GROUP SENSE (INTERNATIONAL) LIMITED

CONSOLIDATED PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2000

	Notes	Year ended 31st March 2000 HK$'000	1999 HK$'000
Turnover		1,405,942	1,123,121
Cost of Sales		(1,010,099)	(796,606)
Gross Profit		395,843	326,515
Other revenue		38,944	33,726
Research and development expenses		(89,646)	(73,638)
Distribution and selling expenses		(211,246)	(121,993)
Administrative expenses		(59,590)	(83,122)
Other operating expenses		(18,509)	(18,690)
Operating profit		55,796	62,798
Interest expenses		(8,325)	(6,680)
Share of results of associates		(1,175)	(3,218)
Profit before taxation		46,296	52,900
Taxation	1	(4,310)	(2,485)
Profit attributable to shareholders		41,986	50,415
Dividends	2	(11,001)	(10,079)
Profit for the year, retained		30,985	40,336
EARNINGS PER SHARE	3		
Basic		4.1 cents	5.0 cents
Diluted		4.1 cents	5.0 cents

Notes:

(1) Taxation

	2000 HK$'000	1999 HK$'000
The charge comprises :		
Hong Kong Profits Tax		
Current year	3,482	1,672
Under(Over) provision in prior years	388	(7)
	3,870	1,665
Overseas taxation	11	-
	3,881	1,665
Deferred taxation	429	820
	4,310	2,485

Hong Kong Profit Tax is calculated at 16% (1999 : 16%) of the estimated assessable profit for the year.

As the Group's subsidiaries and associates in the People's Republic of China (the "PRC") are Sino-foreign joint venture enterprises, they are eligible for certain tax holidays and concessions and were exempted from PRC income taxes during the year.

(2) Dividends

	2000 HK$'000	1999 HK$'000
Interim dividend of HK0.5 cent (1999:HK0.5 cent) per share, paid	5,060	5,021
Final dividend of HK0.5 cent (1999:HK0.5 cent) per share, proposed	5,941	5,058
	11,001	10,079

(3) Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data :

	2000	1999
Earnings for the purposes of basic and diluted earnings per share: Profit for the year	HK$41,986,000	HK$50,415,000
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,012,769,472	1,004,180,892
Effect of dilutive potential ordinary shares: Options	10,294,898	1,362,792
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,023,064,370	1,005,543,684

DIVIDEND

The Directors propose a final dividend of HK0.5 cent per share in respect of the year ended 31st March, 2000 (1999: HK0.5 cent), payable on or about 28th September, 2000 to shareholders whose names appear on the Register of Members on 31st August, 2000.

BUSINESS REVIEW AND PROSPECTS

The Group recorded an audited consolidated turnover and profit attributable to shareholders of approximately HK$ 1.4 billion and HK$ 42.0 million respectively for the year ended 31st March, 2000. Turnover represents an increase of 25.0% and profit attributable to shareholders shows a decrease of 16.7%.

Electronic Components Shortage

As we have pointed out in the interim results announcement in November last year, the worldwide electronic components supply situation has become very critical in past few months and is expected to continue for least a period of nine to twelve months ahead. The immediate adverse impact on enterprises is that prices of electronic parts and components go up significantly and delivery lead-time is extended. This dampens business growth and erodes profitability. The shortage mainly occurs in the categories of microprocessors, memory chips and LCD drivers and is a result of the tremendous growth in the worldwide demand for electronic devices such as, mobile phones, handheld computers and games, over the years. In order to secure a stable supply of components at reasonable prices, the Group has developed over the past year strategic alliances with major suppliers in Japan, Korea and Taiwan by leveraging our position as Asia's leading handheld electronics manufacturer.

Investing in the Future

In the year under review, the Group had spent HK$ 89.6 million and HK$ 211.2 million on research and development ("R&D") and marketing and sales respectively. They account for 6.4% and 15.0% respectively of the total sales turnover and, according to the Group's prudent accounting policy, were expensed to the profit and loss account without capitalization. The management firmly believes that these expenditure lay the groundwork for future long-term growth by providing the Group with access to the much needed technology and marketing channels and brand names. This could be evidenced by the expanding product family and the continuous improvement in product design and innovation. On the other hand, the Group's branch offices in Mainland China increased from 10 to 16 during the

year and its telecommunications products have established strongholds in the USA, Russian and Southeast Asian markets. The management is confident that the Group is well prepared for both the opportunities and challenges that will come with Mainland China’s WTO entry.

Personal Digital Assistant (“PDA”)

The PDA business division accounted for 17% of the total sales turnover, a growth of ten times over last year's in monetary terms. In the year under review, two new Chinese-based PDA's, namely PDA 2000 and 3000, were launched in the market with very good market response. Market share in Mainland China and Hong Kong has grown to 20%. In May 2000, the spectacular all-new

model Explore 5000 was unveiled first in Hong Kong and then in the major cities in Mainland China. This stylishly-designed PDA features magnesium die-casting, true Chinese operating system, hassle-free Chinese characters handwriting recognition and open platform architecture. A whole series of applications and devices are in development with a view to make the Group's PDA products the most preferred means for wireless internet access by the Chinese speaking users in this region.

It is envisaged that PDA business will continue to grow enormously and become the Group's major revenue contributor.

Electronic dictionaries and translators

In financial year 1999/2000, 37% of the Group’s sales turnover derived from this business division.

With the rapid growth of the PDA users group, it is envisaged that the dictionary market will gradually become a market for students and language learners whilst the PDA market will mainly comprise of business executives and professionals. In view of this, the Group has been working very hard to add more language learning content in the dictionaries and to enable the users to use the machines in connection with the internet. According to market surveys, the product penetration rates of electronic dictionaries and translators in markets like Mainland China, Korea, Thailand, Middle East, etc. are still relatively low and hence pose good market potential to the Group.

The management believes that with technology advancement and higher user acceptance to digital media, electronic dictionaries and translators will eventually move into the direction of electronic books, or eBooks as they are normally called.

Telecommunications Products

The Group's pager products have successfully migrated from simple numeric or alpha-numeric pagers to sophisticated financial and information pagers over the past year. The Group is now one of the major pager suppliers for financial pagers in the Mainland China market and its proprietary data format has the second largest user base. While the Group will continue to capitalize on its success in traditional one-way pagers, the R&D Department is working intensively on two-way pagers which are perfect messaging devices for large volume real-time data transmission that calls for short message feedback in the arena of e-

Commerce. Following the migration to high-end models, it is believed that the profit margin for pager products will improve in forthcoming year.

Pager sales contributed to 30% of the Group's total sales turnover for the financial year 1999/2000 with a moderate growth rate of 15%. Apart from pagers, the Group is also working with several technology companies on adding GSM and Bluetooth capabilities to the Group's PDA products which will be available towards the end of this financial year.

Original Design Manufacturing ("ODM")

ODM business grew by 45% as compared to preceding year and accounts for 16% of the total sales turnover for the year under review. Over the year two more major Japanese names were added to the Group's ODM customer list. As a matter of fact, the management had decided to control the growth rate of this particular business division by selecting only those customers which are capable to become strategic ODM partners in the long run. Typical ODM products include handheld e-mail devices, handheld internet browsers and digital voice recorders.

It is the Group's policy to further develop ODM business which is providing technology transfer and improved procurement capability to the Group.

Share placements

In March 2000, the Group had done two placements of new shares to different groups of investors. The first one was arranged by ING Barings for a total of 100 millions shares placed to international institutional investors at the price of HK$ 1.26 per share. The second block was placed to New World Infrastructure Limited (stock code : 301) for a total of 50 millions shares at the price of HK$ 1.27 per share. Aggregate proceeds, less cost and expenses, amounted to HK$186.5 millions, which strengths the Group's financial resources and enables the development of more new and innovative products.

Strategic investments

Over the year and subsequent to the year-end, the Group had invested in several technology companies which are either providing synergetic effect to the Group's core business, or allowing the Group to move into new internet-related e-Business.

A detailed summary of major investments made by the Group will be provided in the Annual Report.

Share swap with Franklin Electronic Publishers, Inc.

On 27th June, 2000 the Group announced the signing of a Memorandum of Understanding ("MOU") with an US company Franklin Electronic Publishers, Inc. ("Franklin", NYSE:FEP) to form strategic alliance between the two companies in the areas of R&D, manufacturing, marketing and sales and more importantly, eBooks.

Both companies believe that the technology for eBooks will be more matured and the market be more ready in the next 12 to 15 months. The strategic alliance will allow both companies to contribute their own R&D and marketing competence to pursue this market in joint effort.

Apart from eBooks, it is expected that Franklin, which has one of the best brand names and marketing channels in the North American and European markets, could supplement the Group's relative under-development in that region.

As part of the strategic alliance agreement, the Group will issue 60 million new shares to Franklin priced at HK$1.20 per share, to exchange for 1,018,272 new shares of Franklin priced at US$9.065 per share. The said shares to be exchanged represent approximately 4.8% and 11.4% of the enlarged share capital of the Group and Franklin, respectively.

It is expected that the two companies will execute definitive agreements on or before 31st July, 2000.

Prospects

With the maturing consumer market in Mainland China and the strong recovery in the Asian markets, the management strongly believes that the growth potential in the years ahead is enormous. This potential will be further strengthened by the very probable WTO entry by Mainland China later this year and the gradual improvement in the electronic components shortage situation towards the end of the year. The management believe that the financial results in the forthcoming year shall be more satisfactory.

Appreciation

On behalf of the Board of Directors, I wish to thank our shareholders for their continuing support to the Group and to extend my appreciation to all members of staff for their dedication and contribution throughout the year.

YEAR 2000 COMPLIANCE

The Group did not experience any Year 2000-related problems nor did it receive any report on problems of this nature from any of its major suppliers and customers. However, given the fact that Year 2000 issues continue to exist for the remainder of the year, the Group will continue to monitor the on-going impact of them on its systems and business processes. The total cost for the Year 2000 compliance programme incurred and expensed up to 31st March, 2000 is about HK$2,000,000 and there is no further commitments in respect of any expenditure.

DEALING IN LISTED SECURITIES OF THE COMPANY

During the year, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited as follows:-

Month of	***Number of ordinary shares***	***Price per Share***				***Aggregate***
Purchase	***of HK$0.10 each repurchased***	***Highest***		***Lowest***		***Prices***
		HK$		***HK$***		***HK$***
April 2000	*400,000*	*0.83*		*0.81*		*328,000*
April 2000	*138,000*	*0.82*		*0.79*		*109,860*
April 2000	*210,000*	*0.84*		*0.80*		*173,080*

The above shares were cancelled upon repurchase.

None of the Company's subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 28th August, 2000 to Thursday, 31st August, 2000, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all properly completed transfer forms accompanied by relevant share certificates must be lodged with Secretaries Limited, 5th Floor, Wing On Centre, 111 Connaught Road Centre, Hong Kong for registration not later than 4:00. on Friday, 25th August, 2000.

By Order of the Board

Tam Wai Ho, Samson

Chairman

Hong Kong, 4th July, 2000