STONE GROUP HOLDINGS LIMITED

四通控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 409)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2007

	Financial and Operation Highlight		
			Increase/
	2006/07	2005/06	**(Decrease)**
	HK$'000	*HK$'000*	*%*
Turnover	**2,375,541**	2,035,467	16.7
Gross profit	**744,022**	649,002	14.6
Profit attributable to equity shareholders of the Company	**134,333**	63,908	110.2
Earnings per share	**HK8.62 cents**	HK4.24 cents	103.3

The Board of Directors (the "Board") of Stone Group Holdings Limited (the "Company") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2007 together with comparative figures for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Turnover	3	**2,375,541**	2,035,467
Cost of sales and services		**(1,631,519)**	(1,386,465)
Gross profit		**744,022**	649,002
Other revenue	4	**23,218**	26,873
Other net income	5	**2,636**	–
		769,876	675,875
Distribution costs		**(492,750)**	(430,548)
Administrative expenses		**(145,153)**	(107,397)
Other operating expenses		**(30,373)**	(28,736)
Net valuation gains/(losses) on investment properties		**6,744**	(1,040)
Non-operating income	6	**235,017**	7,415
Finance costs	7(a)	**(32,316)**	(37,476)
Share of profits less losses of associates		**(12,463)**	5,547
Share of loss of a jointly controlled entity		**–**	(5,101)
Profit before taxation	7	**298,582**	78,539
Income tax	8	**(65,343)**	(18,522)
Profit for the year		**233,239**	60,017
Attributable to:			
– Equity shareholders of the Company		**134,333**	63,908
– Minority interests		**98,906**	(3,891)
Profit for the year		**233,239**	60,017
Dividends payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	9	**23,192**	12,533
Earnings per share	10		
Basic		**8.62 cents**	4.24 cents
Diluted		**6.33 cents**	3.42 cents

CONSOLIDATED BALANCE SHEET

at 31 March 2007

	Note	**2007** *HK$'000*	**2007** *HK$'000*	2006 *HK$'000*	2006 *HK$'000*
Non-current assets					
Fixed assets					
– Investment properties			**96,295**		88,274
– Property, plant and equipment			**142,669**		114,001
			238,964		202,275
Goodwill			**1,136,614**		1,136,614
Other intangible assets			**33,328**		33,617
Interest in associates			**388,142**		388,468
Other financial assets			**44,294**		44,046
Deferred tax assets			**7,241**		4,358
			1,848,583		1,809,378
Current assets					
Trading securities		**894,596**		683,875	
Inventories		**193,220**		135,408	
Trade and other receivables	*11*	**513,285**		386,904	
Pledged deposits		**–**		145	
Cash and cash equivalents		**477,202**		581,761	
		2,078,303		1,788,093	
Current liabilities					
Bank loans		**17,231**		2,670	
Other loan		**117,210**		116,385	
Trade and other payables	*12*	**286,660**		316,067	
Current taxation		**98,210**		31,642	
		519,311		466,764	
Net current assets			**1,558,992**		1,321,329
Total assets less current liabilities			**3,407,575**		3,130,707
Non-current liabilities					
Bank loans			**4,375**		–
Convertible notes			**560,431**		574,001
Deferred tax liabilities			**1,019**		852
			565,825		574,853
NET ASSETS			**2,841,750**		2,555,854
CAPITAL AND RESERVES					
Share capital			**155,993**		150,891
Reserves			**2,236,560**		2,052,463
Total equity attributable to equity shareholders of the Company			**2,392,553**		2,203,354
Minority interests			**449,197**		352,500
TOTAL EQUITY			**2,841,750**		2,555,854

Notes:

1. Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2. Segment information

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Healthcare	:	The manufacture, distribution and sale of healthcare products.
Electronics	:	The manufacture, distribution and sale of electronic and electrical products, office equipment and provision of related services.
Media-related business	:	The provision of ancillary services for the development of the cable television and other media-related business

	Healthcare		Electronics		Media-related business		Unallocated		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	***HK$'000***
Revenue from external customers	**1,129,029**	996,658	**1,240,606**	1,032,729	**5,906**	6,080	**–**	–	**2,375,541**	2,035,467
Other revenue from external customers	**5,208**	13,148	**340**	2,024	**123**	253	**17,547**	11,448	**23,218**	26,873
Total	**1,134,237**	1,009,806	**1,240,946**	1,034,753	**6,029**	6,333	**17,547**	11,448	**2,398,759**	2,062,340
Segment result	**117,728**	145,109	**12,617**	(24,367)	**(3,975)**	(5,656)	**(24,770)**	(5,892)	**101,600**	109,194
Net valuation gains/ (losses) on investments properties									**6,744**	(1,040)
Non-operating income									**235,017**	7,415
Finance costs									**(32,316)**	(37,476)
Share of profits less losses of associates	**–**	–	**1,465**	(10,468)	**(13,926)**	17,020	**(2)**	(1,005)	**(12,463)**	5,547
Share of loss of a jointly controlled entity	**–**	–	**–**	–	**–**	(5,101)	**–**	–	**–**	(5,101)
Income tax									**(65,343)**	(18,522)
Profit for the year									**233,239**	60,017
Depreciation and amortisation for the year	**4,240**	3,899	**7,070**	6,103	**1,726**	1,382	**2,068**	2,080	**15,104**	13,464
Reversal of impairment loss	**–**	–	**–**	–	**–**	–	**6,000**	1,958	**6,000**	1,958
Significant non-cash expenses (other than depreciation and amortisation)	**10,648**	(3,405)	**27,428**	24,286	**–**	–	**–**	9,140	**38,076**	30,021
Segment assets	**1,829,745**	1,582,925	**631,352**	635,839	**687,088**	10,343	**390,559**	979,896	**3,538,744**	3,209,003
Interest in associates	**–**	–	**34,762**	24,880	**347,977**	353,672	**5,403**	9,916	**388,142**	388,468
Total assets									**3,926,886**	3,597,471
Segment liabilities	**193,924**	93,322	**179,111**	170,964	**120,204**	1,345	**591,897**	775,986	**1,085,136**	1,041,617
Capital expenditure incurred during the year	**7,545**	3,337	**10,127**	15,728	**841**	3,023	**149**	1,339	**18,662**	23,427

Geographical segments

No analysis of the Group's turnover and contribution from operations by geographical segment has been presented as almost all the Group's operating activities are carried out in the People's Republic of China (the "PRC"). There is no other geographical segment with segment assets equal to or greater than 10 per cent of the Group's total assets.

3. Turnover

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the manufacturing, distribution and sale of healthcare products, electronic and electrical products, office equipment and provision of related services, and media-related business.

Turnover represents the invoiced value of goods sold and services provided to customers by the Group less returns, discounts, business tax and value-added tax, and fee income from value-added technical services. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2007	2006
	HK$'000	*HK$'000*
Manufacturing, distribution and sale of healthcare products	**1,129,029**	996,658
Manufacturing, distribution and sale of electronic and electrical products, office equipment and provision of related services	**1,240,606**	1,032,729
Media-related business	**5,906**	6,080
	2,375,541	2,035,467

4. Other revenue

	2007	2006
	HK$'000	*HK$'000*
Government subsidies	**5,208**	13,083
Interest income	**8,873**	11,285
Rental received from investment properties less outgoings	**8,249**	1,497
Dividend income from investments	**380**	–
Others	**508**	1,008
	23,218	26,873

5. Other net income

	2007	2006
	HK$'000	*HK$'000*
Net gain on sale of marketing materials	**1,763**	–
Net exchange gain/(loss)	**1,031**	(1,189)
(Loss)/gain on disposal of property, plant and equipment	**(158)**	1,189
	2,636	–

6. Non-operating income

	2007	2006
	HK$'000	*HK$'000*
Net realised/unrealised gain/(loss) on trading securities	**247,238**	(5,358)
Gain on disposal of available-for-sale securities	**–**	17,267
Provision for impairment loss on available-for sale securities	**–**	(7,506)
Gain/(loss) on disposal of interest in subsidiaries	**6,536**	(2,059)
Loss on disposal/deemed disposal of associates	**–**	(987)
Excess of interest in net fair value of the acquiree's identifiable assets and liabilities over cost of business combination	**3,084**	–
Gain on repurchase of convertible notes	**–**	24,930
Provision for impairment losses on other receivables	**(27,899)**	(19,266)
Provision for diminution in value of a property held for sale	**–**	(3,720)
Reversal of impairment loss on properties	**6,000**	1,958
Others	**58**	2,156
	235,017	7,415

7. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

		2007	2006
		HK$'000	*HK$'000*
(a)	Finance costs:		
	Interest on bank advances and other borrowings repayable within five years	**23,560**	31,445
	Interest on other loan	**6,716**	4,156
	Other borrowing costs	**2,040**	1,875
	Total borrowing costs	**32,316**	37,476

		2007	2006
		HK$'000	*HK$'000*
(b)	Other items:		
	Costs of inventories	**1,629,761**	1,383,421
	Staff costs (including retirement costs of HK$5,482,000 (2006: HK$5,318,000))	**188,019**	143,155
	Amortisation of other intangible assets	**1,970**	1,876
	Research and development costs	**1,976**	2,680
	Provision for write-down in value of obsolete inventories made/(written back)	**6,867**	(3,184)
	Impairment losses for bad and doubtful debts	**3,310**	13,939
	Depreciation	**13,134**	11,588
	Dividend income from investments		
	– listed	**(350)**	–
	– unlisted	**(30)**	–
	Auditors' remuneration		
	– audit services	**2,770**	2,450
	– other services	**500**	1,320
	Operating lease charges: minimum lease payments for land and building	**40,599**	29,812

8. Income tax

Income tax in the consolidated income statement represents:

	2007	2006
	HK$'000	*HK$'000*
Current tax		
Provision for Hong Kong Profits Tax	–	–
Provision for income tax outside Hong Kong in the PRC ("PRC enterprise income tax")	**68,059**	17,512
	68,059	17,512
Deferred tax		
Origination and reversal of temporary differences	**(2,716)**	1,010
	65,343	18,522

No provision for Hong Kong Profits Tax has been made as the Hong Kong companies of the Group sustained losses for taxation purposes during the year. PRC enterprise income tax is calculated at the applicable rates on the estimated taxable income earned by the companies in the PRC.

9. Dividends

	2007	2006
	HK$'000	*HK$'000*
Final dividend proposed after the balance sheet date of HK1.3 cents (2006: HK0.8 cents) per share	**23,192**	12,533

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

10. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to equity shareholders of the Company of HK$134,333,000 (2006: HK$63,908,000) and the weighted average number of ordinary shares of approximately 1,558,705,000 shares (2006: 1,507,510,000 shares) in issue during the year.

(b) ***Diluted earnings per share***

The calculation of diluted earnings per share is based on the profit for the year attributable to equity shareholders of the Company of HK$156,495,000 (2006: HK$92,290,000) and the weighted average number of ordinary shares of approximately 2,472,228,000 shares (2006: 2,695,329,000 shares).

11. Trade and other receivables

	2007	2006
	HK$'000	*HK$'000*
Debtors, prepayments and other receivable	**423,955**	323,849
Gross amount due from customers for contract work	**1,271**	6,267
Amounts due from associates	**71,727**	40,166
Amounts due from related companies	**16,332**	16,622
	513,285	386,904

Except for the amount of HK$9,237,000 (2006: Nil) which are expected to be recovered more than one year all of the trade and other receivables are expected to be recovered within one year.

In respect of trade receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due ranging from 60 days to 90 days from the date of billing. Debtors with balances that are more than 6 months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Included in debtors, prepayments and other receivables are trade debtors (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	2007	2006
	HK$'000	*HK$'000*
Current	**304,158**	187,660
Due over 6 months but within 12 months	**4,795**	2,723
	308,953	190,383

12. Trade and other payables

	2007	2006
	HK$'000	*HK$'000*
Creditors, accruals and other payables	**277,649**	304,940
Amounts due to associates	**–**	264
Amounts due to related companies	**9,011**	10,863
	286,660	316,067

All of the trade and other payables are expected to be settled within one year.

Included in creditors, accruals and other payables are trade creditors with the following ageing analysis

	2007	2006
	HK$'000	*HK$'000*
Due within 6 months or on demand	**57,445**	78,131
Due after 6 months but within 12 months	**483**	721
Due after 12 months but within 24 months	**322**	79
Due after 24 months but within 36 months	**31**	37
	58,281	78,968

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK1.3 cents per share for the year (2006: HK0.8 cent per share). Subject to the approval of the shareholders of the Company (the "Shareholder(s)") at the forthcoming annual general meeting, the final dividend will be payable on or after 14 September 2007 to the Shareholders whose names appear on the register of members of the Company on 23 August 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of the Company will be closed from 20 August 2007 to 23 August 2007 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the transfer office of the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for the registration not later than 4:00 p.m. on 17 August 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's businesses are classified into two main categories: core operational business and investment business. Our core operational business primarily includes IT electronic and media related business (hereafter as "IT business"), and healthcare products business. The IT business includes the manufacturing and distribution of electronic products and operation of an internet cafe chain. The products in healthcare business are Naobaijin, GoldPartner and Huang Jin Xue Kang. Investment business mainly includes the interests in SINA Corporation ("SINA"), China Cable Media Group Limited ("CCMG") and Me To You Holdings Limited ("Cayman MTY").

With the efforts of all our staff throughout the year, the Group achieved good performance in both of its core operational business and investment business. For the year ended 31 March 2007, audited turnover amounted to HK$2,376 million was recorded, rose by 16.7% when compared to that of last year. Profit attributable to equity shareholders of the Company amounted to HK$134 million, also representing an increase of 110.2% from last year. During the year, the consolidated profit from operation was HK$102 million, representing a decrease of 7.0% as compared with last year, was due to the slight reduction of its price in order to position the products in the functional market and the effects from the introduction of the regulation in the advertisement of the healthcare business.

BUSINESS REVIEW

Core Businesses

Both of the IT business and healthcare products business recorded remarkable growth in sales during the year under operation. The sales and gross profit and their respective changes of these two principal businesses during the year by operation segments and product categories are as follows:

	2007		2006		**Increase/ (Decrease)**	**Increase/ (Decrease)**
	Turnover	**Gross Profit**	Turnover	Gross Profit	**Turnover**	**Gross Profit**
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*	%	%
IT business						
Manufacturing of electronic products	**263,772**	**44,962**	243,329	36,705	8.4	22.5
Distribution of electronic products	**976,834**	**71,924**	789,400	55,132	23.7	30.5
Internet cafe chain	**5,906**	**4,148**	6,080	3,036	(2.9)	36.6
	1,246,512	**121,034**	1,038,809	94,873	20.0	27.6
Healthcare products business	**1,129,029**	**622,988**	996,658	554,129	13.3	12.4
	2,375,541	**744,022**	2,035,467	649,002	16.7	14.6

IT Business

During the period under review, the overall turnover of the IT business increased by 20.0% to 1,247 million as compared with the corresponding period last year, and representing 52.5% of the Group's total turnover. The contributions from manufacturing of electronic products , distribution of electronic products and internet cafe chain were 21.1%, 78.4% and 0.5% respectively. The overall gross profit was increased by 27.6% as compared with the corresponding period last year and the gross profit margin was 9.7%, representing an increase of 0.6 percentage points as compared with the corresponding period last year. Profits from operation of the IT business was merely HK$8.6 million as a result from the continuous rising distribution cost due to fierce competition in the market. However, such performance was a significant turnaround when compared with the operation loss of HK$30 million of the corresponding period last year.

Electronic Manufacturing

The sales and gross profit of the Group's self-produced electronic products increased 8.4% and 22.5% respectively as compared with the corresponding period last year. The details are as follows:

	2007		2006		**Increase/ (Decrease)**	**Increase/ (Decrease)**
	Turnover	**Gross Profit**	Turnover	Gross Profit	**Turnover**	**Gross Profit**
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*	*%*	*%*
Manufacturing of electronic products						
Printers	**206,802**	**29,723**	175,767	24,998	17.7	18.9
Gold tax and tax control products	**32,874**	**17,617**	23,663	11,991	38.9	46.9
Others	**24,096**	**(2,378)**	43,899	(284)	(45.1)	N/A
	263,772	**44,962**	243,329	36,705	8.4	22.5

The sales of Stone printer for the year were outstanding, especially when compared with other segments of the IT business. Its sales accounted for 78.4% of the turnover from the manufacturing of electronic products segment and 8.7% of the Group's total turnover. The sales amounted to HK$207 million, representing an increase of 17.7% in compared with the corresponding period last year. Gross profit margin remained stable as compared with the corresponding period last year. The remarkable performance was partly because of the rapid economic growth of China. It was also attributable to the outstanding quality of our dot matrix printers over that of our competitors as a result of our market research. The Group sold a total of invoice printers in the year were 65,000, accounting for over 30% of the market share in the PRC's rural credit cooperatives and postal savings and remittance markets.

The sales of the Group's gold tax products in the year accounted for 12.5% of the turnover of the electronic product manufacturing segment and 1.4% of the Group's total turnover. Turnover amounted to HK$32.9 million, representing an increase of 38.9% as compared with the corresponding period last year. Gross profit margin also increased 2.9 percentage points. The increase in sales was mainly due to the upgrading of taxpayers' system from DOS to Windows version during the year as required by the Government. The sales of tax control machines remained unsatisfactory and the management may consider to dispose this business if no further progress will be made in the coming year in order to reduce the expense from the business without attractive return.

The electronic product manufacturing segment also include certain projects and the manufacture of electronic ballasts for fluorescent light, the sales of which accounted for 9.1% of the turnover of the electronic manufacturing segment and 1.0% of the Group's total turnover. The turnover was HK$24.1 million, representing a fall of 45.1% as compared with the corresponding period last year. Gross loss increased by HK$2.1 million as compared with the corresponding period last year. The decrease in turnover was mainly attributable to the disposal of 40% equity interest in a subsidiary, of which the Group previously held 80%, to the management of the company and Beijing Me-to-you Information Technology Limited. After the disposal of equity interest, the company was reclassified from a subsidiary to an associate and its turnover ceased to be consolidated into the Group's financial statement. The subsidiary was primarily engaged in the manufacturing of large electronic traffic message boards and the design of road safety network system for the Beijing Traffic Management Bureau. The disposal of the equity interest was an incentive for the management and promote the synergy effect between that company and Beijing Me-to-you Information Technology Limited.

Electronic Products Distribution

The electronic product distribution outperformed the electronic product manufacturing of the Group. Sales and gross profit increased 23.7% and 30.5% respectively as compared with the corresponding period last year. The details are as follows:

	2007		2006		**Increase/ (Decrease)**	**Increase/ (Decrease)**
	Turnover	**Gross Profit**	Turnover	Gross Profit	**Turnover**	**Gross Profit**
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*	%	%
Electronic product distribution						
Industrial controllers	**651,170**	**40,841**	621,426	42,911	4.8	(4.8)
UPS equipment	**81,099**	**3,980**	72,628	2,010	11.7	98.0
Digital graphic products	**8,425**	**2,598**	10,715	2,315	(21.4)	12.2
Computer parts and others	**114,565**	**6,973**	22,005	845	420.6	725.2
Others	**121,575**	**17,532**	62,626	7,051	94.1	148.6
	976,834	**71,924**	789,400	55,132	23.7	30.5

Industrial controllers remained the largest sources of income of this business segment, which accounted for 66.7% of the turnover of the electronic distribution segment and 27.4% of the Group's total sales. The competition in this industry continued to be very keen in the year. In spite of its unrivaled leadership in the industry, the Group had been operating under the strong competition from the parallel dealers. Other than price reduction, the industrial controllers company also had to place purchase orders in advance so as to gain the support from its suppliers. Despite the blooming economy, the sales of industrial controllers products amounted to HK$651 million, only a slight increase of 4.8% as compared with the corresponding period last year. Gross profit margin was 6.3%, a drop of 0.6 percentage points as compared with last year. In order to beef up the sales and expand the sales channels, the industrial controllers company actively prepared to establish branches in various regions in the second half of the year on the basis of the sales systems established over the past few years, such as ERP system, stock management system, telephone ordering and enquiries services and quality after-sale services. As such, its competitiveness and the confidence of the customers towards our products and services will be enhanced, resulting in increased sales of the company.

Over the past few years, the Group has been the sole agent of the uninterrupted power supply ("UPS") products produced by Powerware in the PRC. The sales accounted for 8.3% of the turnover of the electronic distribution segment during the year, representing 3.4% of the Group's total sales. The sales amounted to HK$81 million, representing an increase of 11.7% as compared with the corresponding period last year. Gross profit margin rose 2.1 percentage points as compared with last year.

The integrated electronic products division decided to alter the sales mode in the coming year by acting as the agents of the products from various uninterrupted power supply companies instead of being the sole agent of Powerware due to the extremely narrow gross profit margin for selling products as a sole agent and the capital requirement is comparatively large. The sales mode will transform from passive to active by taking the initiative to approach customers.

Also included in the electronic distribution business is the distribution of digital graphic products. At the beginning of the year, digital graphic products division acted as the sole agent for Graphtec in The PRC, mainly selling peripherals such as fax machines, design cutter machines, engraving machines and 3D scanners. The division also formulated various solutions to be used with Graphtec's cutting machines, and promoted their use in transportation, apparel, stone, shoes-manufacturing industry and personal use. As the product was still of a brand very new to the PRC, its sales only accounted for 0.9% of the turnover of the electronic distribution segment, representing 0.4% of the Group's total turnover. Its sales was only HK$8.4 million, representing a drop of 21.4% as compared with the corresponding period last year. Yet, the gross profit for the year rose 9.2 percentage points as compared with the corresponding period last year since the gross profit from the sale of the products was different from that of parts from Roland last year.

The electronic distribution business also covers the sales of semi-conductors and computer accessories, and manufacture of electrical lighting equipment, electrical peripheral, healthcare equipment, control system for automated doors and other electrical products. For the year ended 31 March 2007, the sales of these products accounted for 24.2% of the turnover of the electronic distribution segment, representing 9.9% of the Group's total turnover. The sales were HK$236 million, an increase of 179.0% as compared with the corresponding period last year. Gross profit margins amounted to approximately 10.4%.

Internet Cafe Chain

Due to a reduction in number of self-owned shops and the rapid establishment of franchised shops, the turnover of the internet cafe chain in Guangzhou, Dongguan, and Shenzhen was only HK$5.9 million, representing a decrease of 2.9% as compared with the corresponding period last year. However, the number of franchised shops showed a significant growth from 65 in May 2006 to 76. Even though there were over 15,200 computer terminals and over 62,800 users per day, the internet cafe chain still recorded operation loss of HK$2.8 million for the year, a drop of only 50.9% from the operation loss of HK$5.7 million over the corresponding period last year. The drop was due to relatively higher tax payables and depreciation and amortisation of the decoration of self-owned shops. The confidence of the management was rebounded as Sunnet Café has recorded profit and started its stable operation since April 2007. The management further believes that after changing the operation mode, Sunnet Café, with nearly 80 shops, will be full of opportunities ahead.

Healthcare Products Business

For the year ended 31 March 2007, the turnover of healthcare products business amounted to HK$1,129 million, which was an increased of 13.3% as compared with the corresponding period last year, representing 47.5% of the total turnover of the Group. Gross profit margin dropped by 0.4 percentage points to 55.2% as compared with the corresponding period last year. The drop of gross profit was mainly due to the repackaging of GoldPartner and the slight reduction of its price in order to position the products in the functional market. In the Interim Report, it is explained that owing to the promulgation of the "Provisional Requirements on Review of Advertisement of Healthcare Food Product" by the PRC government in July 2005, together with the influence brought by market consolidation, the turnover of healthcare products business for the first half of the year was only HK$327 million, representing a drop of 15.1% as compared with the corresponding period last year. Hence, the management decided to improve our marketing strategies for the second half of the year by reinforcement of advertising on one hand, and enhancement of marketing and promotion activities on the other. With the dual effects of the above, as well as a nationalwide increase in residents' income in 2006, healthcare products of the Group recorded lucrative results during the Spring Festival of 2007, with the sales of Naobaijin close to the record high during the SARS period in 2003. Nevertheless, the growth in sales was partly offset by capital contribution in advertising expenses, increased salary for additional salesmen, and increased rental cost for prime positions in shopping malls and supermarkets. As a result, the overall sales expenses rose 14.9% as compared with the corresponding period last year. In addition, the growth in the management's remuneration and the rental cost for head office of our healthcare product business, as well as capital injection for research and development of new products all resulted in the decrease in operating profit for the healthcare products business during the year, which was approximately HK$118 million, representing a drop of 18.9% as compared with the corresponding period last year. Turnover and gross profit of the healthcare products business by category are detailed as follows:

	2007		2006		**Increase/ (Decrease)**	**Increase/ (Decrease)**
	Turnover	**Gross Profit**	Turnover	Gross Profit	**Turnover**	**Gross Profit**
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*	%	%
Healthcare products business						
Naobaijin	**699,827**	**332,543**	618,639	289,965	13.1	14.7
GoldPartner	**424,165**	**286,845**	378,019	264,164	12.2	8.6
Huang Jin Xue Kang	**5,037**	**3,600**	–	–	N/A	N/A
	1,129,029	**622,988**	996,658	554,129	13.3	12.4

Naobaijin

As stated above, Naobaijin recorded satisfactory sales of HK$700 million during the year which accounted for 62.0% and 29.5% of the turnover of the healthcare products business segment and the total turnover of the Group respectively. The sales represented an increase of 13.1% as compared with the corresponding period last year. Gross profit margin amounted to approximately 47.5%, which contributed HK$333 million to the Group's gross profit. A healthcare product of 10-year sales history, Naobaijin marked yet another break-through in the healthcare food products industry for achieving such splendid results. In addition, Naobaijin has also become the champion of the National Sales of Healthcare Products in the PRC in 2006. This has been the sixth times out of the seven years in which the product won this award since 2000. 2007 marks the tenth year since the launch of Naobaijin to the market. The Group will carry out a series of celebrations which are believed to be a booster that will take the sales of Naobaijin to another level.

GoldPartner

In fact, GoldPartner was highly affected by the advertisement regulations promulgated by the PRC government. As GoldPartner's marketing strategy highlighted the efficacy of the products while the government's policy was directed at the statement on product efficacy in advertisement, the management had to strengthen its marketing strategies for the gift market. On the other hand, the management took new initiative for product packaging by replacing the paper boxes for regular packaging to plastic bottles in July and August last year. The price was also reduced to cater for consumers of GoldPartner as a vitamin supplement. The management's efforts were ultimately proven correct. During the year, the sales of GoldPartner amounted to HK$424 million, which accounted for 37.6% and 17.9% of the turnover of healthcare product business and the total turnover of the Group respectively. The sales also represented an increase of 12.2% as compared with the corresponding period last year. However, as the price of the new regular packaging is lower than the old version, the gross profit margin of GoldPartner dropped by 2.3 percentage points to 67.6%, contributing HK$287 million to the gross profit of the Group.

Huang Jin Xue Kang

During the year, the Group had introduced a new product namely Huang Jin Xue Kang, the efficacy of which is to reduce blood lipids. It was put on trial sales last year mainly in the cities of Anhui province but the result was insignificant. The aggregate sales in the past few months were only HK$5.0 million, with realised gross profit of HK$3.6 million.

Investment Business

As stated above, the Group has been investing in new projects other than its core businesses for years in order to seek for high-yielded investments. In general speaking, while the Group's shareholding in these investments was comparatively low, certain investments has significant impacts to the Group's revenue and asset value. For easier management, these investments are classified as investment business.

SINA is one of the most successful investments of the Group's investment business. As at 31 March 2007, the Group held 2,502,274 shares in SINA amounting to approximately HK$657 million and representing approximately 4.6% of the issued shares of SINA. Compared with the market value at the end of last year, SINA contributed HK$116 million of unrealised gain to the Group during the year. HK$58.9 million was contributed to the equity attributable to shareholders after deduction to the minority interests.

In addition, the Group and certain investment partners invested in China Cable Information Network Co., Ltd. ("CCN") through CCMG. CCN provides national-wide cable television network services and operates cable networks in 18 cities along the wealthy costal region. Being one of the largest cable television operators in the PRC, CCN has a customer base of over 2.5 million. At the end of the year, the Group held 34.77% interest in CCMG, while CCMG was in turn interested in 31.14% of CCN. The remaining 68.86% equity interest was held by SARFT Network Centre and other regional television stations of the PRC.

Other than the internet and cable television networks mentioned above, the Group was also interested in companies with operations related to mobile phone network services. Cayman MTY held the entire interest in Beijing Me-to-you Information Technology Limited and Beijing Me-to-you System Integration Limited (collectively as "Beijing MTY"), both of which are primarily engaged in mobile communication and position information value-added services. Pursuant to the equity transfer contract dated March 2005, the Group acquired 40% interest in Cayman MTY and the vendor gave the Group a guarantee that the profit after tax for each of 2005 and 2006 of Cayman MTY would not be less than US$8.10 million. However, Cayman MTY could not achieve this goal last year as part of its business had yet to be commenced despite the fact that it managed to keep its profit guarantee in 2005. Coupled with the new policy on mobile communication adopted by China Mobile and China Unicom, Cayman MTY recorded a loss in 2006. Upon discussion, the Board decided to file a claim against the vendor for indemnification, the Group's interest in Cayman MTY will be increased thereafter. This gave the Group the flexibility to decide whether it should increase its shareholding in the company. Although Cayman MTY's performance was unsatisfactory last year, a multi-national company was considering cooperating with Cayman MTY for the installation of vehicle navigation equipment as the business the company operates has excellent potential. Together with the fact that Beijing MTY was about to promote its TanLu 303 to all over China, the management is confident about the operation of Cayman MTY.

Besides the long-term investments stated above, the Group also participated in the initial public offers and placing activities by the new listings with the surplus funds. During the year, the Group was subscribed shares from the new listings including Bank of China, Industrial and Commercial Bank of China and China Merchant Bank. The Group was subscribed 18,173,915 grade A shares from the board of China Railway Erju at the price of RMB5.05 each in January 2007 had a lock-up period for a year. As at the balance sheet date of the Group, the market value of that shares was RMB11.8 each.

Liquidity and Financial Position

As at year end, the current ratio and quick ratio of the Group were 4.0 and 3.63 respectively. Cash and cash equivalents held was HK$477 million. Total equity attributable to equity shareholders of the Company increased from HK$2,203 million at the beginning of the year to HK$2,393 million at year end, reflecting a healthy financial position of the Group.

At the end of the year, the Group's convertible notes amounted to HK$560 million, representing a decrease of HK$14 million comparing with the beginning of the year. This was primarily due to convertible notes with a par value of HK$30 million were converted into shares of the Company in last April. In addition, the convertible notes carry interest at annual interest rate of 4% and the accrued interest will be restated at amortised cost. According to accounting standards, all convertible notes issued are split into liability and equity components at initial recognition. The liability component is subsequently carried at amortised cost. The equity component is recognised in other reserve until the note is converted or redeemed.

Comparing with the previous year, the HK$560 million convertible notes comprised par value of HK$217 million convertible notes with an interest rate of 3% at a conversion price of HK$0.52 per share and HK$374 million convertible notes at par value with nil interest at a conversion price of HK$0.76 per share.

In addition, the bank granted an extra of HK$5 million overdraft limit to a trading subsidiary of the Company upon its application during the year.

Due to the above-mentioned, the aggregated interest-bearing bank loan and other loans of the Group as at 31 March 2007 increased to HK$699 million, representing an increase of 0.9% compared with the beginning of the year. The ratio of net borrowings to total equity attributable to equity shareholders of the Company increased to 9.3%.

As at 31 March 2007, the Group has HK$173 million banking facilities available which consist of letter of credit facilities, overdraft and other standby credit. The Group had utilised approximately HK$139 million of its credit facilities. The Group believes that its internal fund and the existing banking facilities are able to meet its capital investment and working capital requirements for the next half year.

Charges on Assets

As at 31 March 2007, a property with carrying value of approximately HK$29.4 million was pledged by the Group as collateral against the banking facilities, a term loan and bank overdrafts granted to the subsidiaries of the Group. In addition, part of SINA shares held by the Group had been pledged to a securities company against a margin loan of US$15 million granted to the Group.

Contingent Liabilities

As at 31 March 2007, the Group had provided a guarantee of approximately HK$40,580,000 for bank loan granted to an associate.

Hedging

As the majority of the Group's purchases are from overseas, it is the Group's policy to enter into foreign exchange forward contracts to hedge against foreign exchange fluctuation as and when necessary.

Human Resources

As at 31 March 2007, the Group had a total of 9,862 (2006: 8,451) employees, of which 9,834 (2006: 8,423) were employed in the PRC and 28 (2006: 28) were employed in Hong Kong. Out of the 9,834 employees in the PRC, 7,613 (2006: 5,986) were temporary employees.

In addition to basic salaries and bonuses, employees are also entitled to other benefits, including medical allowances and both Hong Kong and PRC employees have participated in the mandatory provident fund and the Central Pension Scheme and the supplementary defined contribution retirement plans managed by independent insurance companies respectively. Share options are also being granted to certain employees as incentives.

Business Outlook

After the reorganisation activities conducted a year before last, our business was streamlined . As a result, the IT business was greatly improved during the year. In facing the keen market competition, the management will put extra efforts in gaining further market shares in order to make higher profits margin for the Group. Industrial controller ventures had enlarged its sales forces and established branch offices in the major areas in order to get close to our customers to understand their needs and enhance the quality of the after-sale services, attempting to outshine other competitors in terms of service quality. As for gold tax products, we will endeavor to leverage our advantages to involve in tax-related value-added services and explore new income sources by utilising existing resources of the Group, adjusting service contents and the way of provision and taking full advantage of resources of over 30,000 enterprises and over 70,000 individual users accumulated for years. Our computer software distribution department will seek to organise marketing activities with companies like Citrix and Altrius to enhance brand recognition, boost sales and gain higher profits in the coming year.

As for healthcare products business, the management will expand sales as well as implement effective cost controls to achieve growth in both sales and profits. The management will also continue its efforts on the trial sales of Huang Jin Xue Kang to find out the most suitable target markets for the product by gathering different market responses. We hope the product will gain the leading position in the market of blood-lipids lowering products as soon as possible and contribute considerable income to the Group. In addition, the Group will continue the research and development of new products, with the intention to put into market in the near future and raise earnings for the Group.

With regard to investment business, the Group entered into an agreement after the year end date with the investment partners of CCMG on bringing in new investors to additionally contribute capital of US$29,000,000 to CCMG. By increasing investment in CCN through CCMG, CCN has adequate capital to continually expand its cable TV network and strengthen customer base, which can accordingly drive up company value. Meanwhile, we will actively seek listing opportunities for the company. Despite the unsatisfactory results of Cayman MTY in 2006, the management believes that upon the successful launch of 303 N GPS Safe Driving Navigation Device and orders received from major international customers, the results of the company will significantly improve which will create decent profits for the Group.

In particular, the management determined to strategically enter into the mineral resources industry. In mid June, the Company, chairman of the Group and other independent third parties established Stone Resources Limited (hereinafter "Stone Resources") with the Group contributing HK$10,000,000, representing 16.67% of equity interests. Stone Resources has been granted the exploration right by the local government of Yemen and is currently in the discussion of obtaining the same in other regions. According to an analysis published by the PRC government, among 40 categories of mineral products correlated with industry development, the consumption per capita of the PRC is all lower than half of that of the world. Therefore, the management believes that with rapid economic growth of the PRC, the demand for resources will be pressing, resulting in great opportunities in the mineral industry. To control investment risks of entering the industry, the management decides to make limited investment initially and only consider larger scale involvement after finding suitable mining areas and accumulating adequate experience and human resources so as to maximise returns for shareholders.

CORPORATE GOVERNANCE

Stone Group Holdings Limited (the "Company", together with its subsidiaries the "Group") is committed to maintaining a high level of corporate governance. The board of directors of the Company (the "Board") believes that good corporate governance practices are increasingly important for maintaining and promoting investor confidence. Following the issue of the Code on Corporate Governance Practices (the "Code"), as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Board reviews its corporate governance practices from time to time to ensure that they meet the expectation of the public and the shareholders of the Company (the "Shareholders"), comply with the requirement of the Code. The Board will continue to commit itself to achieving a high standard of corporate governance.

For the year ended 31 March 2007, except for the requirement that the roles of chairman of the Board and Chief Executive Officer of the Company ("CEO") should be separate and should not be performed by the same individual (code provision A.2.1), the Company has complied with the code provisions of the Code.

The roles of Chairman and Chief Executive Officer of the Company have been performed by Mr. DUAN Yongji since March 2007. The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently. The Board will review the effectiveness of this arrangement from time to time and will consider appointing an individual as chief executive officer when it thinks appropriate.

Code on Corporate Governance Practices

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code for securities transactions by the Directors. The Company has made specific enquiry of all Directors and has received a written confirmation from each Director confirming that he/she has complied with the Model Code for the year ended 31 March 2007 in relation to his/her securities dealings, if any.

To enhance its corporate governance, the Company has also established a written guideline on no less exacting terms than the Model Code for the senior management of the Company (other than the Directors) and the employees of the Group, who may be in possession of unpublished price-sensitive information.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company comprises four independent non-executive Directors, namely, Mr. NG Ming Wah, Charles, Mr. Andrew Y. YAN, Mr. LIU Ji and Mr. LIU Jipeng. The audit committee has reviewed the annual results for the year ended 31 March 2007 and has also discussed auditing, internal control and financial reporting matters including the review of accounting practices and principles by the Group.

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

During the year, the Company repurchased a total of 6,676,000 of its listed shares on the Stock Exchange. Details of the repurchases are summarised as follows:

Date of Repurchase	No. of Shares Repurchased	Price per Shares		Aggregation Consideration
		Highest	Lowest	
		HK$	*HK$*	*HK$'000*
28 August 2006	500,000	0.405	0.400	201
29 August 2006	1,000,000	0.415	0.410	414
30 August 2006	1,000,000	0.420	0.415	419
1 September 2006	850,000	0.435	0.430	368
4 September 2006	1,000,000	0.435	0.415	429
5 September 2006	700,000	0.420	0.415	293
6 September 2006	206,000	0.425	0.425	87
7 September 2006	200,000	0.420	0.420	84
22 September 2006	200,000	0.425	0.425	85
25 September 2006	394,000	0.425	0.420	166
26 September 2006	196,000	0.420	0.420	82
27 September 2006	200,000	0.420	0.420	84
28 September 2006	80,000	0.420	0.420	34
29 September 2006	130,000	0.415	0.410	54
13 October 2006	20,000	0.415	0.415	8
	6,676,000			2,808

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium on repurchase was debited to accumulated profits. An amount equivalent to the nominal value of the shares cancelled was transferred from accumulated profits to the capital redemption reserve.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

This Company's 2006/07 annual report, as well as the announcement of the annual results, containing all relevant information required by the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) and our Company website (http://www.stone.com.hk) in due course.

On behalf of the Board
Stone Group Holdings Limited
DUAN Yongji
Chairman

Hong Kong, 11 July 2007

As at the date of this announcement, the Board comprises ten Directors, of whom Messrs. DUAN Yongji, SHI Yuzhu, SHEN Guojun, CHEN Xiaotao, ZHANG Disheng and Ms. LIU Wei are executive Directors and Messrs. NG Ming Wah, Charles, Andrew Y. YAN, LIU Ji and LIU Jipeng are independent non-executive Directors.