market prices and the liquidity of the Shares during the Offer Period and, if the market prices of the Shares exceed the Offer Price and the net proceeds from sale of Shares in the market exceed the amount receivable under the Offer, they should consider selling their Shares in the market rather than accepting the Offer. On the other hand, those Independent Shareholders who are confident in the future prospects of the Group following the close of the Offer may consider retaining part or all of their shareholding in the Company.

Yours faithfully,
For and on behalf of the
INDEPENDENT BOARD COMMITTEE

LUK Chui Yung, Judith	**WONG Kon Man, Jason**	**FUNG Henry**	**LI Chi Kwong**
Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*	*Independent Non-executive Director*

Set out below is the text of a letter received from Proton Capital, the Independent Financial Adviser to the Independent Board Committee regarding the Offer for the purpose of inclusion in this Composite Document.

普頓資本有限公司
PROTON CAPITAL LIMITED

Unit 1001, 10/F, Chuang's Tower,
30-32 Connaught Road Central, Hong Kong

5 March 2015

To: the Independent Board Committee of
Group Sense (International) Limited

Dear Sirs,

UNCONDITIONAL MANDATORY CASH GENERAL OFFER BY OCTAL CAPITAL LIMITED AND GET NICE SECURITIES LIMITED FOR AND ON BEHALF OF MING XIN DEVELOPMENTS LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN GROUP SENSE (INTERNATIONAL) LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY MING XIN DEVELOPMENTS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in relation to the Offer, details of which are contained in a composite document dated 5 March 2015 (the "**Composite Document**") jointly issued by the Company and the Offeror to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

On 19 December 2014 (after trading hours), the Company and the Offeror entered into the Subscription Agreement pursuant to which the Company has conditionally agreed to issue, and the Offeror has conditionally agreed to subscribe, in cash, for 239,532,000 new Shares (i.e. the Subscription Shares) for an aggregate Subscription Price of HK$76,650,240.

On 19 December 2014 (after trading hours), the Vendor, the Offeror and the Guarantors entered into the Sale and Purchase Agreement pursuant to which the Offeror has conditionally agreed to acquire and the Vendor has conditionally agreed to sell an aggregate of 500,000,000 Shares for a total consideration of HK$229,600,000 (equivalent to HK$0.4592 per Share).

The Sale and Purchase Completion and the Subscription Completion took place simultaneously on 26 February 2015. Upon the Sale and Purchase Completion and Subscription Completion, the Offeror has acquired an aggregate of 739,532,000 Shares, representing approximately 51.46% of the entire issued share capital of the Company as at the Latest Practicable Date.

As disclosed in the "Letter from Octal Capital and Get Nice Securities" set out in the Composite Document, pursuant to the Sale and Purchase Agreement, the Guarantors have jointly and severally undertaken that for so long as any of the Guarantors remains to be a director or takes any senior management role of any of the subsidiaries of the Company after the Sale and Purchase Completion, unless otherwise approved by the Company in writing, they will procure that such subsidiaries, will not (a) borrow or otherwise raise money or incur any indebtedness (save for certain exceptions) or give any guarantee, indemnity or surety; or (b) create or permit to arise any encumbrance on or in respect of any of its undertaking, property or assets; or (c) sell or otherwise dispose of the real properties owned by the Group or any part thereof.

As the Offeror and parties acting in concert with it are holding more than 50% of the issued share capital of the Company, the Offeror is required under Rule 26.1 of the Takeover Code to make a mandatory cash general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it), which is unconditional in all respects. Octal Capital and Get Nice Securities are making the Offer on behalf of the Offeror.

The Independent Board Committee comprising the non-executive Director, namely Ms. Luk Chui Yung, Judith, and all the independent non-executive Directors, namely Mr. Wong Kon Man, Jason, Mr. Fung Henry and Dr. Li Chi Kwong, which has been established by the Company to make recommendations to the Independent Shareholders in respect of the Offer.

We, Proton Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Offer and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offer pursuant to Rule 2.1 of the Takeovers Code. Our appointment has been approved by the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations as provided to us by the

Directors and the Offeror (where applicable). We have assumed that all information and representations that have been provided by the Directors and the Offeror (where applicable), for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the Offeror (where applicable) in the Composite Document were made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors and the Offeror (where applicable), which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

The Directors jointly and severally accept full responsibility for the accuracy of the information (other than the information relating to the Vendor, the Offeror, New Bright, Century Sunshine, their respective associates and parties acting in concert with them) contained in the Composite Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Composite Document have been arrived (other than the information relating to the Vendor, the Offeror, New Bright, Century Sunshine, their respective associates and parties acting in concert with them) at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in the Composite Document (other than the information relating to the Group, the Vendor, their respective associates and parties acting in concert with any of them), and confirms, having made all reasonable enquires, that to the best of his knowledge, opinions expressed in the Composite Document (other than the opinion expressed by the Group, the Vendor, their respective associates and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement contained in the Composite Document misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Vendor, the Offeror, New Bright and Century Sunshine or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group and the Shareholders as a result of the Offer. The Company has been separately advised by its own professional advisers with respect to the Offer and the preparation of the Composite Document (other than this letter).

We have assumed that the Offer will be consummated in accordance with the terms and conditions set forth in the Composite Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Offer, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Offer. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date. Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Proton Capital is to ensure that such information has been correctly and fairly extracted and presented from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Offer, we have taken into consideration the following principal factors and reasons:

(1) Background and terms of the Offer

On 19 December 2014 (after trading hours), the Company and the Offeror entered into the Subscription Agreement pursuant to which the Company has conditionally agreed to issue, and the Offeror has conditionally agreed to subscribe, in cash, for 239,532,000 new Shares for an aggregate Subscription Price of HK$76,650,240.

The Board has been informed by the Vendor that on 19 December 2014 (after trading hours), the Vendor, the Offeror and the Guarantors entered into the Sale and Purchase Agreement pursuant to which the Offeror has conditionally agreed to acquire and the Vendor has conditionally agreed to sell an aggregate of 500,000,000 Shares for a total consideration of HK$229,600,000 (equivalent to HK$0.4592 per Share).

The Sale and Purchase Completion and the Subscription Completion took place simultaneously on 26 February 2015. Upon the Sale and Purchase Completion and Subscription Completion, the Offeror has acquired an aggregate of 739,532,000 Shares, representing approximately 51.46% of the entire issued share capital of the Company as at the Latest Practicable Date.

As the Offeror and parties acting in concert with it hold more than 50% of the issued share capital of the Company, the Offeror is required under Rule 26.1 of the Takeover Code to make a mandatory cash general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

Octal Capital and Get Nice Securities are making, on behalf of the Offeror, the Offer to acquire all the Offer Shares in accordance with the Takeovers Code on the following basis:

For every Offer Share . . . . HK$0.4592 in cash

The Offer is not conditional upon any minimum level of acceptances of the Offer and is unconditional.

As at the Latest Practicable Date, the Company had 1,437,195,029 Shares in issue and the Offeror and parties acting in concert with it own 739,532,000 Shares. Excluding the 80,908,118 Non-acceptance Shares under the Letter of Undertaking, 616,753,911 Shares will be subject to the Offer and the total consideration of the Offer, if accepted in full, would be approximately HK$283,213,396 based on the Offer Price. As at the Latest Practicable Date, save for the securities as mentioned above, the Company had no other outstanding options, warrants, derivatives or convertibles in issue which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

Based on the Offer Price of HK$0.4592 per Offer Share and 1,437,195,029 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company is valued at approximately HK$659,959,957.

Further details of the Offer are set out in the "Letter from Octal Capital and Get Nice Securities" and Appendix I to the Composite Document and the Form of Acceptance.

(2) Financial information on the Group

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in design, manufacturing and sale of original design manufacturing products, electronic dictionary products and personal communication products, and the provision of electronic manufacturing services.

Set out below is the financial information of the Group as extracted from the Company's annual reports for the three years ended 31 March 2014 ("**Annual Reports**") and interim report for the six months ended 30 September 2014 (the "**2014 Interim Report**"):

	For the year ended 31 March			For the six months ended 30 September
	2012	**2013**	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)
Revenue	478,708	383,340	349,382	115,507
Gross profit	128,313	88,994	68,401	25,034
(Loss) for the year/period attributable to equity holders of the Company	(73,182)	(75,724)	(80,409)	(45,884)

	As at 31 March			As at 30 September
	2012	**2013**	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)
Equity attributable to equity holders of the Company	407,403	332,392	250,509	203,838

As set out in the above table, there is a sliding trend in the financial performance of the Company for the three years ended 31 March 2014 and the six months ended 30 September 2014. There is a persistent decline in its revenue. Compared with a revenue of approximately HK$478,708,000 in the year ended 31 March 2012, the Company's revenue dropped by approximately 19.92% to approximately HK$383,340,000 in the year ended 31 March 2013 and further decreased by approximately 8.86% to approximately HK$349,382,000 in the year ended 31 March 2014. Net losses attributable to equity holders of the Company for the three years ended 31 March 2012, 2013 and 2014 and six months ended 30 September 2014 were approximately HK$73,182,000, HK$75,724,000, HK$80,409,000 and HK$45,884,000, respectively.

We have also noted from the Annual Reports that there was overall decrease in the revenue in all the operating segments of the Company for the three years ended 31 March 2014. All the operating segments of the Company continued to record segment losses in the three years ended 31 March 2014.

The Group's equity attributable to equity holders of the Company had been on a declining trend from approximately HK$407,403,000 as at 31 March 2012 to approximately HK$203,838,000 as at 30 September 2014.

We have noted from the Annual Reports and understood from the management of the Company that the performance of the Group in the past had been affected by the persistent sluggishness in economy of Japan and Europe which affected the demand of the Group's customers for the Group's electronic manufacturing services and electronic products. According to the Company's annual report for the year ended 31 December 2013, Japan, Hong Kong, Middle East, Europe and Taiwan are the major locations of the Group's business, representing approximately 54.24%, approximately 23.57%, approximately 8.00%, approximately 4.41% and approximately 4.10% of the Group's revenue, respectively. The Group had made strategic adjustments on its product development, manufacturing and sales respectively. However, as revealed in the 2014 Interim Report, the Group still posted a relatively sluggish performance on the overall as various major markets remained on a weak track, including Japan, on which the Group has a relative high dependence, being still far from recovery, and its major customers are lacking steam for growth. Based on the financial results of the Company for the three years ended 31 March 2014 and the six months ended 30 September 2014 as discussed above, we consider that the Company's financial performance was far from satisfactory. As such, we are of the view that the Offer provides a good opportunity to those Shareholders who wish to redeploy their investment from the Company.

(3) Information on the Offeror

Set out below is the information on the Offeror as extracted from the "Letter from Octal Capital and Get Nice Securities" of the Composite Document:

The Offeror is a company incorporated in the BVI with limited liability on 31 July 2014 and is beneficially and wholly-owned by New Bright, which is in turn wholly-owned by Century Sunshine, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 509). Mr. Shum is the sole director of the Offeror and Mr. Chi is the sole director of New Bright. The Offeror and New Bright are investment holding companies and did not carry on any business since its incorporation until the entering of the Sale and Purchase Agreement and the Subscription Agreement and the transactions in connection therewith. The principal activity of Century Sunshine is investment holding and its subsidiaries are principally engaged in magnesium product business, fertiliser business and metallurgical flux business.

As the principal activities of the Offeror and Century Sunshine are completely different from that of the Group, we are of the view that there is an uncertainty on the future performance of the Group under the new controlling Shareholder.

(4) Future intention of the Offeror in relation to the Group

As disclosed in the "Letter from Octal Capital and Get Nice Securities", following the close of the Offer, the Offeror intends that the Group will continue the principal business of the Group and will maintain the listing status of the Company on the Main Board of the Stock Exchange. However, the Offeror will conduct a review on the business activities and assets of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the result of the review, the Offeror may explore other business opportunities for the Company and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company. In addition, the Offeror will, in long term, explore into restructuring the Century Sunshine Group's magnesium related business with the Group as a separate listing platform to conduct magnesium product business and in particular future development of chain model of circular economy in magnesium and magnesium product related business by leveraging on the experience, technology and business network of magnesium product business of the Century Sunshine Group. However, as at the Latest Practicable Date, no such investment or business opportunities had been identified nor had the Offeror entered into any agreement, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group. For the Offeror's intention regarding the Group as set out above, the Offeror has no intention to discontinue the employment of the employees of the Group (save for the changes in the composition of the Board) or to dispose of or redeploy the assets of the Group other than those in its ordinary course of business. As the Offeror has not yet formulated a concrete plan for the Group after the close of the Offer, we consider that there is an uncertainty on the future prospect of the Group.

Proposed change of the Board

As at the Latest Practicable Date, the Board is currently made up of nine Directors, comprising five executive Directors, being Dr. Tam, Mr. Tam, Mrs. Tam, Mr. Kazuhiro Otani and Mr. Lee Koon Hung, and one non-executive Director, being Ms. Luk Chui Yung, Judith and three independent non-executive Directors, being Mr. Wong Kon Man, Jason, Mr. Fung Henry and Dr. Li Chi Kwong.

As set out in the "Letter from Octal Capital and Get Nice Securities", it is expected that Dr. Tam will remain on the Board after completion of the Offer. Save for Dr. Tam, all the existing Directors will resign as Directors with effect on the earliest date on which such resignation may take effect under the Takeovers Code. The Offeror at present intends to appoint Mr. Shum and Ms. Chi Bi Fen as new executive Directors; Professor Meng Jian as new non-executive Director; and Mr. Kwong Ping Man, Mr. Cheung Sound Poon and Mr. Chen Gang as new independent non-executive Directors with effect from a date no earlier than the date of the Composite Document or at a date as permitted under the Takeovers Code, the Listing Rules and laws applicable to the Company. Any changes to the composition of the Board will be made in compliance with the Takeovers Code and the Listing Rules. An announcement will be published by the Company in this regard. In view of the aforesaid proposed material change in the members of the Board, we consider there is an uncertainty on the future of the Group under the new Board.

Details of the proposed Directors are set out in the "Letter from Octal Capital and Get Nice Securities".

Compulsory Acquisition

By way of information, according to the "Letter from Octal Capital and Get Nice Securities", the Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offer.

Maintaining the listing status of the Company

With reference to the "Letter from Octal Capital and Get Nice Securities", the Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer. In the event that after the completion of the Offer, the public float of the Company falls below 25%, the new Directors who will be nominated by the Offeror and to be appointed as Directors and the then director(s) of the Company will undertake to the Stock Exchange that they will take appropriate steps to restore the minimum public float as required under the Listing Rules including placing down of the Shares as soon as possible following the close of the Offer to ensure that sufficient public float exists for the Shares.

Nevertheless, we would like to remind the Independent Board Committee to draw the attention of the Independent Shareholders that the Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

In light of the uncertainty on the future prospect of the Group in view of the proposed material change in members of the Board and the Offeror has not yet formulated a concrete plan for the Group after the close of the Offer, we are of the view that the Offer represents an opportunity for the Shareholders to realise their investment in the Company should they so wish to.

(5) The Offer Price

We note that the Offer Price of HK$0.4592 is the same as the purchase price per Sale Share under the Sale and Purchase Agreement and represents:

(i) a premium of approximately 45.78% over the closing price of HK$0.315 per Share as quoted on the Stock Exchange on 4 September 2014, being the last trading day for the Shares prior to the commencement of the Offer Period;

(ii) a discount of approximately 7.23% to the closing price of HK$0.495 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 0.70% over the average closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of HK$0.456 per Share;

(iv) a premium of approximately 2.73% over the average closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of HK$0.447 per Share;

(v) a premium of approximately 0.92% over the average closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK$0.455 per Share;

(vi) a premium of approximately 9.07% over the average closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of approximately HK$0.421 per Share;

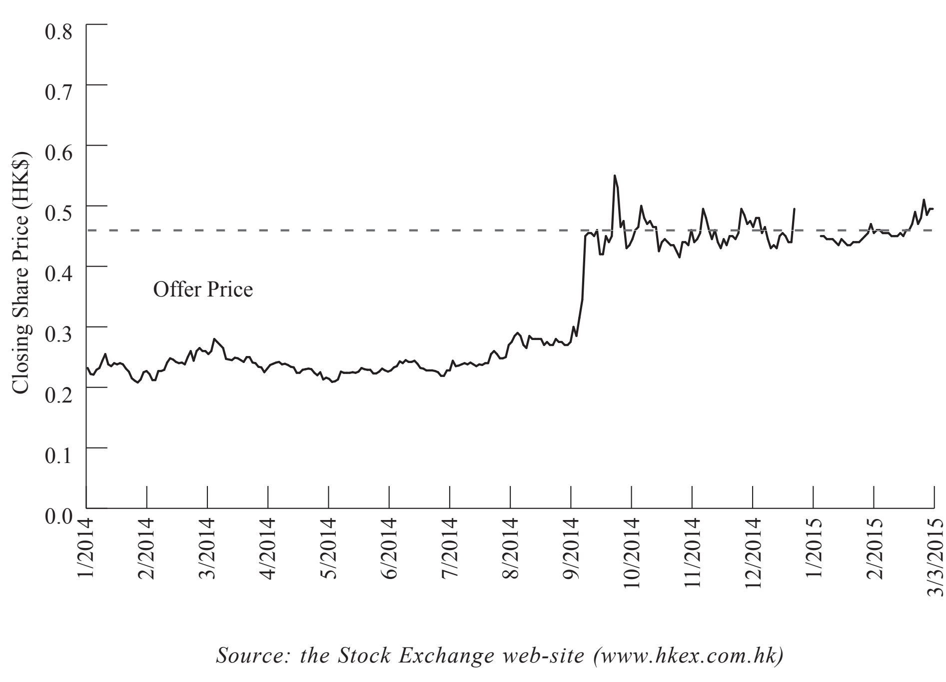
(vii) a discount of approximately 7.23% to the closing price of HK$0.495 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(viii) a premium of approximately 170.12% over the unaudited consolidated net asset attributable to the equity holders of the Company per Share of approximately HK$0.170 per Share as at 30 September 2014.

(a) Historical price performance of the Shares

We have reviewed the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 1 January 2014 leading up to the morning trading session of Stock Exchange on 5 September 2014, i.e. immediately before the publication of the Rule 3.7 Announcement (both days inclusive) (the "**Pre-Rule 3.7 Announcement Period**") and from 6 September 2014 to the Latest Practicable Date (both days inclusive) (the "**Post-Rule 3.7 Announcement Period**", collectively known as the "**Review Period**"). The following chart sets out the closing price of the Shares as quoted on the Stock Exchange during the Review Period:

Closing price of the Shares during the Review Period



Source: the Stock Exchange web-site (www.hkex.com.hk)

Pre-Rule 3.7 Announcement Period

As illustrated by the above chart, during the Pre-Rule 3.7 Announcement Period, closing price of the Shares ranged from HK$0.208 on 27 January 2014 to HK$0.345 on 5 September 2014 with an average of HK$0.243.

The Offer Price has been above the closing prices of the Shares during the entire Pre-Rule 3.7 Announcement Period and represented material premium of approximately 120.77% over the lowest closing price of the Shares of HK$0.208 per Share recorded on 27 January 2014 and material premium of 88.97% over the average closing price of the Shares of HK$0.243 during the Pre-Rule 3.7 Announcement Period. We noted that the Company had not issued any material announcement during the Pre-Rule 3.7 Announcement period.

Trading in the Shares was halted from 1:00 p.m. on 5 September 2014 pending the release of the Rule 3.7 Announcement.

Post-Rule 3.7 Announcement Period

Trading of the Shares was resumed on 6 September 2014. During the Post-Rule 3.7 Announcement Period, closing prices of the Shares materially increased by approximately 30.43% from HK$0.345 on 5 September 2014 to HK$0.450 on 6 September 2014 (i.e. the first trading day immediately after the publication of the Rule 3.7 Announcement) and maintained at a relatively high level since then. Trading in the Shares was suspended from 22 December 2014 to the end of the morning trading session of the Stock Exchange on 6 January 2015 pending the release of the Joint Announcement.

Closing price of the Shares dropped by approximately 9.1% from HK$0.495 on 19 December 2014 to HK$0.450 when trading in the Shares resumed in the afternoon trading session of the Stock Exchange on 6 January 2015 at 1:00 p.m. after the publication of the Joint Announcement on that day. Thereafter, closing prices of the Shares were below the Offer Price until 29 January 2015 when the closing price of the Shares increased to HK$0.470, i.e. higher than the Offer Price. Thereafter, closing price of the Shares fluctuated around the Offer Price and increased to HK$0.51 on 26 February 2015 when the Sale and Purchase Completion and the Subscription Completion took place on that day. As at the Latest Practicable Date, closing price of the Shares was HK$0.495. We noted that besides the Rule 3.7 Announcement, the Joint Announcement, the announcement dated 12 February 2015 relating to the poll results of the special general meeting of the Company in respect of the Subscription and the announcement dated 26 February 2015 relating to the Sale and Purchase Completion and the Subscription Completion, the Company had not published other material announcements at the relevant time. From the above observations, we consider that the increase in the closing prices of the Shares during the Post-Rule 3.7 Announcement Period reflected the market's speculation on and response to the change of controlling Shareholder and therefore, the recent market price of the Shares may not be sustained after the close of the Offer.

On the basis that (i) the Offer Price is equal to the purchase price per Sale Share under the Sale and Purchase Agreement; (ii) the Offer Price has been above the closing prices of the Shares during the entire Pre-Rule 3.7 Announcement Period and represented a material premium over the average closing price of the Shares during the Pre-Rule 3.7 Announcement Period; and (iii) the increase in the closing prices of the Shares during the Post-Rule 3.7 Announcement Period reflected the market's speculation on and response to the change of controlling Shareholder and may not be sustained after the close of the Offer, we are of the view that the Offer Price is fair and reasonable.

(b) Historical trading liquidity of the Shares

The number of trading days, the average daily number of the Shares traded per month, and the respective percentages of the Shares' monthly trading volume as compared to (i) the total number of issued Shares held by the public as at the Latest Practicable Date; and (ii) the total number of issued Shares as at the Latest Practicable Date, during the Review Period are tabulated as below:

Month	**No. of trading days in each month**	**Average daily trading volume (the "Average Volume")**	**% of the Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date** *(Note 3)*	**% of the Average Volume to total number of issued Shares as at the Latest Practicable Date** *(Note 4)*
		Shares	*%*	*%*
2014				
January	21	6,197,971	1.01	0.52
February	19	6,226,109	1.02	0.52
March	21	6,086,762	0.99	0.51
April	20	824,419	0.13	0.07
May	20	647,200	0.11	0.05
June	20	965,800	0.16	0.08
July	22	1,986,864	0.32	0.17
August	21	5,490,968	0.90	0.46
September *(Note 1)*	21	5,490,968	0.90	0.46
October	21	52,680,263	8.60	4.40
November	20	11,481,000	1.87	0.96
December *(Note 2)*	15	4,707,714	0.77	0.39

Month	No. of trading days in each month	Average daily trading volume (the "Average Volume") *Shares*	% of the Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date *(Note 3)* %	% of the Average Volume to total number of issued Shares as at the Latest Practicable Date *(Note 4)* %
2015				
January *(Note 2)*	19	11,867,474	1.94	0.99
February (up to and including 25 February 2015, before the issue of the Subscription Shares)	16	9,940,500	1.62	0.83
February (since 26 February 2015, i.e. since the issue of the Subscription Shares and up to and including the Latest Practicable Date)	2	16,596,000	2.71	1.15
March (and up to and including the Latest Practicable Date)	2	12,154,000	1.98	0.85

Source: The official website of the Stock Exchange

Notes:

1. Trading in the Shares was halted in the afternoon trading session of the Stock Exchange on 5 September 2014 pending the release of the Rule 3.7 Announcement.

2. Trading in the Shares was suspended from 22 December 2014 to the morning trading session of the Stock Exchange on 6 January 2015 pending the release of the Joint Announcement.

3. Based on the total number of Shares held by the public at the end of the respective month/period.

4. Based on the total number of Shares in issue at the end of the respective month/period.

We noted from the above table that save for October in 2014 and late February 2015 since the issue of the Subscription Shares, trading in the Shares had been inactive during the Review Period with the average daily trading volume being below 2% of the total number of issued Shares held by the public.

In light of that the Shares are illiquid, the disposal of large block of Shares held by the Shareholders in the open market would likely trigger price slump of the Shares. For this reason, there is no guarantee that the Independent shareholders will be able to realize their investments in the Shares (especially those with relatively sizable shareholdings) at a price which is substantially higher than the Offer Price. We, therefore, consider that the Offer provides a valuable exit alternative for the Independent Shareholders who would like to realize their investments in the Shares.

Nonetheless, Independent Shareholders should take into account of their individual risk preference and tolerance level before making any investment decision in relation to the Shares. If any Independent Shareholders who would like to realise their investments in the Shares are able to dispose of their Shares in the open market and/or identify potential purchaser(s) to acquire for their Shares at a price higher than the Offer Price and the net proceeds from the sale of their Shares would exceed the net amount receivable under the Offer, those Independent Shareholders may consider not accepting the Offer but selling their Shares in the open market and/or to such potential purchaser(s), as they wish to do so and as they think fit having regard to their own circumstances. However, those Independent Shareholders who, after reading through the Composite Document and this letter, consider otherwise, may consider retaining all or any part of their Shares after considering their own circumstances together with the relevant risks and uncertainties based on their individual risk preference and tolerance level.

(c) Prospects of the Group

According to the annual report of the Company for the year ended 31 March 2014, 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. 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. However, as revealed in the 2014 Interim Report, the Group still posted a relatively sluggish performance on the overall as various major markets remained on a weak track, including Japan, on which the Group has a relative high dependence, being still far from recovery, and its major customers are lacking steam for growth.

The Offeror has indicated in the "Letter from Octal Capital and Get Nice Securities" that the Offeror will conduct a review on the business activities and assets of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the result of the review, the Offeror may explore other business opportunities for the Company and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company. In addition, the Offeror will, in long term, explore into restructuring the Century Sunshine Group's magnesium related business with the Group as a separate listing platform to conduct magnesium product business and in particular future development of chain model of circular economy in magnesium and magnesium product related business by leveraging on the experience, technology and business network of magnesium product business of the Century Sunshine Group. However, as at the Latest Practicable Date, no such investment or business opportunities had been identified nor had the Offeror entered into any agreement, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group.

Based on the aforesaid, we consider that the future prospects of the Group are uncertain and will depend on the future business plans and strategy of the Company to be formulated by the new Directors.

(d) Comparison with other comparable companies

In assessing the fairness and reasonableness of the Offer Price, we have attempted to perform a price-to-earnings ratios (the "**P/E Ratios**") analysis, which is one of the most widely used and accepted methods for valuing a business with recurrent income. Given the Company recorded operating losses in the past three financial years, we consider that it is not feasible to assess the Offer Price using the P/E Ratio approach. In addition, as the Group did not declare or distribute any dividend for the last financial year, we consider that the price-to-dividends approach is not applicable in assessing the fairness or reasonableness of the Offer Price in this case. Nevertheless, taking into account the nature of the business of the Company and as advised by the Company, the total assets of the Company mainly comprise of property, plant and equipment, inventories, receivables and cash, we consider the net asset approach is an appropriate alternate approach to assess the fairness and reasonableness of the Offer Price.

Since 100% of the revenue of the Group for last financial year ended 31 March 2014 was generated from the sale of electronic products and provision of electronic manufacturing services, we have conducted a search on the Main Board of the Stock Exchange and identified six companies (the "**Identified Companies**"), being an exhaustive list of comparable companies, which are listed on the Stock Exchange and have more than 95% of the revenue generated from manufacturing and sale of electronic products. In view of the similarity of the industry and business nature between the Identified Companies (excluding Sunway International Holdings Limited (stock code: 58) as it changed its business to manufacturing and sale of construction materials in mid 2014 and completed the disposal of its electronic business on 30 January 2015) (the "**Comparable Companies**") and those of the Company, we consider the Comparable Companies are fair and representative sample for comparison to the Company. We have compared the respective price-to-book ratios (the "**P/B**") of the Comparable Companies with those of the Company, details of which are set out in the table below.

Company/Stock code	Market capitalisation	Net asset value	P/B
	(HK$ million)	*(HK$ million)*	*(times)*
	(Note 1)	*(Note 2)*	
	(1)	*(2)*	*(3) = (1)/(2)*
IDT International Ltd. (167)	1,628.65	467.80	3.48
Alco Holdings Ltd (328)	880.64	1,822.03	0.48
Shihua Development Co. Ltd (485)	469.73	80.89	5.81
Alltronics Holdings Limited (833)	594.88	214.86	2.77
Suga International Holdings Limited (912)	592.78	650.17	0.91
Maximum			**5.81**
Minimum			**0.48**
Average			**2.69**
The Company (601)	659.96	272.47	2.42 *(Note 3)*

Source: The Stock Exchange and published information of the abovementioned companies.

Notes:

1. Unless otherwise specified, market capitalisation is calculated based on the closing price of shares as at the Latest Practicable Date.

2. Unless otherwise specified, net asset value refers to the latest published accounts.

3. Based on the Offer Price of HK$0.4592 per Share and the adjusted net assets of the Company (calculated based on the consolidated unaudited net asset value attributable to the Shareholders of HK$198,026,000 as at 30 September 2014 and the net proceeds from the Subscription amounting to approximately HK$74.45 million).

As shown in the above table, the Comparable Companies were trading at P/Bs ranging from approximately 0.48 times to 5.81 times. The implied P/B of the Company of 2.42 times (based on the Offer Price of HK$0.4592) is hence within the market range and is just slightly below the average P/Bs of the Comparable Companies of 2.69 times. Since the implied P/B of the Company (based on the Offer Price) is within the range of the P/Bs of the Comparable Companies and is just slightly below the average P/Bs of the Comparable Companies, we consider the Offer Price is fair and reasonable.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, in particular:

(i) the Offer Price represents a substantial premium of approximately 170.12% to the unaudited consolidated net asset attributable to the equity holders of the Company per Share of approximately HK$0.170 per Share as at 30 September 2014;

(ii) the Offer Price has been above the closing prices of the Shares during the entire Pre-Rule 3.7 Announcement Period and represented a material premium of 88.97% over the average closing price of the Shares of HK$0.243 during the Pre-Rule 3.7 Announcement Period;

(iii) the increase in the closing prices of the Shares during the Post-Rule 3.7 Announcement Period may have reflected the market's speculation on and response to the change of controlling Shareholder and therefore, the recent market price of the Shares may not be sustained after the close of the Offer;

(iv) the disposal of large block of Shares held by the Independent Shareholders in the open market would likely to trigger price slump of the Shares in view of the thin trading volume of the Shares; and hence there is no guarantee that the current Share prices will sustain after the end of the Offer Period. Accordingly, the Offer provides an exit alternative for the Independent Shareholders who would like to realise their investments in the Shares;

(v) as set out in the sub-section headed "Comparison with other comparable companies" of this letter, the implied P/B of the Company (based on the Offer Price) is within the range of the P/Bs of the Comparable Companies and is just slightly below the average P/Bs of the Comparable Companies; and

(vi) as discussed in the sections/sub-sections headed "Information on the Offeror", "Future intention of the Offeror in relation to the Group" and "Prospects of the Group", there are uncertainties in the future prospects of the Group;

we consider that the terms of the Offer (including the Offer Price) are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

However, given the Offer Price is slightly below the current market prices of the Shares, we would like to advise the Independent Board Committee to remind the Independent Shareholders to closely monitor the market price and liquidity of the Shares during the Offer Period and consider selling their Shares in the open market, where possible, instead of accepting the Offer, if the net proceeds from such sales exceed the net amount receivable under the Offer.

Those Independent Shareholders who decide to retain part or all of their investments in the Shares should carefully monitor the intention of the Offeror in relation to the Company in the future and they should note that they may not be able to dispose of their investments in the Shares after the close of the Offer in view of the thin trading volume of the Shares in the Review Period (i.e. the average daily trading volume being below 2% of the total number of issued Shares held by the public save for the month of October in 2014 and at late February 2015 since the issue of the Subscription Shares). Further terms and conditions of the Offer are set out in the "Letter from Octal Capital and Get Nice Securities" and Appendix I to the Composite Document and the Form of Acceptance.

Moreover, as different Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Shareholder who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
Proton Capital Limited
Josephine Lau
Director — Corporate Finance

Note: Ms. Josephine Lau has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2012 and 2007, respectively. Ms. Lau has more than 13 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Takeovers Code and the Listing Rules.

1. PROCEDURES FOR ACCEPTANCE

To accept any of the Offer, you should complete and sign the Form of Acceptance in accordance with the instructions printed thereon, which instructions forms part of the terms of the relevant Offer.

1.1 The Offer

(a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer in respect of your Shares (whether in full or in part), you must send the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong marked "Group Sense (International) Limited – Offer" on the envelope as soon as possible but in any event so as to reach the Registrar by not later than 4:00 p.m. on the Offer Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

(b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares (whether in full or in part), you must either:

(i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares with the nominee company, or other nominee, and with instructions authorising it to accept the Offer on your behalf and requesting it to deliver in an envelope marked "Group Sense (International) Limited – Offer" the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares to the Registrar; or

(ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked "Group Sense (International) Limited – Offer" the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares to the Registrar; or

(iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

(iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASSS Internet System on or before the deadline set by HKSCC Nominees Limited.

(c) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it in an envelope marked "Group Sense (International) Limited – Offer" to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an irrevocable authority to each of the Offeror and/or Octal Capital and/or Get Nice Securities and/or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

(d) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and delivered in an envelope marked "Group Sense (International) Limited – Offer" to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares should be forwarded to the Registrar as soon as possible thereafter. If you have lost the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Shares, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be provided to the Registrar.

(e) Acceptance of the Offer will be treated as valid only if the completed and signed Form of Acceptance is received by the Registrar on or before the latest time for the acceptance of the Offer and the Registrar has recorded that the Form of Acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:

(i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares and, if that/those share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or

(ii) inserted in the Form of Acceptance, the total number of Shares equal to that represented by the certificates for Shares tendered for acceptance of the Offer. If no number is inserted or a number inserted is greater or smaller than that represented by the certificates for Shares tendered for acceptance of the Offer, the Form of Acceptance will be returned to you for correction and resubmission. Any corrected Form of Acceptance must be resubmitted and received by the Registrar on or before the latest time of acceptance of the Offer; or

(iii) from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or

(iv) certified by the Registrar or the Stock Exchange. If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (such as grant of probate or certified copy of power of attorney) to the satisfaction of the Registrar must be produced.

(f) Seller's ad valorem stamp duty payable by the Shareholders who accept the Offer and calculated at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is the higher, will be deducted from the cash amount payable by the Offeror to the relevant Shareholders for the acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the Shareholders who accept the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares.

(g) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s)) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares will be given.

1.2 General

Subject to the terms of the Takeovers Code, acceptance(s) of the Offer may, at the discretion of the Offeror, be treated as valid even if not entirely in order or not accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of the relevant Share(s) (and/or any satisfactory indemnity or indemnities required in respect thereof), but, in such cases, the consideration due will not be despatched until the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) has/have been received by the Registrar.

2. SETTLEMENT UNDER THE OFFER

Provided that a valid Form of Acceptance and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order and in all respects and have been received by the Registrar before the close of the Offer, a cheque for the amount due to each of the Shareholders who accept the Offer less seller's ad valorem stamp duty in respect of the Offer Shares tendered by him/her/it under the Offer will be despatched to such Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven (7) Business Days of the date on which the duly completed acceptances of the Offer and the relevant documents of title in respect of such acceptances are received by the Registrar to render each such acceptance complete and valid.

Settlement of the consideration to which any Shareholder is entitled under the Offer will be implemented in full in accordance with its terms (save in respect of the payment of the seller's ad valorem stamp duty in respect of the Offer) without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder.

3. ACCEPTANCE PERIOD AND REVISIONS

(a) Unless the Offer have previously been revised or extended with the consent of the Executive, to be valid, the Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Offer Closing Date.

(b) If the Offer is extended, the Offeror will issue an announcement in relation to any extension of the Offer, which announcement will state either the next Offer Closing Date or, a statement that the Offer will remain open until further notice. In the latter case, at least fourteen (14) days' notice in writing must be given before the Offer is closed to those Shareholders who have not accepted the relevant Offer before the Offer is closed. If, in the course of the Offer, the Offeror revises the terms of the Offer, all Shareholders, whether or not they have already accepted the Offer, will benefit under the revised terms. A revised offer must be kept open for at least fourteen (14) days following the date on which the revised offer document is posted.

(c) If the Offer Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Offer Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date.

4. NOMINEE REGISTRATION

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

5. ANNOUNCEMENTS

(a) By 6:00 p.m. on the Offer Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the expiry, revision and extension of the Offer. The Offeror must publish an announcement in accordance with the Takeovers Code on the Stock Exchange's website by 7:00 p.m. on the Offer Closing Date stating the results of the Offer and whether the Offer have been revised, extended or expired. The announcement will state the following:

(i) the total number of Offer Shares for which acceptances of the Offer have been received;

(ii) the total number of Shares held, controlled or directed by the Offeror and parties acting in concert with it before the Offer Period; and

(iii) the total number of Shares acquired or agreed to be acquired during the Offer Period by the Offeror and parties acting in concert with it.

The announcement must also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent (save for any borrowed Shares which have been either on lent or sold) and specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

(b) In computing the total number of Offer Shares represented by acceptances, for announcement purposes, only valid acceptances that are complete and in good order, and which have been received by the Registrar no later than 4:00 p.m. on the Offer Closing Date, being the latest time and date for acceptance of the Offer, shall be included.

(c) As required under the Takeovers Code, all announcements in relation to the Offer will be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

6. RIGHT OF WITHDRAWAL

(a) Acceptance of the Offer tendered by the Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in paragraph (b) below.

(b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "Announcements" above, the Executive may require that the Independent Shareholders who have tendered acceptances of the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

In such case, if the Independent Shareholder(s) withdraw(s) the acceptance, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares lodged with the Form of Acceptance to the Independent Shareholder(s).

7. OVERSEAS SHAREHOLDERS

The Offer is made in respect of securities of a company incorporated in Bermuda and is subject to the statutory procedural and disclosure requirements of Hong Kong, which may be different from those of other jurisdictions. The Offeror intends to make the Offer available to all Shareholders, including those with registered addresses, as shown in the register of members of the Company, outside Hong Kong. The availability of the Offer to persons not resident in Hong Kong and the ability of Shareholders outside Hong Kong to participate in the Offer will however be subject to, and may be limited by, the laws and regulations of their respective jurisdictions.

The making of the Offer to the Overseas Shareholders may be prohibited or limited by the laws of the relevant jurisdictions. The Overseas Shareholders should observe any applicable legal or regulatory requirements. The Overseas Shareholders should obtain appropriate legal advice regarding the implications of the Offer in the relevant jurisdictions with a view to observing any applicable legal or regulatory requirements. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including but not limited to the obtaining of any governmental, exchange control or other consents or any registration and/or filing which may be required and the compliance with other necessary formalities or regulatory or legal requirements. The Overseas Shareholders will also be fully responsible for the payment of any transfer or other taxes and duties by the accepting Overseas Shareholders payable in respect of all relevant jurisdictions. Acceptance of the Offer by the Overseas Shareholders will constitute a representation and warranty by such person that the local laws and requirements have been complied with and such person is permitted under all applicable laws to receive and accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty.

8. TAX IMPLICATIONS

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Offeror and parties acting in concert with it, the Company and its ultimate beneficial owners and parties acting in concert with any of them, Octal Capital, Get Nice Securities, Proton Capital, the Registrar or any of their respective directors or professional advisers or any other parties involved in the Offer or any of their respective agents is in a position to advise the Independent Shareholders on their individual tax implications nor accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

9. GENERAL

(i) All communications, notices, Form of Acceptance, share certificates, transfer receipts (as the case may be), other documents of title and/or any satisfactory indemnity or indemnities required in respect thereof and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror, Octal Capital, Proton Capital and any of their respective agents nor the Registrar or other parties involved in the Offer accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

(ii) The provisions set out in the Form of Acceptance form part of the terms and conditions of the Offer.

(iii) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.

(iv) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

(v) Due execution of the Form of Acceptance will constitute an authority to the Offeror, Octal Capital, Get Nice Securities, or such person or persons as the Offeror may direct, to complete and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares in respect of which such person or persons has accepted the Offer.

(vi) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares are sold to the Offeror free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached to them as at the date of this Composite Document or subsequently becoming attached to them, including the right to the receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of despatch of this Composite Document. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty.

(vii) Reference to the Offer in this Composite Document and in the Form of Acceptance shall include any extension or revision thereof.

(viii) In making their decision, the Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror, its beneficial owner, the Company, Octal Capital, Get Nice Securities. The Independent Shareholders should consult their own professional advisers for professional advice.

(ix) The English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation in case of inconsistency.

I. FINANCIAL SUMMARY

Set out below is a summary of the financial information of the Group for each of the three years ended 31 March 2012, 31 March 2013 and 31 March 2014 and the six months ended 30 September 2014, which is extracted from the audited consolidated financial statements of the Group as set forth in the annual reports of the Company for each of the three years ended 31 March 2012, 31 March 2013 and 31 March 2014 and the unaudited consolidated financial statements of the Group as set forth in the interim report of the Company for the six months ended 30 September 2014.

The consolidated financial statements of the Group for each of the three years ended 31 March 2012, 31 March 2013 and 31 March 2014 were audited by Ernst & Young, Certified Public Accountants, Hong Kong and did not contain any qualifications. For each of the three years ended 31 March 2012, 31 March 2013 and 31 March 2014 and the six months ended 30 September 2014, no dividend was declared or paid. The Group had no exceptional items because of size, nature or incidence for each of the three years ended 31 March 2012, 31 March 2013 and 31 March 2014 and for the six months ended 30 September 2014.

	Six months ended 30 September	**Year ended 31 March**		
	2014	**2014**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	115,507	349,382	383,340	478,708
Loss before taxation	(48,117)	(86,789)	(76,688)	(76,872)
Income tax credit/(expense)	—	(16)	3	(46)
Loss for the period/year	(48,117)	(86,805)	(76,685)	(76,918)
Other comprehensive income/(expenses): Exchange differences on translation of foreign operations	(787)	(2,002)	869	6,328
Total comprehensive loss for the period/year	(48,904)	(88,807)	(75,816)	(70,590)

	Six months ended 30 September	Year ended 31 March		
	2014	**2014**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Loss attributable to:				
Equity holders of the Company	(45,884)	(80,409)	(75,724)	(73,182)
Non-controlling interests	(2,233)	(6,396)	(961)	(3,736)
	(48,117)	(86,805)	(76,685)	(76,918)
Total comprehensive loss attributable to:				
Equity holders of the Company	(46,671)	(82,411)	(75,011)	(67,277)
Non-controlling interests	(2,233)	(6,396)	(805)	(3,313)
	(48,904)	(88,807)	(75,816)	(70,590)
Loss per share				
Basic and Diluted (HK cents)	(3.8)	(6.7)	(6.3)	(6.1)

II. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 March 2014 extracted from the annual report of the Company for the year ended 31 March 2014:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March 2014

	Notes	**2014** *HK$'000*	**2013** *HK$'000*
REVENUE	*5*	349,382	383,340
Cost of sales		(280,981)	(294,346)
Gross profit		68,401	88,994
Other income and gains, net	*5*	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	*7*	(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)	*10*	(16)	3
LOSS FOR THE YEAR		(86,805)	(76,685)
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)

	Notes	2014 *HK$'000*	2013 *HK$'000*
Loss attributable to:			
Equity holders of the Company	*11*	(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 *(HK cents)*	*13*	(6.7 cents)	(6.3 cents)
Diluted *(HK cents)*	*13*	(6.7 cents)	(6.3 cents)

Details of the dividend are disclosed in note 12 to the financial statements.

Consolidated Statement of Financial Position

31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	133,106	125,894
Prepaid land lease payments	*15*	16,669	17,162
Deferred development costs	*16*	506	593
Investments in joint ventures	*18*	8,834	8,203
Investments in associates	*19*	—	—
Available-for-sale investments	*20*	31,199	36,425
Long term deposits	*21*	52	3,275
Total non-current assets		190,366	191,552
CURRENT ASSETS			
Inventories	*22*	47,039	65,554
Trade receivables	*23*	43,587	56,999
Prepayments, deposits and other receivables	*24*	28,167	33,550
Amounts due from joint ventures	*18*	401	195
Amounts due from associates	*19*	5,734	3,328
Pledged deposits	*25*	1,001	—
Cash and cash equivalents	*25*	33,496	80,782
Total current assets		159,425	240,408

	Notes	2014 HK$'000	2013 HK$'000
CURRENT LIABILITIES			
Trade payables	26	40,145	43,389
Other payables and accruals	27	35,197	30,646
Interest-bearing bank borrowings	28	23,814	20,000
Provision	29	1,573	2,059
Due to a non-controlling shareholder of a subsidiary	30	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	32	119,766	119,766
Reserves	33(a)	130,743	212,626
		250,509	332,392
Non-controlling interests		(3,579)	3,345
Total equity		246,930	335,737

Consolidated Statement of Changes in Equity

Year ended 31 March 2014

	Attributable to equity holders of the Company									
	Issued capital HK$'000	Share premium account* HK$'000	Capital redemption reserve* HK$'000	Special reserve* HK$'000 (note 33(a))	Other reserve* HK$'000	Exchange fluctuation reserve* HK$'000	Accumulated losses* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2012	119,766	409,710	419	(60,819)	4,713	54,885	(121,271)	407,403	4,150	411,553
Loss for the year	–	–	–	–	–	–	(75,724)	(75,724)	(961)	(76,685)
Other comprehensive income for the year: Exchange differences on translation of foreign operations	–	–	–	–	–	713	–	713	156	869
Total comprehensive income/(loss) for the year	–	–	–	–	–	713	(75,724)	(75,011)	(805)	(75,816)
At 31 March 2013 and at 1 April 2013	119,766	409,710	419	(60,819)	4,713	55,598	(196,995)	332,392	3,345	335,737
Loss for the year	–	–	–	–	–	–	(80,409)	(80,409)	(6,396)	(86,805)
Other comprehensive loss for the year: Exchange differences on translation of foreign operations	–	–	–	–	–	(2,002)	–	(2,002)	–	(2,002)
Total comprehensive loss for the year	–	–	–	–	–	(2,002)	(80,409)	(82,411)	(6,396)	(88,807)
Acquisition of non-controlling interests	–	–	–	–	528	–	–	528	(528)	–
At 31 March 2014	119,766	409,710	419	(60,819)	5,241	53,596	(277,404)	250,509	(3,579)	246,930

* These reserve accounts comprise the consolidated reserves of HK$130,743,000 (2013: HK$212,626,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(86,789)	(76,688)
Adjustments for:			
Finance costs	7	574	580
Share of profits and losses of joint ventures and an associate		(6)	260
Bank interest income	5	(136)	(1,020)
Interest income from investments at fair value through profit or loss	5	—	(226)
Dividend income from available-for-sale investments	5	—	(1,137)
Loss/(gain) on disposal of items of property, plant and equipment	5	479	(307)
Fair value losses on investments at fair value through profit or loss, net	5	—	30
Depreciation	6	11,258	10,182
Recognition of prepaid land lease payments	6	493	493
Amortisation of deferred development costs	6	436	519
Write-down of inventories to net realisable value	6	9,532	6,542
Impairment of an amount due from a joint venture	6	—	2,506
Impairment of an amount due from an associate	6	1,174	1,315
Reversal of impairment of an amount due from an associate	6	(283)	(430)
Impairment of trade receivables	6	1,720	26
Impairment of deposits and prepayments	6	1,425	—
Impairment of other receivables	6	8,000	12,057
Impairment of available-for-sale investments	6	5,226	—
Gain on disposal of an available-for-sale investment	5	—	(5,693)
Gain on disposals of subsidiaries	5	—	(287)
		(46,897)	(51,278)

	Notes	2014 HK$'000	2013 HK$'000
Decrease in inventories		8,750	4,752
Decrease in trade receivables		10,236	1,335
Increase in prepayments, deposits and other receivables	*35*	(888)	(2,656)
Increase in amounts due from joint ventures		(206)	—
Increase in amounts due from associates		(3,297)	(2,790)
(Decrease)/increase in trade payables		(3,222)	3,550
Increase/(decrease) in other payables and accruals	*35*	4,621	(20,115)
(Decrease)/increase in provision for product warranty		(445)	125
Cash used in operations		(31,348)	(67,077)
Overseas taxes paid		(15)	(23)
Net cash flows used in operating activities		(31,363)	(67,100)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		136	1,020
Interest received from investments at fair value through profit or loss		—	226
Dividend income from available-for-sale investments		—	1,137
Purchases of items of property, plant and equipment	*14*	(19,638)	(11,068)
Proceeds from disposal of items of property, plant and equipment		677	1,150
Proceeds from disposal of an available-for-sale investment		—	5,693
Disposals of subsidiaries	*34*	—	(23)
Additions to deferred development costs	*16*	(355)	(240)
Investment in a joint venture		(19)	—
Investment in an associate		—	(100)
(Increase)/decrease in an amount due from a joint venture		(606)	1,576
Refund from an available-for-sale investment		—	1,875
Proceeds from maturity of an investment at fair value through profit or loss		—	8,219
Net cash flows (used in)/from investing activities		(19,805)	9,465

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance costs		(574)	(580)
New bank loans		23,814	—
Repayment of bank loans		(20,000)	—
Increase in an amount due to a non-controlling shareholder of a subsidiary		2,002	—
Net cash flows from/(used in) financing activities		5,242	(580)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(45,926)	(58,215)
Cash and cash equivalents at beginning of year		80,782	138,990
Effect of foreign exchange rate changes, net		(359)	7
CASH AND CASH EQUIVALENTS AT END OF YEAR		34,497	80,782
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	*25*	33,496	80,782
Time deposits with original maturity of less than three months when acquired, pledged as security for a bank loan	*25*	1,001	—
Cash and cash equivalents as stated in the consolidated statement of cash flows		34,497	80,782

Statement of Financial Position

31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	*17*	442,266	531,266
CURRENT ASSETS			
Due from subsidiaries	*17*	3,000	3,000
Prepayments	*24*	290	200
Cash and bank balances	*25*	101	103
Total current assets		3,391	3,303
CURRENT LIABILITIES			
Other payables and accruals	*27*	405	410
NET CURRENT ASSETS		2,986	2,893
TOTAL ASSETS LESS CURRENT LIABILITIES		445,252	534,159
NON-CURRENT LIABILITIES			
Due to subsidiaries	*17*	198,578	198,897
Net assets		246,674	335,262
EQUITY			
Issued capital	*32*	119,766	119,766
Reserves	*33(b)*	126,908	215,496
Total equity		246,674	335,262

Notes to Financial Statements

31 March 2014

1. CORPORATE INFORMATION

Group Sense (International) Limited (the "Company") is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 6th Floor, Enterprise Place, No. 5 Science Park West Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong.

During the year, the Group was involved in the design, manufacture and sale of original design manufacturing products ("ODM products"), electronic dictionary products and personal communication products, and the provision of electronic manufacturing services.

2.1 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 endeavouring 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.

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. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 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. Details of the disclosures for subsidiaries, joint ventures and associates are included in notes 17, 18 and 19 to the financial statements, respectively.

(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. 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.

2.3 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 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[1]
HKFRS 11 Amendments	*Accounting for Acquisitions of Interests in Joint Operations*[3]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKAS 16 and HKAS 38 Amendments	*Clarification of Acceptable Methods of Depreciation and Amortisation*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010-2012 and 2011-2013 Cycles	Amendments to a number of HKFRSs issued in January 2014[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

In addition, the new Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statement for the year ending 31 March 2015. The Group is in the process of making an assessment of the impact of these changes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associates or joint ventures, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the shorter of the lease terms and 2%
Leasehold improvements	25%
Furniture, fixtures and equipment	25%
Plant and machinery	15% to 25%
Toolings and moulds	50%
Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products of three years, commencing from the date when the products are put into commercial production.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other operating expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other operating expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates with in the range can not be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss — is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank borrowings and an amount due to a non-controlling shareholder of a subsidiary.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) service fee income, when the services have been rendered;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also operates a defined contribution staff retirement scheme registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") for its employees (including certain directors), the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the ORSO Scheme. When an employee leaves the ORSO Scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their profits or losses are translated into Hong Kong dollars at the weighted average exchange rate for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries and joint ventures are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries and joint ventures which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/ or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

Impairment of items of property, plant and equipment and available-for-sale financial assets carried at cost

Management estimates the recoverable amounts of items of property, plant and equipment and available-for-sale investments carried at cost when an indication of impairment exists. This requires an estimation of the value in use of the cash-generating units. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of trade receivables

The Group maintains an allowance for the estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

Warranty provision

The Group gives warranties of one to two years on certain products and undertakes to repair or replace items that fail to perform satisfactorily. Significant judgement is required when determining the warranty expenses. The Group estimates the warranty expenses based on the actual repair and item replacement costs incurred for the products sold in the last 24 months. Where the warranty expenses incurred are different from the original provision, the difference would impact on profit or loss in the period in which the additional warranty expenses are incurred.

Income taxes

Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of these transactions is reconsidered periodically to take into account all changes in tax legislation.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

4. 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 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.

	Personal communication products HK$'000	Strategic products HK$'000	Corporate and others HK$'000	Total HK$'000
Year ended 31 march 2014				
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.

	Personal communication products HK$'000	Strategic products HK$'000	Corporate and others HK$'000	Total HK$'000
Year ended 31 March 2013				
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 investment				5,693
Gain on disposals 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 asset information above is based on the locations of the 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	Strategic products	Total
	HK$'000	*HK$'000*	*HK$'000*
Customer B	—	49,316	49,316
Customer C	—	39,352	39,352

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

5. 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:

	Note	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	*34*	—	287
		(479)	6,257
		10,915	19,756

6. LOSS BEFORE TAX

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

		Group	
		2014	**2013**
	Notes	*HK$'000*	*HK$'000*
Cost of inventories sold		271,449	287,804
Depreciation	*14*	11,258	10,182
Recognition of prepaid lease payments	*15*	493	493
Research and development expenses:			
Deferred development costs amortised	*16*	436	519
Current year expenditure		40,742	57,826
		41,178	58,345
Minimum lease payments under operating leases in respect of land and buildings		10,130	11,168
Auditors' remuneration		1,100	1,100
Employee benefit expense (including directors' remuneration *(note 8)*):			
Wages and salaries and benefits in kind		137,012	153,632
Pension scheme contributions		6,324	7,038
		143,336	160,670
Foreign exchange differences, net		234	4,259
Write-down of inventories to net realisable value		9,532	6,542
Product warranty provision	*29*	757	860
Impairment of an amount due from a joint venture*	*18*	—	2,506
Impairment of an amount due from an associate*	*19*	1,174	1,315
Impairment of available-for-sale investments*	*20*	5,226	—
Reversal of impairment of an amount due from an associate*	*19*	(283)	(430)
Impairment of trade receivables**	*23*	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. FINANCE COSTS

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

8. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), is as follows:

	Group 2014 HK$'000	2013 HK$'000
Fees	506	416
Other emoluments:		
Salaries, allowances and benefits in kind	9,084	9,762
Performance-related incentive payments	200	75
Pension scheme contributions	264	300
	9,548	10,137
	10,054	10,553

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2014 HK$'000	2013 HK$'000
Yung Wing Ki, Samuel SBS, MH, JP*	56	128
Ho Kwok Shing, Harris*	32	128
Wong Kon Man, Jason	128	128
Fung, Henry^	91	—
Li Chi Kwong^	71	—
	378	384

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

* Mr. Ho Kwok Shing, Harris resigned and Mr. Yung Wing Ki, Samuel retired as independent non-executive directors of the Company with effect from 1 July 2013 and 11 September 2013, respectively.

^ Mr. Fung, Henry and Mr. Li Chi Kwong were appointed as independent non-executive directors of the Company with effect from 16 July 2013 and 11 September 2013, respectively.

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Performance-related incentive payments	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2014					
Executive directors:					
Tam Wai Ho, Samson *JP*	—	2,774	—	60	2,834
Tam Wai Tong, Thomas	—	2,730	—	60	2,790
Tam Mui Ka Wai, Vivian	—	592	—	27	619
Kazuhiro Otani	—	1,807	—	63	1,870
Lee Koon Hung	—	1,181	—	54	1,235
Luk Chui Yung, Judith#	—	—	200	—	200
	—	9,084	200	264	9,548
Non-executive director:					
Luk Chui Yung, Judith#	128	—	—	—	128
	128	9,084	200	264	9,676
2013					
Executive directors:					
Tam Wai Ho, Samson *JP*	—	2,750	—	60	2,810
Tam Wai Tong, Thomas	—	2,707	—	60	2,767
Tam Mui Ka Wai, Vivian	—	591	—	27	618
Kazuhiro Otani	—	1,704	75	63	1,842
Lee Koon Hung	—	1,173	—	54	1,227
Luk Chui Yung, Judith#	—	837	—	36	873
	—	9,762	75	300	10,137
Non-executive director:					
Luk Chui Yung, Juidth#	32	—	—	—	32
	32	9,762	75	300	10,169

\# Ms. Luk Chui Yung, Judith was re-designated as a non-executive director on 1 January 2013. Among her total remuneration for the year ended 31 March 2014, approximately HK$200,000 represented performance-related incentive payments for her service before appointment as a non-executive director. Among her total remuneration for the year ended 31 March 2013, approximately HK$873,000 represented remuneration for her service before appointment as a non-executive director.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2013: Nil).

Senior management's remuneration

Senior management's remuneration for the year was within the following bands:

	Group 2014	Group 2013
Nil to HK$1,000,000	2	3

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2013: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2013: one) highest paid employee who is not a director of the Company are as follows:

	Group 2014 *HK$'000*	Group 2013 *HK$'000*
Salaries, allowances and benefits in kind	913	927
Pension scheme contributions	15	43
	928	970

10. 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.

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

A reconciliation of the tax credit applicable to loss before tax at the statutory rates for the countries/jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	Group			
	2014		**2013**	
	HK$'000	*%*	*HK$'000*	*%*
Loss before tax	(86,789)		(76,688)	
Tax at the statutory tax rate	(15,391)	17.7	(12,910)	16.8
Adjustments in respect of current tax of previous periods	—	—	(31)	—
Profits and losses attributable to joint ventures and an associate	1	—	43	—
Income not subject to tax	(1,411)	1.6	(1,507)	2.0
Expenses not deductible for tax	2,862	(3.3)	2,527	(3.3)
Tax losses utilised from previous periods	—	—	(894)	1.2
Tax losses not recognised	13,955	(16.0)	12,769	(16.7)
Tax charge/(credit) at the Group's effective rate	16	—	(3)	—

11. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the year ended 31 March 2014 includes a loss of HK$88,588,000 (2013: loss of HK$75,205,000) which has been dealt with in the financial statements of the Company (note 33(b)).

12. DIVIDEND

The board of directors does not recommend the payment of any dividend for the years ended 31 March 2014 and 2013.

13. 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.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings	Leasehold improve-ments	Furniture, fixtures and equipment	Plant and machinery	Toolings and moulds	motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2014								
At 1 April 2013:								
Cost	79,171	25,036	82,861	96,368	134,161	10,194	66,477	494,268
Accumulated depreciation	(30,530)	(24,729)	(81,319)	(91,122)	(131,406)	(9,268)	—	(368,374)
Net carrying amount	48,641	307	1,542	5,246	2,755	926	66,477	125,894
At 1 April 2013, net of accumulated depreciation	48,641	307	1,542	5,246	2,755	926	66,477	125,894
Additions	—	1,297	4,015	6,829	2,515	—	4,982	19,638
Depreciation provided during the year	(2,887)	(562)	(966)	(4,634)	(1,953)	(256)	—	(11,258)
Disposals	—	(41)	(13)	(74)	(755)	(273)	—	(1,156)
Transfer	70,962	—	—	—	—	—	(70,962)	—
Exchange realignment	—	(4)	(8)	—	—	—	—	(12)
At 31 March 2014, net of accumulated depreciation	116,716	997	4,570	7,367	2,562	397	497	133,106
At 31 March 2014:								
Cost	150,133	25,368	85,513	93,218	127,915	8,911	497	491,555
Accumulated depreciation	(33,417)	(24,371)	(80,943)	(85,851)	(125,353)	(8,514)	—	(358,449)
Net carrying amount	116,716	997	4,570	7,367	2,562	397	497	133,106

Group

	Leasehold land and buildings *HK$'000*	Leasehold improve-ments *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Plant and machinery *HK$'000*	Toolings and moulds *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
31 March 2013								
At 1 April 2012:								
Cost	76,888	25,477	82,923	107,079	132,483	10,805	55,542	491,197
Accumulated depreciation	(28,115)	(24,650)	(80,364)	(99,035)	(128,502)	(9,006)	—	(369,672)
Net carrying amount	48,773	827	2,559	8,044	3,981	1,799	55,542	121,525
At 1 April 2012, net of accumulated depreciation	48,773	827	2,559	8,044	3,981	1,799	55,542	121,525
Additions	—	165	317	760	1,199	—	8,851	11,292
Depreciation provided during the year	(1,581)	(659)	(1,366)	(3,827)	(2,420)	(329)	—	(10,182)
Disposals	(69)	(53)	(13)	(33)	(96)	(579)	—	(843)
Exchange realignment	1,518	27	45	302	91	35	2,084	4,102
At 31 March 2013, net of accumulated depreciation	48,641	307	1,542	5,246	2,755	926	66,477	125,894
At 31 March 2013:								
Cost	79,171	25,036	82,861	96,368	134,161	10,194	66,477	494,268
Accumulated depreciation	(30,530)	(24,729)	(81,319)	(91,122)	(131,406)	(9,268)	—	(368,374)
Net carrying amount	48,641	307	1,542	5,246	2,755	926	66,477	125,894

The net book values of the Group's leasehold land and buildings at the end of the reporting period are analysed as follows:

	Group 2014 *HK$'000*	Group 2013 *HK$'000*
Medium term leases in Hong Kong	7,736	8,016
Medium term leases in Mainland China	108,980	40,625
	116,716	48,641

At 31 March 2014, a building of the Group with a net carrying amount of approximately HK$7,736,000 (2013: Nil) was pledged to secure banking facilities granted to the Group (note 28).

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2014	2013
	HK$'000	*HK$'000*
Carrying amount at 1 April	17,640	17,477
Recognised during the year *(note 6)*	(493)	(493)
Exchange realignment	—	656
Carrying amount at 31 March	17,147	17,640
Current portion included in prepayments, deposits and other receivables	(478)	(478)
Non-current portion	16,669	17,162

The leasehold lands are held under medium term leases and are situated in Mainland China.

16. DEFERRED DEVELOPMENT COSTS

	Group	
	2014	2013
	HK$'000	*HK$'000*
At 1 April:		
Cost	39,013	38,836
Accumulated amortisation	(38,420)	(37,946)
Net carrying amount	593	890
Cost, net of accumulated amortisation, at 1 April	593	890
Additions — internal development	355	240
Amortisation provided during the year *(note 6)*	(436)	(519)
Exchange realignment	(6)	(18)
At 31 March	506	593
At 31 March:		
Cost	39,332	39,013
Accumulated amortisation	(38,826)	(38,420)
Net carrying amount	506	593

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	**2013**
	HK$'000	*HK$'000*
Unlisted investments, at cost	269,256	269,256
Due from subsidiaries	767,266	767,266
	1,036,522	1,036,522
Less: Impairment#	(591,256)	(502,256)
	2445,266	534,266
Due to subsidiaries	(198,578)	(198,897)

\# Impairments were recognised for investments in subsidiaries and amounts due from subsidiaries with carrying amounts of HK$269,256,000 (2013: HK$269,256,000) and HK$767,266,000 (2013: HK$767,266,000) (before deducting the impairment loss), respectively, because certain subsidiaries of the Group have been making losses persistently. During the year, an additional impairment of HK$89,000,000 (2013: HK$75,000,000) was recognised on the amounts due from subsidiaries.

The movement in the impairment of investments in subsidiaries is as follows:

	Company	
	2014	**2013**
	HK$'000	*HK$'000*
At the beginning of year	502,256	427,256
Impairment losses recognised	89,000	75,000
At the end of year	591,256	502,256

At the end of each reporting period, the Company assesses the prospects and financial position of its subsidiaries, on an individual basis, as to whether there is any indication of impairment of its investments in subsidiaries or any impairment loss previously recognised for subsidiaries in prior years may no longer exist or may need to be adjusted accordingly.

Except for amounts due from subsidiaries of HK$3,000,000 (2013: HK$3,000,000) which are repayable within one year, the balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the balances with subsidiaries are not repayable within twelve months from the end of the reporting period except for the amounts aforementioned and are therefore shown in the statement of financial position as non-current.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Concept Technology Industries Limited	Hong Kong	HK$100	—	100	Investment holding
Favourable Outcome Limited*	British Virgin Islands ("BVI")	US$1	—	100	Investment holding
Global Asia High-tech Electronics Co., Ltd.(1)*	The People's Republic of China (The "PRC")/ Mainland China	HK$65,000,000	—	100	Manufacture and trading of electronic products
Group Sense (China) Limited*	BVI	US$1	100	—	Investment holding
Group Sense (Dongguan) Limited*	BVI/Mainland China	US$10	—	100	Property holding
Group Sense (Holding) Limited*	BVI	US$3,000	100	—	Investment holding
Group Sense (S.E.A.) Limited*	BVI	US$1	100	—	Investment holding
Group Sense Cyberspace Limited*	Samoa	US$100	100	—	Investment holding
Group Sense Limited	Hong Kong	Ordinary shares HK$1,000 Non-voting 5% deferred shares HK$200,000(2)	—	100	Design and trading of electronic products
Group Sense Manufactory Company Limited	BVI/ Mainland China	US$1	—	100	Investment holding
Group Sense Manufactory Company Limited	Hong Kong	HK$2	—	100	Investment holding
Group Sense Mobile-Tech Limited	Hong Kong	HK$2	—	98.95	Design and trading of electronic products

Name	Place of incorporation/ registration and business	Issued/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Group Sense PDA Holdings Limited	Cayman Islands	Ordinary shares US$2,115,837 Series A preferred shares US$17,182	98.95	—	Investment holding
Group Sense PDA Limited	Hong Kong	HK$100	—	98.95	Design and trading of electronic products
Group Sense Software Technology (Hong Kong) Limited	Hong Kong	HK$100	—	100	Investment holding
Kabushiki Kaisha Group Sense*	Japan	JPY60,000,000	—	100	Design and trading of electronic products
Supreme Style Technology Limited*	BVI	US$100	—	100	Investment holding
廣東中大訊通軟件科技有限公司 (「中大訊通」) (3)*	The PRC/ Mainland China	RMB50,000,000	—	51	Design and trading of electronic products and software

Notes:

(1) Wholly-foreign-owned enterprise.

(2) The deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the company or to participate in any distribution on winding up.

(3) Sino-foreign equity joint venture established in the PRC.

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Details of the Group's subsidiary, 中大訊通, that has material non-controlling interests are set out below:

	2014	2013
Percentage of equity interest held by non-controlling interests of 中大訊通	49%	49%

	2014 *HK$'000*	2013 *HK$'000*
Loss for the year allocated to non-controlling interests of 中大訊通	(6,392)	(904)
Accumulated balances of non-controlling interests of 中大訊通 at the reporting dates	(3,519)	2,873

The following tables illustrate the summarised financial information of 中大訊通. The amounts disclosed are before any intercompany eliminations:

	2014 *HK$'000*	2013 *HK$'000*
Revenue	1,381	2,152
Total expenses	(14,426)	(3,997)
Loss for the year and total comprehensive income for the year	(13,045)	(1,845)
Current assets	1,587	6,541
Non-current assets	90,555	87,063
Current liabilities	(99,324)	(87,741)
Net cash flows used in operating activities	(2,452)	(2,453)
Net cash flows used in investing activities	(10,741)	(12,565)
Net cash flows from financing activities	9,897	12,712
Net decrease in cash and cash equivalents	(3,296)	(2,306)

18. INVESTMENTS IN JOINT VENTURES

	2014 *HK$'000*	2013 *HK$'000*
Share of net assets	1,548	1,523
Goodwill on acquisition	6,680	6,680
	8,228	8,203
Amounts due from joint ventures	6,312	5,706
Less: Impairment[#]	(5,706)	(5,706)
	8,834	8,203
Amounts due from joint ventures — current	401	195

The amounts due from joint ventures included in investments in joint ventures are unsecured, interest-free and are not repayable within twelve months from the end of the reporting period and are therefore shown in the consolidated statement of financial position as non-current.

The amounts due from joint ventures of HK$401,000, included in the Group's current assets, are unsecured, interest-free and have no fixed term of repayment.

Impairment of HK$5,706,000 was recognised for the amount due from a joint venture with a carrying amount of HK$5,706,000 (before deducting the impairment loss) (2013: HK$5,706,000) because the joint venture was inactive during the year.

The movements in the provision for impairment of an amount due from a joint venture are as follows:

	Group	
	2014	**2013**
	HK$'000	*HK$'000*
At the beginning of year	5,706	3,200
Impairment loss recognised	—	2,506
At the end of year	5,706	5,706

Particulars of the joint ventures are as follows:

Name	Issued/ registered share capital held	Place of registration and business	Percentage of Ownership interest	Percentage of voting power	Percentage of Profit sharing	Principal activities
Neoplatec Technology Company Limited ("Neoplatec")	HK$700,000	Hong Kong	35	35	35	Dormant
Chongqing New Standard Medical Equipment Co., Ltd*	RMB5,401,550	The PRC/ Mainland China	19.78	20	19.78	Manufacture and trading of electronic medical appliances
GS Solutions Limited ("GS Solutions")	HK$10,000,100	Hong Kong	33	33	33	Investment Holding
深圳創新易購有限公司*	RMB15,000	The PRC/ Mainland China	50	50	50	Online trading of electronic products

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above investments in joint ventures are indirectly held by the Company.

The Group has discontinued the recognition of its share of losses of Neoplatec and GS Solutions because the share of losses of these joint ventures exceeded the Group's investments in the joint ventures and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of these joint ventures for the current year and cumulatively were HK$435,000 (2013: HK$2,000) and HK$1,134,000 (2013: HK$699,000), respectively.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2014	**2013**
	HK$'000	*HK$'000*
Share of the joint ventures' profit/(loss) for the year	6	(160)
Share of the joint ventures' total comprehensive income for the year	6	(160)
Aggregate carrying amount of the Group's investments in the joint ventures	8,228	8,203

19. INVESTMENTS IN ASSOCIATES

	Group	
	2014	**2013**
	HK$'000	*HK$'000*
Share of net assets	—	—
Amounts due from associates	16,899	13,602
Less: Impairment#	(11,165)	(10,274)
	5,734	3,328

The amounts due from associates of HK$5,734,000 (2013: HK$3,328,000), included in the Group's current assets, are unsecured, interest-free and have no fixed terms of repayment.

\# Impairment was recognised for the amounts due from associates with a carrying amount of HK$11,165,000 (before deducting the impairment loss) (2013: HK$13,602,000) because these associates of the Group have been making losses persistently.

The movements in the provision for impairment of amounts due from associates are as follows:

	Group	
	2014	**2013**
	HK$'000	*HK$'000*
At the beginning of year	10,274	9,365
Impairment losses recognised *(note 6)*	1,174	1,315
Impairment losses reversed *(note 6)*	(283)	(430)
Exchange realignment	—	24
At the end of year	11,165	10,274

Particulars of the principal associates are as follows:

Name	**Issued/ registered share capital held**	**Place of incorporation/ registration and business**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
ACME Tech Precision Moulds Limited (“ACME”)*	HK$3,500	Hong Kong	35	Dormant
Sinocard Technology Limited (“Sinocard”)	HK$45,000	Hong Kong	45	Dormant
Group Sense Plastic Technology Company Limited (“GSPT”)*	HK$100,000	Hong Kong	33	Investment holding

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The Group’s shareholdings in the associates all comprise equity shares held through wholly-owned subsidiaries of the Company.

The Group has discontinued the recognition of its share of losses of ACME, Sinocard and GSPT because the share of losses of these associates exceeded the Group’s investments in the associates and the Group has no obligation to take up further losses. The amounts of the Group’s unrecognised share of losses of these associates for the current year and cumulatively were HK$141,000 (2013: HK$1,779,000) and HK$6,766,000 (2013: HK$6,625,000), respectively.

20. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2014	**2013**
	HK$'000	*HK$'000*
Unlisted equity investments, at cost	46,425	46,425
Less: Impairment[#]	(15,226)	(10,000)
	31,199	36,425

\# Impairment was recognised for unlisted investments with a carrying amount of HK$46,425,000 (before deducting the impairment loss) (2013: HK$32,055,000) due to the non-performance of these investments.

The movements in the provisions for impairment of available-for-sale investments are as follows:

	Group	
	2014	**2013**
	HK$'000	*HK$'000*
At the beginning of year	10,000	10,000
Provision for impairment *(note 6)*	5,226	—
At the end of year	15,226	10,000

The above investments consist of investments in unlisted equity securities which were designated as available-for-sale investments.

As at 31 March 2014, the unlisted equity investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably.

21. LONG TERM DEPOSITS

None of the assets is either past due or impaired. The financial assets relate to deposits for which there was no recent history of default.

22. INVENTORIES

	Group	
	2014	**2013**
	HK$'000	*HK$'000*
Raw materials	32,147	42,920
Work in progress	7,150	11,655
Finished goods	7,742	10,979
	47,039	65,554

23. TRADE RECEIVABLES

	Group	
	2014	**2013**
	HK$'000	*HK$'000*
Trade receivables	59,094	73,188
Impairment	(15,507)	(16,189)
	43,587	56,999

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. Please refer to note 43 for details of credit risk management.

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:

	Group	
	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

The movements in the provisions for impairment of trade receivables are as follows:

	Group	
	2014	**2013**
	HK$'000	*HK$'000*
At the beginning of year	16,189	15,666
Impairment losses recognised *(note 6)*	1,720	26
Amounts written off	(2,402)	—
Exchange realignment	—	497
At the end of year	15,507	16,189

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$15,507,000 (2013: HK$16,189,000) with a gross carrying amount of HK$15,507,000 (2013: HK$16,189,000). The individually impaired trade receivables relate to customers that were in default or delinquency in payments and only a portion of the receivables is expected to be recovered.

The aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Neither past due nor impaired	37,759	46,042
1 to 2 months past due	2,526	3,734
2 to 3 months past due	145	634
Over 3 months past due	3,157	6,589
	43,587	56,999

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	2,918	5,770	290	200
Deposits	12,557	3,578	—	—
Other receivables	39,256	41,341	—	—
Impairment	(26,564)	(17,139)	—	—
	28,167	33,550	290	200

None of the deposits is either past due or impaired. The provision for impairment relates to other receivables.

Included in the above provision for impairment of prepayments, deposits and other receivables are provisions of HK$26,564,000 (2013: HK$17,139,000) with a carrying amount of HK$32,819,000 (2013: HK$31,361,000). The individually impaired other receivables relate to other receivables that were in default or delinquency in payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over this balance. The remaining balance of other receivables is neither past due nor impaired and relates to a large number of independent parties for whom there was no recent history of default.

The movements in the provision for impairment of prepayments, deposits and other receivables are as follows:

	Group	
	2014	**2013**
	HK$'000	*HK$'000*
At the beginning of year	17,139	5,082
Impairment losses recognised	9,425	12,057
At the end of year	26,564	17,139

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	33,496	80,782	101	103
Time deposits	1,001	—	—	—
	34,497	80,782	101	103
Less: pledged deposits for a short term bank loan *(note 28)*	(1,001)	—	—	—
Cash and cash equivalents	33,496	80,782	101	103

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$6,981,000 (2013: HK$15,077,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

26. 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:

	Group	
	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.

27. OTHER PAYABLES AND ACCRUALS

Other payables and accruals are interest-free and repayable on demand.

28. INTEREST-BEARING BANK BORROWINGS

Group

	2014			2013		
	Effective interest rate	**Maturity**	*HK$'000*	**Effective interest rate**	**Maturity**	*HK$'000*
Current						
Bank loan						
— unsecured	—	—	—	2.9%	2013	20,000
Bank loans						
— secured	2.6%-3.6%	2014	23,814	—	—	—
			23,814			20,000

Notes:

(a) As at 31 March 2014, the Group's bank loans are secured by:

(i) a mortgage over the Group's building, which had an aggregate carrying value at the end of the reporting period of approximately HK$7,736,000; and

(ii) the pledge of certain of the Group's time deposits amounting to HK$1,001,000.

As at 31 March 2014, the Company has guaranteed the Group's bank loan amounting to HK$85,000,000 (2013: HK$55,000,000).

(b) As at 31 March 2014, included in the Group's secured bank loans are outstanding bank loans of HK$13,800,000 and HK$10,014,000 denominated in Hong Kong dollars, which bear interest at HIBOR plus 3% per annum and at the effective interest rate of 2.6%, respectively, and are repayable within one year.

(c) As at 31 March 2013, the Group's unsecured bank loan was denominated in Hong Kong dollars, which bore interest at HIBOR plus 2.5% per annum and was repayable within one year.

29. PROVISION

Group

	Product warranties *HK$'000*
At 1 April 2013	2,059
Additional provision	757
Amounts utilised during the year	(802)
Reversal of unutilised amounts	(400)
Exchange realignment	(41)
At 31 March 2014	1,573

The Group provides two-year warranties to its customers on certain of its electronic products, under which faulty products are repaired or replaced. The amount of provision is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

30. DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amount due to a non-controlling shareholder of a subsidiary is unsecured, non-interest-bearing and has no fixed terms of repayment.

31. DEFERRED TAX

The Group has tax losses arising in Hong Kong before IRD assessment of HK$358,107,000 (2013: HK$314,820,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$52,964,000 (2013: HK$74,935,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised by these subsidiaries.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 March 2014, no deferred tax has been recognised for withholding dividend taxes that would be payable on the unremitted earnings, that are subject to withholding dividend taxes of the Group's subsidiaries, associates, and joint ventures established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries, associates and joint ventures will distribute such earnings in the foreseeable future. There was no significant temporary difference associated with investments in subsidiaries, joint ventures and associates in Mainland China at the end of the reporting period (2013: Nil).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

32. SHARE CAPITAL

	2014	**2013**
	HK$'000	*HK$'000*
Authorised:		
3,000,000,000 (2013: 3,000,000,000) ordinary shares of HK$0.10 each	300,000	300,000
Issued and fully paid:		
1,197,663,029 (2013: 1,197,663,029) ordinary shares of HK$0.10 each	119,766	119,766

33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 48 of the financial statements.

The Group's special reserve represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares in 1993, and over the nominal value of the Company's shares issued in exchange therefor.

(b) Company

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2012		409,710	21,976	419	(141,404)	290,701
Total comprehensive loss for the year	11	—	—	—	(75,205)	(75,205)
At 31 March 2013 and 1 April 2013		409,710	21,976	419	(216,609)	215,496
Total comprehensive loss for the year	11	—	—	—	(88,588)	(88,588)
At 31 March 2014		409,710	21,976	419	(305,197)	126,908

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares in 1993, over the nominal value of the Company's shares issued in exchange therefor. Under the Bermuda Companies Act 1981, a company may make distributions to its members out of the contributed surplus in certain circumstances.

34. DISPOSALS OF SUBSIDIARIES

	Note	2014 HK$'000	2013 HK$'000
Net assets disposed of:			
Cash and cash equivalents		—	26
Other receivables and deposits		—	491
Trade receivables		—	10
Other payables and accruals		—	(515)
		—	12
Gain on disposals of subsidiaries	5	—	287
		—	299
Satisfied by:			
Fair value of equity investment in a subsidiary retained as investment in a joint venture		—	296
Cash		—	3
		—	299

An analysis of the net outflow of cash and cash equivalents in respect of the subsidiaries disposed of is as follows:

	2014 *HK$'000*	2013 *HK$'000*
Cash consideration	—	3
Cash and cash equivalents disposed of	—	(26)
Net outflow of cash and cash equivalents in respect of the disposals of subsidiaries	—	(23)

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

(i) During the year ended 31 March 2013, the Group has transferred HK$224,000 from prepayments, deposits and other receivables to construction in progress.

(ii) In prior years, the Group had paid HK$2,500,000 as capital contribution for the establishment of a non-wholly-owned subsidiary and it had been classified as long term deposits in prior years. During the year ended 31 March 2013, long term deposits of HK$1,375,000 were offset with other payables and accruals upon the cancellation of the establishment of the above-mentioned entity and the Group has transferred the remaining HK$1,125,000 from long term deposits to prepayments, deposits and other receivables as it was repayable within twelve months as at 31 March 2013.

36. CONTINGENT LIABILITIES

(a) During the year ended 31 March 2008, an independent service provider (the "Plaintiff") issued a legal proceeding in Hong Kong against a subsidiary of the Group (the "Defendant") and a claim against the Defendant for a sum of US$627,571 (approximately HK$4,895,000). The Plaintiff alleged that the Defendant was in breach of a service agreement dated 3 December 2004 (the "Agreement") and failed to make payments in accordance with the Agreement (the "Claim"). In this connection, the Defendant also filed a claim against the Plaintiff and alleged that the Plaintiff was in breach of the Agreement in failing to design and develop the products in substantial conformance to the functional specification as defined in the Agreement. Accordingly, the Defendant made a counterclaim against the Plaintiff for liquidated damages in the sum of US$100,000 and other damages to be assessed together with interest and costs (the "Counterclaim").

Based on the available evidence and subject to discovery and expert evidence, the Defendant's representing solicitor considered that there were valid defences to the Claim and the Defendant had a good chance of success in the Claim and the Counterclaim. During the year, there was no further progress noted in the Claim and Counterclaim. Having considered the positive legal opinion and no further progress in the Claim and Counterclaim during the year, the directors of the Company are of the opinion that no provision is required to be made (2013: Nil).

(b) At the end of the reporting period, details of other contingent liabilities in the financial statements were as follows:

	Group		Company	
	2014	2013	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Guarantees given to banks in connection with facilities granted to subsidiaries	—	—	85,000	117,647
Guarantees for loans granted to an available- for-sale investment	7,710	—	—	—
	7,710	—	85,000	117,647

As at 31 March 2014, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of HK$13,800,000 (2013: HK$20,000,000). The loan facilities granted to an available-for-sale investment were utilised to the extent of approximately HK$6,828,000 (2013: Nil).

37. PLEDGE OF ASSETS

Details of the Group's bank loans, which are secured by certain assets of the Group, are included in notes 14 and 28.

38. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office premises and staff quarters under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to twenty years.

At 31 March 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Within one year	5,042	8,287
In the second to fifth years, inclusive	4,620	10,938
After five years	3,062	288
	12,724	19,513

At the end of the reporting period, the Company had no significant operating lease arrangements.

39. COMMITMENTS

In addition to the operating lease commitments detailed in note 38 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2014	**2013**
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Property, plant and equipment	1,880	14,327

At the end of the reporting period, the Company had no significant commitments (2013: Nil).

40. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		Group	
		2014	**2013**
	Notes	*HK$'000*	*HK$'000*
Royalty expense charged by an associate of the Group	*(i)*	232	784
Purchases of products from associates	*(ii)*	13,769	3,604

Notes:

(i) The royalty expense was calculated based on the number of electronic handheld products sold by a subsidiary of the Group during the year with the terms as stipulated in the royalty agreement between the associate and that subsidiary.

(ii) The purchases from associates were made according to the published prices and conditions offered by the associates to its major customers.

(b) Compensation of key management personnel of the Group:

	2014	**2013**
	HK$'000	*HK$'000*
Short term employee benefits	10,759	11,836
Performance-related incentive payments	200	75
Pension scheme contributions	294	361
Total compensation paid to key management personnel	11,253	12,272

Further details of directors' emoluments are included in note 8 to the financial statements.

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2014

Financial assets

		Group	
	Loans and receivables	**Available-for-sale financial assets**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Available-for-sale investments	—	31,199	31,199
Financial assets included in long term deposits	52	—	52
Trade receivables	43,587	—	43,587
Financial assets included in prepayments, deposits and other receivables	25,249	—	25,249
Amounts due from joint ventures	401	—	401
Amounts due from associates	5,734	—	5,734
Pledged deposits	1,001	—	1,001
Cash and cash equivalents	33,496	—	33,496
	109,520	31,199	140,719

Financial liabilities

	Financial liabilities at amortised cost
	HK$'000
Trade payables	40,145
Financial liabilities included in other payables and accruals	23,212
Interest-bearing bank borrowings	23,814
Amount due to a non-controlling shareholder of a subsidiary	2,002
	89,173

2013

Financial assets

	Group		
	Loans and receivables	**Available-for-sale financial assets**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Available-for-sale investments	—	36,425	36,425
Financial assets included in long term deposits	3,275	—	3,275
Trade receivables	56,999	—	56,999
Financial assets included in prepayments, deposits and other receivables	27,780	—	27,780
Amounts due from associates	3,328	—	3,328
Amounts due from joint ventures	195	—	195
Cash and cash equivalents	80,782	—	80,782
	172,359	36,425	208,784

Financial liabilities

	Financial liabilities at amortised cost
	HK$'000
Trade payables	43,389
Financial liabilities included in other payables and accruals	22,551
Interest-bearing bank borrowing	20,000
	85,940

Financial assets

	Company	
	Loans and receivables	
	2014	**2013**
	HK$'000	*HK$'000*
Due from subsidiaries	445,266	534,266
Cash and bank balances	101	103
	445,367	534,369

Financial liabilities

	Financial liabilities at amortised cost	
	2014	**2013**
	HK$'000	*HK$'000*
Financial liabilities included in other payables and accruals	74	74
Due to subsidiaries	198,578	198,897
	198,652	198,971

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of the Group's financial assets and liabilities, except for available-for-sale investments, approximate to their carrying amounts largely due to the short term maturities of these instruments. Available-for-sale investments are stated at cost less impairment as their fair values cannot be reliably measured.

As at 31 March 2014 and 2013, the Group and the Company did not have any financial instruments measured at fair value.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly comprise investments, trade and other receivables, cash and short term deposits, long term deposits, balances with associates and joint ventures, trade payables, other payables, interest-bearing bank borrowing and an amount due to a non-controlling shareholder of a subsidiary.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The Group has been largely dependent on a small number of customers for a substantial portion of its business. The top five customers represent over 55% (2013: over 45%) of the amount of trade receivables as at 31 March 2014. The failure of these customers to make the required payments could have a negative impact on the Group's operating results. In order to minimise the credit risk, management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group regularly reviews the recoverable amount of each individual trade to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is properly managed and significantly reduced.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale investments, amounts due from joint ventures and associates and financial assets included in prepayments, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 23 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings and banking facilities. The Group's bank borrowings would mature in less than one year as at 31 March 2014 based on the carrying value of borrowings reflected in the financial statements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

		2014		
	On demand	**Less than 3 months**	**3 to less than 12 months**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank borrowings	—	10,014	13,800	23,814
Trade payables	21,675	18,470	—	40,145
Other payables	23,212	—	—	23,212
Due to a non-controlling shareholder of a subsidiary	2,002	—	—	2,002
Guarantees for loans granted to an available-for-sale investment	6,828	—	—	6,828
	53,717	28,484	13,800	96,001

		2013		
	On demand	**Less than 3 months**	**3 to less than 12 months**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank borrowing	20,000	—	—	20,000
Trade payables	21,273	19,386	2,730	43,389
Other payables	22,551	—	—	22,551
	63,824	19,386	2,730	85,940

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Company

	2014			
	On demand	**Less than 1 year**	**Over 1 year**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Due to subsidiaries	—	—	198,578	198,578
Financial liabilities included in other payables and accruals	—	74	—	74
Guarantees given to banks in connection with facilities granted to subsidiaries	—	13,800	—	13,800
	—	13,874	198,578	212,452

	2013			
	On demand	**Less than 1 year**	**Over 1 year**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Due to subsidiaries	—	—	198,897	198,897
Financial liabilities included in other payables and accruals	—	74	—	74
Guarantees given to banks in connection with facilities granted to subsidiaries	20,000	—	—	20,000
	20,000	74	198,897	218,971

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Certain trade receivables and payables of the Group are denominated in foreign currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Renminbi and Japanese yen exchange rates, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities).

	Change in rate	**Change in profit/(loss) before tax**	**Increase/ (decrease) in equity***
	%	*HK$'000*	*HK$'000*
2014			
If the Hong Kong dollar weakens against:			
Renminbi	5	(753)	—
Japanese yen	8	443	—
If the Hong Kong dollar strengthens against:			
Renminbi	5	753	—
Japanese yen	8	(443)	—
2013			
If the Hong Kong dollar weakens against:			
Renminbi	5	344	—
Japanese yen	8	3,009	—
If the Hong Kong dollar strengthens against:			
Renminbi	5	(344)	—
Japanese yen	8	(3,009)	—

* Excluding accumulated losses

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2014 and 31 March 2013.

The Group monitors capital using a current ratio, which is current assets divided by current liabilities. The Group's policy is to maintain the current ratio over one. The current ratios as at the end of the reporting periods were as follows:

Group

	2014	**2013**
	HK$'000	*HK$'000*
Current assets	159,425	240,408
Current liabilities	102,861	96,223
Current ratio	1.55	2.50

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 June 2014.

III. UNAUDITED CONSOLIDATED FINANCIAL STATEMENT

The following is the full text of the unaudited interim financial statements of the Group for the six months ended 30 September 2014 extracted from the interim report of the Company for the six months ended 30 September 2014:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2014

		Six months ended 30 September	
		2014	**2013**
	Notes	*HK$'000*	*HK$'000*
		(Unaudited)	*(Unaudited)*
REVENUE	*3*	115,507	176,885
Cost of sales		(90,473)	(139,097)
Gross profit		25,034	37,788
Other income and gains, net		5,224	4,703
Selling and distribution expenses		(15,350)	(18,704)
Administrative expenses		(41,026)	(35,887)
Research and development expenses		(17,460)	(21,770)
Other operating (expenses)/income, net		(4,514)	141
Finance costs	*4*	(431)	(289)
Share of profit/(loss) of joint ventures		406	(83)
LOSS BEFORE TAX	*5*	(48,117)	(34,101)
Income tax expenses	*6*	—	(1)
LOSS FOR THE PERIOD		(48,117)	(34,102)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		(787)	(1,520)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(48,904)	(35,622)

	Note	Six months ended 30 September 2014 HK$'000 (Unaudited)	2013 HK$'000 (Unaudited)
Loss attributable to:			
Equity holders of the Company		(45,884)	(32,568)
Non-controlling interests		(2,233)	(1,534)
		(48,117)	(34,102)
Total comprehensive loss attributable to:			
Equity holders of the Company		(46,671)	(34,103)
Non-controlling interests		(2,233)	(1,519)
		(48,904)	(35,622)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	*8*	(HK3.83 cents)	(HK2.72 cents)
Diluted		(HK3.83 cents)	(HK2.72 cents)

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

Condensed Consolidated Statement of Financial Position

At 30 September 2014

	Notes	**30.09.2014** *HK$'000* *(Unaudited)*	**31.03.2014** *HK$'000* *(Audited)*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	132,741	133,106
Prepaid land lease payments		16,422	16,669
Deferred development costs		1,310	506
Investments in joint ventures		8,240	8,834
Investments in associates		—	—
Available-for-sale investments		20,055	31,199
Long term deposits		52	52
Total non-current assets		178,820	190,366
CURRENT ASSETS			
Inventories		51,851	47,039
Trade receivables	*10*	30,366	43,587
Prepayments, deposits and other receivables		21,071	28,167
Amounts due from joint ventures		635	401
Amounts due from associates		6,235	5,734
Pledged deposits		1,036	1,001
Cash and cash equivalents		39,789	33,496
Total current assets		150,983	159,425

	Notes	30.09.2014 HK$'000 (Unaudited)	31.03.2014 HK$'000 (Audited)
CURRENT LIABILITIES			
Trade payables	*11*	28,790	40,145
Other payables and accruals		39,859	35,197
Amount due to a non-controlling shareholder of the Group's subsidiary		2,002	2,002
Interest-bearing bank borrowings	*12*	31,375	23,814
Amount due to a shareholder	*13*	28,000	—
Provision		1,622	1,573
Tax payable		129	130
Total current liabilities		131,777	102,861
NET CURRENT ASSETS		19,206	56,564
Net assets		198,026	246,930
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		119,766	119,766
Reserves		84,072	130,743
		203,838	250,509
Non-controlling interests		(5,812)	(3,579)
Total equity		198,026	246,930

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2014

	Attributable to equity holders of the Company									
	Issued capital	Share premium account	Capital redemption reserve	Special reserve	Other reserve	Exchange fluctuation reserve	Accumulated loss	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2014 (Audited)	119,766	409,710	419	(60,819)	5,241	53,596	(277,404)	250,509	(3,579)	246,930
Loss for the period	–	–	–	–	–	–	(45,884)	(45,884)	(2,233)	(48,117)
Other comprehensive loss	–	–	–	–	–	(787)	–	(787)	–	(787)
Total comprehensive loss for the period	–	–	–	–	–	(787)	(45,884)	(46,671)	(2,233)	(48,904)
At 30 September 2014 (unaudited)	119,766	409,710	419	(60,819)	5,241	52,809	(323,288)	203,838	(5,812)	198,026
At 1 April 2013 (Audited)	119,766	409,710	419	(60,819)	4,713	55,598	(196,995)	332,392	3,345	335,737
Loss for the period	–	–	–	–	–	–	(32,568)	(32,568)	(1,534)	(34,102)
Other comprehensive (loss)/income	–	–	–	–	–	(1,535)	–	(1,535)	15	(1,520)
Total comprehensive loss for the period	–	–	–	–	–	(1,535)	(32,568)	(34,103)	(1,519)	(35,622)
At 30 September 2013 (unaudited)	119,766	409,710	419	(60,819)	4,713	54,063	(229,563)	298,289	1,826	300,115

The special reserve represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1993.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2014

	For the six months ended 30 September	
	2014	**2013**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Cash flows from operating activities		
Loss before tax	(48,117)	(34,101)
Adjustments for:		
Finance cost	431	289
Share of profits and loss of joint ventures	(406)	83
Bank interest income	(34)	(78)
Loss/(gain) on disposal of items of property, plant and equipment	4	(90)
Depreciation	5,576	5,523
Recognition of prepaid land lease payments	247	247
Amortisation of deferred development costs	232	210
Write-down of inventories to net realisable value	7,443	3,688
Reversal of impairment of an amount due from an associate	—	(141)
Impairment of other receivables	4,008	—
Impairment of an available-for-sale investment	2,000	—
Impairment of goodwill included in investment in a joint venture	1,000	—
Loss on disposal of an available-for-sale investment	6	—
	(27,610)	(24,370)

	For the six months ended 30 September	
	2014	**2013**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Increase in inventories	(12,475)	(4,025)
Decrease in trade receivables	12,775	8,169
Decrease/(increase) in other receivables	3,038	(12,376)
Increase in amounts due from joint ventures	(234)	—
Increase in amounts due from associates	(501)	(1,142)
(Decrease)/increase in trade payables	(11,353)	9,540
Increase in other payables	4,913	7,601
Increase/(decrease) in provision for product warranty	65	(126)
Cash used in operations	(31,382)	(16,729)
Overseas taxes paid	(1)	(1)
Net cash flows used in operating activities	(31,383)	(16,730)
Interest received	34	78
Purchases of items of property, plant and equipment	(5,449)	(9,952)
Proceeds from disposal of items of property, plant and equipment	28	108
Proceeds from disposal of an available-for-sale investment	9,139	—
Additions to deferred development costs	(1,037)	(56)
Increase in an amount due from a joint venture	—	(140)
Increase in long term deposit	—	(492)
Net cash flows from/(used in) investing activities	2,715	(10,454)

	For the six months ended 30 September	
	2014	**2013**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Finance costs	(431)	(289)
New bank loans	17,575	—
Repayment of bank loans	(10,014)	—
Increase in an amount due to a shareholder	28,000	—
Net cash flows from/(used in) financing activities	35,130	(289)
Net increase/(decrease) in cash and cash equivalents	6,462	(27,473)
Cash and cash equivalents at the beginning of the period	34,497	80,782
Effect of foreign exchange rate changes, net	(134)	(644)
Cash and cash equivalents at the end of the period	40,825	52,665
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	39,789	52,665
Time deposits with original maturity of less than three months when acquired, pledged as security for a bank loan	1,036	—
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	40,825	52,665

Notes to the Condensed Financial Statements

For the six months ended 30 September 2014

1. BASIS OF PREPARATION

The interim financial statements are unaudited, condensed and have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of these condensed consolidated interim financial statements are consistent with those used in the Group's audited financial statements for the year ended 31 March 2014, except for the adoption of the revised standards and interpretation as noted below:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*

The adoption of the above revised standards and interpretations has had no material effect on the condensed consolidated interim financial statements.

The Group has not early adopted any standard, interpretation or amendment that was issued but not yet effective.

3. OPERATING SEGMENT INFORMATION

The Group's primary format for reporting operating segment information is business segment.

For the six months ended 30 September 2014

	Personal communication products	Strategic products	Corporate and others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	36,199	79,308	—	115,507
Segment results	(10,862)	(33,956)	(302)	(45,120)
Reconciliation:				
Interest income				34
Finance costs				(431)
Impairment of goodwill included in investment in a joint venture				(1,000)
Impairment of an available-for-sale investment				(2,000)
Share of profit of joint ventures				406
Loss on disposal of an available-for-sale investment				(6)
Loss before tax				(48,117)
Income tax expenses				—
Loss for the period				(48,117)

At 30 September 2014

	Personal communication products	Strategic products	Corporate and others	Consolidated
Segment assets	72,630	177,400	3,783	253,813
Reconciliation:				
Unallocated assets				75,990
Total assets				329,803
Segment liabilities	19,303	52,478	492	72,273
Reconciliation:				
Unallocated liabilities				59,504
Total liabilities				131,777

For the six months ended 30 September 2013

	Personal communication products HK$'000	Strategic products HK$'000	Corporate and others HK$'000	Consolidated HK$'000
Segment revenue:				
Sales to external customers	40,139	136,746	—	176,885
Segment results	(7,381)	(26,243)	(324)	(33,948)
Reconciliation:				
Interest income				78
Other operating income, net				141
Finance costs				(289)
Share of loss of a joint venture				(83)
Loss before tax				(34,101)
Income tax expenses				(1)
Loss for the period				(34,102)

At 31 March 2014

	Personal communication products HK$'000	Strategic products HK$'000	Corporate and others HK$'000	Consolidated HK$'000
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

4. FINANCE COSTS

	Six months ended 30 September 2014 HK$'000	Six months ended 30 September 2013 HK$'000
Interest on bank borrowings wholly repayable within five years	431	289

5. LOSS BEFORE TAX

	Six months ended 30 September 2014 HK$'000	2013 HK$'000
The Group's loss before tax has been arrived at after charging/(crediting):		
Provision of inventories	7,443	3,688
Loss/(gain) on disposal of items of property, plant and equipment	4	(90)
Impairment of goodwill included in investment in a joint venture	1,000	—
Impairment of an available-for-sale investment	2,000	—
Impairment of other receivables	4,008	—
Loss on disposal of an available-for-sale investment	6	—
Amortisation of deferred development costs	232	210
Amortisation of prepaid land lease payments	247	247
Depreciation	5,576	5,523
Bank interest income	(34)	(78)

6. INCOME TAX EXPENSES

	Six months ended 30 September 2014 HK$'000	2013 HK$'000
The Group:		
Current — Elsewhere	—	1

7. DIVIDEND

The Board does not recommend any payment of interim dividend to shareholders for the six months ended 30 September 2014 (2013: Nil).

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 period attributable to ordinary equity holders of the Company of HK$45,884,000 (2013: HK$32,568,000) and the 1,197,663,029 (2013: 1,197,663,029) shares in issue during the period.

(b) Diluted loss per share

The Group had no potentially dilutive ordinary share in issue during those periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2014, additions of property, plant and equipment amounted to HK$5,449,000 (2013: HK$14,138,000). During the six months ended 30 September 2014, items of plant and equipment with net book value of HK$32,000 (2013: HK$18,000) were disposed of.

10. TRADE RECEIVABLES

The Group allows an average credit period of 30 to 60 days to its trade customers.

The following is an aged analysis of trade receivables, based on due date:

	30.09.2014	**31.03.2014**
	HK$'000	*HK$'000*
0 — 60 days	25,667	40,285
61 — 90 days	386	145
Over 90 days	4,313	3,157
	30,366	43,587

11. TRADE PAYABLES

The following is an aged analysis of trade payable, based on due date:

	30.09.2014	**31.03.2014**
	HK$'000	*HK$'000*
0 — 60 days	25,256	34,611
61 — 90 days	875	1,151
Over 90 days	2,659	4,383
	28,790	40,145

12. INTEREST-BEARING BANK BORROWINGS

	30.09.2014		**31.03.2014**	
	Effective interest rate (%)	*HK$'000*	**Effective interest rate (%)**	*HK$'000*
Current				
Bank borrowings, secured and repayable within one year	2.6-3.5	31,375	2.6-3.6	23,814

Notes:

(a) As at 30 September 2014, the Group's bank loans are secured by:

(i) a mortgage over the Group's building, which had an aggregate carrying value at the end of the reporting period of approximately HK$7,596,000 (31 March 2014: HK$7,736,000);

(ii) the pledge of certain of the Group's time deposits amounting to HK$1,036,000 (31 March 2014: HK$1,001,000); and

(iii) corporate guarantee executed by the Company and the subsidiary company within the Group.

(b) As at 30 September 2014, included in the Group's secured bank loans are outstanding bank loans of HK$21,326,000 and HK$10,049,000 (31 March 2014: HK$13,800,000 and HK$10,014,000) which bear interest at HIBOR or LIBOR plus 3% (31 March 2014: HIBOR plus 3%) per annum and at the effective interest rate of 2.6% (31 March 2014: 2.6%) respectively, and are repayable within one year.

13. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder is unsecured, non-interest-bearing and has no fixed terms of repayment.

14. CONTINGENT LIABILITIES

	30.09.2014	**31.03.2014**
	HK$'000	*HK$'000*
Guarantees for loans granted to an available-for-sale investment	—	7,710
Legal proceeding against a subsidiary of the Group (Details refer to Note 36 to the Financial Statements of the 2014 Annual Report of the Group) Based on the legal opinion of the representing solicitor of the subsidiary, the directors of the Company are of opinion that no provision is required to be made (31 March 2014: Nil)	4,895	4,895
	4,895	12,605

15. COMMITMENTS

	30.09.2014	**31.03.2014**
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Property, plant and equipment	689	1,880

16. RELATED PARTY TRANSACTION

During the six months ended 30 September 2014, the royalty expense charge by an associate amounts to HK$56,000 (2013: HK$146,000) and the purchase of products from an associate amounts to HK$3,313,000 (2013: HK$7,579,000).

During the six months ended 30 September 2014, the compensation to key management amounts to HK$4,832,000 (2013: HK$4,989,000) representing director's remuneration.

IV. INDEBTEDNESS

i Borrowings and debts

Borrowings

As at the close of business on 31 December 2014, being the latest practicable date for the purpose of this indebtedness statement, the Group had an unsecured borrowing of approximately HK$28 million and secured bank borrowings of approximately HK$32 million.

Pledge of assets

As at the close of business on 31 December 2014, the Group had pledged certain of its property, plant and equipment and deposit with banks of the Group with a value of approximately HK$8 million and HK$0.5 million, respectively, to secure the bank borrowings.

Contingent liabilities

In December 2007, IWOW Communications Pte Ltd ("IWOW") (as plaintiff) initiated a legal proceeding in Hong Kong against Group Sense PDA Limited ("GS PDA") (as defendant), a non-wholly owned subsidiary of Group Sense, and a claim against GS PDA for a sum of US$627,571 (approximately HK$4,895,000). IWOW alleged that GS PDA was in breach of a service agreement dated 3 December 2004 and failed to make payments in accordance with the service agreement. In this connection, GS PDA also filed a claim against IWOW and alleged that IWOW was in breach of the service agreement in failing to design and develop the products in substantial conformance to the functional specification as defined in the service agreement. Accordingly, GS PDA made a counterclaim against IWOW for liquidated damages in the sum of US$100,000 and other damages to be assessed together with interest and costs.

Based on the available evidence and subject to discovery and expert evidence, GS PDA's representing solicitor considered that there were valid defences to the claim and GS PDA had a good chance of success in the claim and the counterclaim. Up to the Latest Practicable Date, there was no further progress noted in the claim and counterclaim. Having considered the positive legal opinion and no further progress in the claim and counterclaim during the period, the Directors are of the opinion that no provision is required to be made.

Except as disclosed above, the Group had no other material contingent liabilities as at the close of business on 31 December 2014.

ii Disclaimer

Save as aforesaid and apart from intra-group liabilities, as at 31 December 2014, the Group had no other outstanding mortgages, charges, debentures, loan capital or bank overdrafts, loans or other similar indebtedness, hire purchase commitments, liabilities under acceptances, acceptance credits or any guarantees or any material contingent liabilities.

V. MATERIAL CHANGE

The Directors confirm that, save and except for the following, there has been no material change in the financial or trading position or outlook of the Group since 31 March 2014, being the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date:—

(i) change in financial position and business updates as disclosed in the interim report of the Company for the six months ended 30 September 2014; and

(ii) a gross proceed of approximately HK$76.65 million was raised by the Company from the issuance of Subscription Shares upon completion of the Subscription on 26 February 2015.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information (other than the information relating to the Vendor, the Offeror, New Bright, Century Sunshine, their respective associates and parties acting in concert with them) contained in this Composite Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document have been arrived (other than the information relating to the Vendor, the Offeror, New Bright, Century Sunshine, their respective associates and parties acting in concert with them) at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL

The authorised and issued share capitals of the Company as at the Latest Practicable Date are as follows:

Authorised share capital:		*HK$*
3,000,000,000	Shares	300,000,000.00
Issued and paid-up share capital:		
1,437,195,029	Shares	143,719,502.90

All Shares in issue rank pari passu in all respects with each other including rights to dividends, voting and return of capital. Save and except the issue of 239,532,000 new Shares to the Offeror pursuant to the Subscription Agreement, the Company has not issued any Share since 31 March 2014, the date to which the latest audited financial statements of the Company were made up.

As at the Latest Practicable Date, other than the Shares there were no outstanding options, warrants, derivatives or convertible securities which may confer any right on the holder thereof to subscribe for, convert or exchange into Shares.

3. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY

As at the Latest Practicable Date, interests of the Directors and the chief executives of the Company and their respective associates in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

	Number of ordinary shares interested or deemed to be interested (long position)				
Directors	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**Approximate % of issued share capital**
Dr. Tam	31,732,000 *(Notes 1 & 3)*	2,300,000 *(Note 4)*	37,877,118 *(Notes 2 & 3)*	71,909,118	5.00
Mr. Tam	34,732,000 *(Notes 1 & 3)*	—	37,877,118 *(Notes 2 & 3)*	72,609,118	5.05
Mrs. Tam	2,300,000	—	—	2,300,000 *(Notes 3 & 4)*	0.16
Kazuhiro Otani (“Mr. Otani”)	2,000,000	—	—	2,000,000	0.14
Lee Koon Hung (“Mr. Lee”)	1,676,000	—	—	1,676,000	0.12
Luk Chui Yung, Judith (“Ms. Luk”)	550,000	—	—	550,000	0.04

Notes:

1. Such Shares include the 25,732,000 Shares which are jointly owned by Dr. Tam and Mr. Tam. Dr. Tam directly owns 6,000,000 Shares and Mr. Tam directly owns 9,000,000 Shares.

2. The 37,877,118 Shares are registered in the name of the Vendor, a company which is ultimately wholly owned by Dr. Tam and Mr. Tam, in equal shares.

3. These 80,909,118 Shares are the Non-acceptance Shares in respect of which the Offer will not be accepted pursuant to the Letter of Undertaking.

4. Mrs. Tam is the spouse of Dr. Tam and therefore Dr. Tam is deemed to be interested in the Shares owned by Mrs. Tam pursuant to Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they would be taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange.

4. INTERESTS IN AND DEALINGS IN SECURITIES OF THE OFFEROR

As at the Latest Practicable Date, none of the Company nor any of its Directors had any interest in the shares of the Offeror, and no such person had dealt in the shares of the Offeror during the Relevant Period.

5. SHAREHOLDING AND DEALINGS IN SECURITIES OF THE COMPANY

Save for the sale of the 500,000,000 Shares by the Vendor to the Offeror pursuant to the Sale and Purchase Agreement, none of the Directors have dealt for value in any Share or any convertible securities, warrants, option or derivatives issued by the Company during the Relevant Period.

As at the Latest Practicable Date,

(a) no Share or any convertible securities, warrants, option or derivatives issued by the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code or by the Independent Financial Adviser, and no such person had dealt in the Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period;

(b) no Shares or any convertible securities, warrants, option or derivatives issued by the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) (if any) connected with the Company, and no such person had dealt in the Share or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period;

(c) no Shares or any convertible securities, warrants, option or derivatives issued by the Company was owned or controlled by a person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code, and no such person had dealt in the Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period;

(d) (i) Dr. Tam, Mr. Tam and Mrs. Tam have undertaken not to accept the Offer in respect of an aggregate of 80,909,118 Shares in which they are interested pursuant to the Letter of Undertaking; (ii) Mr. Otani has indicated that it is his intention to accept the Offer in respect of the 1,000,000 Shares out of the 2,000,000 Shares owned by him; (iii) Mr. Lee has indicated that he intends to accept the Offer in respect of the 1,676,000 Shares owned by him; (iv) Ms. Luk has indicated that she intends to accept the Offer in respect of the 550,000 Shares owned by her; and (v) the remaining Directors have no interest in any Shares.

(e) none of the Company or any of its Directors has borrowed or lent any Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period.

6. MISCELLANEOUS

As at the Latest Practicable Date,

(a) no benefit (other than statutory compensation) had been and would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;

(b) save and except for the Sale and Purchase Agreement, the Subscription Agreement and the Letters of Undertaking, no material contracts had been entered into by the Offeror in which any Director has a material personal interest; and

(c) save and except for the Sale and Purchase Agreement, the Subscription Agreement and the Letters of Undertaking, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.

7. DIRECTORS' SERVICE CONTRACTS

Ms. Luk, the non-executive Director, has entered into an appointment letter dated 20 November 2014 to renew her directorship in the Company for a term of one year from 1 January 2015 to 31 December 2015. The term may be terminated by Ms. Luk by giving 90 days' prior written notice to the Company. Ms. Luk is entitled to a director's fee of HK$128,000 per annum and there is no variable remuneration payable under the appointment letter. The terms of such re-appointment are identical with those of the appointment letter for the period from 1 January 2014 to 31 December 2014.

Mr. Wong Kon Man, Jason ("Mr. Wong"), an independent non-executive Director, has entered into an appointment letter dated 20 November 2014 to renew his directorship in the Company for a term of one year from 1 January 2015 to 31 December 2015. The term may be terminated by Mr. Wong by giving 90 days' prior written notice to the Company. Mr. Wong is entitled to a director's fee of HK$128,000 per annum and there is no variable remuneration payable under the appointment letter. The terms of such re-appointment are identical with those of the appointment letter for the period from 1 January 2014 to 31 December 2014.

Mr. Fung Henry ("Mr. Fung"), an independent non-executive Director, has entered into an appointment letter dated 20 November 2014 to renew his directorship in the Company for a term of one year from 1 January 2015 to 31 December 2015. The term may be terminated by Mr. Fung by giving 90 days' prior written notice to the Company. Mr. Fung is entitled to a director's fee of HK$128,000 per annum and there is no variable remuneration payable under the appointment letter. The terms of such re-appointment are identical with those of the appointment letter for the period from 16 July 2013 to 31 December 2014.

Dr. Li Chi Kwong ("Dr. Li"), an independent non-executive Director, has entered into an appointment letter dated 20 November 2014 to renew his directorship in the Company for a term of one year from 1 January 2015 to 31 December 2015. The term may be terminated by Dr. Li by giving 90 days' prior written notice to the Company. Dr. Li is entitled to a director's fee of HK$128,000 per annum and there is no variable remuneration payable under the appointment letter. The terms of such re-appointment are identical with those of the appointment letter for the period from 11 September 2013 to 31 December 2014.

As at the Latest Practicable Date, save as disclosed above, none of the Directors had any existing service contracts with any member of the Group or any associated company of the Group:

(a) which (including both continuous and fixed term contracts) have been entered into or amended within 6 months prior to 5 September 2014;

(b) which are continuous contracts with a notice period of 12 months or more; or

(c) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

8. EXPERT AND CONSENT

The following is the qualifications of the expert who has given opinion or advice which is contained or referred to in this Composite Document:

Name	Qualification
Proton Capital	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO

Proton Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, report, and/or references to its name in the form and context in which it appears.

9. LITIGATION

In December 2007, an independent service provider (the "Plaintiff") initiated legal proceeding in Hong Kong against a subsidiary of the Group (the "Defendant") for a sum of US$627,571 (approximately HK$4,895,000). The Plaintiff alleged that the Defendant was in breach of a service agreement dated 3 December 2004 (the "Agreement") and failed to make payments in accordance with the Agreement. The Defendant made a counterclaim against the Plaintiff for liquidated damages in the sum of US$100,000 and other damages to be assessed on the ground that the Plaintiff was in breach of the Agreement in failing to design and develop the products in substantial conformance to the functional specification as defined in the Agreement. The case has remained dormant since May 2008.

As at the Latest Practicable Date, save as disclosed above, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was pending or threatened against either the Company or any of its subsidiaries.

10. MATERIAL CONTRACT

Save for the Subscription Agreement, the Group had not entered into any material contracts (not being contracts entered into in the ordinary course of business) within 2 years prior to the date of commencement of the Offer Period and up to the Latest Practicable Date.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) on the website of the Securities and Futures Commission (www.sfc.hk); and (ii) the Company's website at www.gsl.com.hk during the period from the date of the Composite Document up to and including the Offer Closing Date:

(a) the memorandum of association and Bye-Laws of the Company;

(b) the annual reports of the Company for the two years ended 31 March 2013 and 2014 respectively;

(c) the interim report of the Company for the six months ended 30 September 2014;

(d) the letter from the Board, the text of which is set out on pages 21 to 24 of this Composite Document

(e) the letter from the Independent Board Committee, the text of which is set out on pages 25 to 26 of this Composite Document;

(f) the letter from Proton Capital, the text of which is set out on pages 27 to 46 of this Composite Document;

(g) the consent letter from Proton Capital referred to in the paragraph headed "Expert and Consent" in this appendix;

(h) the material contract referred to under the paragraph headed "Material Contract" in this appendix; and

(i) the appointment letters of the Directors referred to in the paragraph headed "Directors' Service Contracts" in this appendix.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Shareholders with regard to the Offeror, the Group and the Offer.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group, the Vendor, their respective associates and parties acting in concert with any of them), and confirms, having made all reasonable enquires, that to the best of his knowledge, opinions expressed in this Composite Document (other than the opinion expressed by the Group, the Vendor, their respective associates and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS IN SHARES

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company held or controlled by the Offeror and parties acting in concert with it were as follows:

Name of Offeror/ parties acting in concert with it	Capacity	Number of Shares held/ interested	% of interest
The Offeror	Beneficial owner	739,532,000	51.46
New Bright	Interest of controlled corporation *(Note 1)*	739,532,000	51.46
Century Sunshine	Interest of controlled corporation *(Note 2)*	739,532,000	51.46
Mr. Chi	Interest of controlled corporation *(Note 3)*	739,532,000	51.46

Notes:

1. The Offeror is a wholly-owned subsidiary of New Bright. As such, New Bright is deemed to be interested in all the Shares in which the Offeror is interested by virtue of the SFO.

2. New Bright is a wholly-owned subsidiary of Century Sunshine. As such, Century Sunshine is deemed to be interested in all the Shares in which the Offeror is interested by virtue of the SFO.

3. Mr. Chi controls more than one-third or more of the voting power at general meetings of Century Sunshine (the ultimate holding company of Offeror). As such, Mr. Chi is deemed to be interested in all the Shares in which the Offeror is interested by virtue of the SFO.

Save as disclosed above and as at the Latest Practicable Date, and save for the rights of Get Nice Securities (a party presumed to be acting in concert with the Offeror) over those Shares charged under the Share Charge, none of the Offeror, New Bright and Century Sunshine or any persons acting in concert with any of them and none of the sole director of each of the Offeror and New Bright and the directors of Century Sunshine was interested in or owned or had control or direction over any voting rights or rights over any Shares, derivatives, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange, into Shares.

DEALING IN SECURITIES OF THE COMPANY

During the Relevant Period, save for the transactions contemplated under the Sale and Purchase Agreement and the Subscription Agreement, none of the Offeror, New Bright (being sole shareholder of the Offeror) and Century Sunshine or any persons acting in concert with any of them and none of the sole director of each of the Offeror and New Bright and the directors of Century Sunshine had dealt for value in any Shares or any convertible securities, warrants, options or derivatives of the Company.

3. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

As at the Latest Practicable Date,

(a) the Offer Shares to be acquired by the Offeror through the Offer, together with 739,532,000 Shares acquired by the Offeror under the Sale and Purchase Agreement and the Subscription Agreement, were charged, pursuant to the Share Charge, to Get Nice Securities as security for the Facility. Save as the 739,532,000 Shares charged pursuant to the Share Charge, as at the Latest Practicable Date, Get Nice Securities did not hold any Shares. If there is any event of default under the Facility, Get Nice Securities shall be entitled to enforce such security (including the exercise of power of sale and foreclosure in respect of these charged Offer Shares) and all rights pertaining to these charged Offer Shares. Save for the above, the Offeror had no intention, nor had it enter into any agreement, arrangement or understanding to transfer, charge or pledge the Shares acquired pursuance with the Offer to any other persons;

(b) there is no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror, its ultimate beneficial owner and/ or any person acting in concert with any of them;

(c) save and except the Letter of Undertaking, the Offeror, New Bright, Century Sunshine and parties acting in concert with any of them had not received any irrevocable commitment to accept or reject the Offer;

(d) none of the Offeror and any persons acting in concert with it had borrowed or lent any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;

(e) there was no arrangement whereby benefit (other than statutory compensation) was or will be given to any Directors as compensation for loss of office or otherwise in connection with the Offer;

(f) save for the arrangement of resignation of existing Directors as set out under the subsection headed "Proposed change of Board composition" in the "Letter from Octal Capital and Get Nice Securities" set out in this Composite Document, there was no agreement, arrangement, or understanding (including any compensation arrangement) exist between the Offeror or any persons acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the Offer;

(g) there was no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not seek to invoke a condition to the Offer; and

(h) there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code existed between the Offeror or any persons acting in concert with it and any other person.

4. MARKET PRICES

The table below shows the closing price of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	**Closing price per Share** *HK$*
31 March 2014	0.225
30 April 2014	0.213
30 May 2014	0.231
30 June 2014	0.219
31 July 2014	0.250
29 August 2014	0.270
30 September 2014	0.435
31 October 2014	0.46
28 November 2014	0.475
19 December 2014 (the Last Trading Day)	0.495
31 December 2014	Suspended
30 January 2015	0.455
27 February 2015	0.485
Latest Practicable Date	0.495

During the Relevant Period, the highest price of the Shares as quoted on the Stock Exchange was HK$0.55 on 23 September 2014 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK$0.209 on 7 May 2014.

5. EXPERTS AND CONSENTS

The followings are the names and the qualifications of the professional advisers whose letters, opinions or advice are contained or referred to in this Composite Document:

Name	**Qualification**
Octal Capital	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO
Get Nice Securities	a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Each of Octal Capital and Get Nice Securities has given and has not withdrawn its written consent to the issue of this Composite Document with copy of its letter and the references to its name included herein in the form and context in which it appear.

6. GENERAL

(i) The information regarding the principal members of the Offeror's concert group are set out below:

(a) The Offeror, whose registered office address is located at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands;

(b) New Bright, the sole shareholder of the Offeror, whose registered office is located at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands;

(c) Century Sunshine, the sole shareholder of New Bright, whose correspondence address is Unit 2605, 26th Floor, Habour Centre, 25 Harbour Road, Wanchai, Hong Kong;

(d) Mr. Chi Wen Fu is the sole director of New Bright and his correspondence address is Unit 2605, 26th Floor, Habour Centre, 25 Harbour Road, Wanchai, Hong Kong;

(e) Mr. Shum Sai Chit is the sole director of the Offeror and his correspondence address is Unit 2605, 26th Floor, Habour Centre, 25 Harbour Road, Wanchai, Hong Kong; and

(f) the board of directors of Century Sunshine comprises four executive directors namely Mr. Chi Wen Fu, Mr. Shum Sai Chit, Ms. Chi Bi Fen and Mr. Yang Yuchuan, a non-executive director, namely Mr. Guo Mengyong, and three independent non-executive directors, namely Mr. Kwong Ping Man, Mr. Sheng Hong and Mr. Lau Chi Kit.

(ii) The registered office of Octal Capital is located at 801-805, 8th Floor, Nan Fung Tower, 88 Connaught Road Central, Hong Kong.

(iii) The registered office of Get Nice Securities is located at 10th Floor, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong.

(iv) The English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese text, in case of any inconsistency.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection on the website of the Securities and Futures Commission at http://www.sfc.hk; and the Company's website at www.gsl.com.hk during the period from the date of the Composite Document up to and including the Offer Closing Date:

(a) the memorandum of association and articles of association of the Offeror;

(b) the "Letter from Octal Capital and Get Nice Securities" as set out on pages 8 to 20 of this Composite Document;

(c) the letters of consent referred to under the paragraph headed "Experts and Consents" in this appendix;

(d) the Letter of Undertaking;

(e) the Sale and Purchase Agreement;

(f) the Subscription Agreement;

(g) the facility agreement dated 19 December 2014 entered into between the Offeror and Get Nice Securities in respect of the Facility;

(h) the Share Charge; and

(i) the guarantee dated 19 December 2014 given by Century Sunshine in favour of Get Nice Securities as guarantee for the Facility.