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 2008

FINANCIAL AND OPERATION HIGHLIGHTS

	2007/08	2006/07	**Percentage Change**
	HK$'000	*HK$'000*	%
Turnover	**2,988,051**	2,375,541	25.8
Operating profit	**76,152**	101,600	(25.0)
Profit attributable to equity shareholders of the Company	**16,503**	134,333	(87.7)
Earnings per share	**HK0.92 cent**	HK8.62 cents	(89.3)

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 2008 together with comparative figures for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Note	**2008** *HK$'000*	2007 *HK$'000*
Turnover	3	**2,988,051**	2,375,541
Cost of sales and services		**(1,926,319)**	(1,631,519)
Gross profit		**1,061,732**	744,022
Other revenue	4	**27,589**	23,218
Other net income	5	**2,718**	2,636
		1,092,039	769,876
Distribution costs		**(777,569)**	(492,750)
Administrative expenses		**(183,784)**	(145,153)
Other operating expenses		**(54,534)**	(30,373)
Valuation gains on investment properties		**14,462**	6,744
Non-operating income	6	**102,159**	235,017
Finance costs	7(a)	**(34,462)**	(32,316)
Share of profits less losses of associates		**(14,696)**	(12,463)
Profit before taxation	7	**143,615**	298,582
Income tax	8	**(80,821)**	(65,343)
Profit for the year		**62,794**	233,239
Attributable to:			
– Equity shareholders of the Company		**16,503**	134,333
– Minority interests		**46,291**	98,906
Profit for the year		**62,794**	233,239
Dividends payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	9	**–**	23,192
Earnings per share	10		
Basic		**0.92 cents**	8.62 cents
Diluted		**0.87 cents**	6.33 cents

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

		2008		2007	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets					
Fixed assets					
– Investment properties			**112,341**		96,295
– Property, plant and equipment			**162,101**		142,669
			274,442		238,964
Goodwill			**1,136,614**		1,136,614
Other intangible assets			**34,294**		33,328
Interest in associates			**585,159**		388,142
Other financial assets			**55,590**		44,294
Deferred tax assets			**14,647**		7,241
			2,100,746		1,848,583
Current assets					
Trading securities		**958,448**		894,596	
Inventories		**190,905**		193,220	
Trade and other receivables	11	**753,566**		513,285	
Cash and cash equivalents		**553,022**		477,202	
		2,455,941		2,078,303	
Current liabilities					
Bank loans		**151,238**		17,231	
Other loan		**311,240**		117,210	
Trade and other payables	12	**376,351**		286,660	
Convertible notes		**318,184**		–	
Current taxation		**143,180**		98,210	
		1,300,193		519,311	
Net current assets			**1,155,748**		1,558,992
Total assets less current liabilities			**3,256,494**		3,407,575

	Note	2008 HK$'000	2008 HK$'000	2007 HK$'000	2007 HK$'000
Non-current liabilities					
Bank loans			**1,875**		4,375
Convertible notes			**86,095**		560,431
Deferred tax liabilities			**3,820**		1,019
			91,790		565,825
NET ASSETS			**3,164,704**		2,841,750
CAPITAL AND RESERVES					
Share capital			**190,929**		155,993
Reserves			**2,525,400**		2,236,560
Total equity attributable to equity shareholders of the Company			**2,716,329**		2,392,553
Minority interests			**448,375**		449,197
TOTAL EQUITY			**3,164,704**		2,841,750

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 accounting policies and methods of computation used in the preparation of the financial report are consistent with those used in the annual financial statements for the year ended 31 March 2007, except for the changes in accounting policies as described below.

(a) HKFRS 7, Financial instruments: Disclosures

As a result of the adoption of HKFRS 7, the financial statements included expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosure and presentation.

(b) HKAS 1, Presentation of financial statements: Capital disclosures

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's objective, policies and processes for managing capital.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

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 financing 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	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**1,499,191**	1,129,029	**1,480,737**	1,240,606	**8,123**	5,906	**–**	–	**2,988,051**	2,375,541
Other revenue from external customers	**13,595**	5,208	**100**	340	**–**	123	**13,894**	17,547	**27,589**	23,218
Total	**1,512,786**	1,134,237	**1,480,837**	1,240,946	**8,123**	6,029	**13,894**	17,547	**3,015,640**	2,398,759
Segment result	**143,550**	117,728	**(19,624)**	12,617	**2,596**	(3,975)	**(50,370)**	(24,770)	**76,152**	101,600
Valuation gains on investment properties									**14,462**	6,744
Non-operating income									**102,159**	235,017
Finance costs									**(34,462)**	(32,316)
Share of profits less losses of associates	**–**	–	**7,166**	1,465	**(21,847)**	(13,926)	**(15)**	(2)	**(14,696)**	(12,463)
Income tax									**(80,821)**	(65,343)
Profit for the year									**62,794**	233,239
Depreciation and amortisation for the year	**5,518**	4,240	**8,578**	7,070	**1,954**	1,726	**2,112**	2,068	**18,162**	15,104
Reversal of impairment loss	**–**	–	**–**	–	**–**	–	**8,301**	6,000	**8,301**	6,000
Significant non-cash expenses (other than depreciation and amortisation)	**23,928**	10,648	**22,662**	27,428	**–**	–	**28,844**	–	**75,434**	38,076
Segment assets	**2,183,288**	1,829,745	**741,712**	631,352	**740,391**	687,088	**306,137**	390,559	**3,971,528**	3,538,744
Interest in associates	**–**	–	**48,036**	34,762	**433,006**	347,977	**104,117**	5,403	**585,159**	388,142
Total assets									**4,556,687**	3,926,886
Segment liabilities	**394,562**	193,924	**252,215**	179,111	**318,636**	120,204	**426,570**	591,897	**1,391,983**	1,085,136
Capital expenditure incurred during the year	**7,616**	7,545	**8,781**	10,127	**8,636**	841	**315**	149	**25,348**	18,662

Geographical segments

No analysis of the Group's turnover and results 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") and less than 10 per cent of the Group's turnover and results were derived from activities conducted outside the PRC.

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:

	2008	2007
	HK$'000	*HK$'000*
Manufacturing, distribution and sale of healthcare products	**1,499,191**	1,129,029
Manufacturing, distribution and sale of electronic and electrical products, office equipment and provision of related services	**1,480,737**	1,240,606
Media-related business	**8,123**	5,906
	2,988,051	2,375,541

4. OTHER REVENUE

	2008	2007
	HK$'000	*HK$'000*
Government subsidies	**11,482**	5,208
Interest income	**5,818**	8,873
Rental received from investment properties less outgoings	**7,398**	8,249
Dividend income from investments	**650**	380
Others	**2,241**	508
	27,589	23,218

5. OTHER NET INCOME

	2008	2007
	HK$'000	*HK$'000*
Gain/(loss) on disposal of fixed assets	**2,592**	(158)
Net exchange gain	**126**	1,031
Net gain on sale of marketing materials	**–**	1,763
	2,718	2,636

6. NON-OPERATING INCOME

	2008 *HK$'000*	2007 *HK$'000*
Net realised/unrealised gain on trading securities	**114,683**	247,238
Provision for impairment loss on available-for-sale securities	**(52)**	–
Gain on disposal of interest in subsidiaries	**–**	6,536
Loss on deemed disposal of interest in an associate	**(11,373)**	–
Excess of interest in net fair value of the acquiree's identifiable assets and liabilities over cost of business combination	**1,915**	3,084
Provision for impairment losses on other receivables	**(11,312)**	(27,899)
Reversal of impairment loss on properties	**8,301**	6,000
Others	**(3)**	58
	102,159	235,017

7. PROFIT BEFORE TAXATION

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

	2008 *HK$'000*	2007 *HK$'000*
(a) Finance costs:		
Interest on bank advances and other borrowings repayable within five years	**21,134**	23,560
Interest on other loan	**11,003**	6,716
Other borrowing costs	**2,325**	2,040
Total borrowing costs	**34,462**	32,316

	2008 *HK$'000*	2007 *HK$'000*
(b) Other items:		
Cost of inventories	**1,925,395**	1,629,761
Staff costs (including retirement costs of HK$6,122,000 (2007: HK$5,482,000) and equity settled share-based payment expenses of HK$27,984,000 (2007: HK$Nil))	**256,147**	188,019
Amortisation of other intangible assets	**2,155**	1,970
Research and development costs	**3,106**	1,976
Provision for write-down in value of obsolete inventories made	**26,968**	6,867
Impairment losses for bad and doubtful debts	**9,170**	3,310
Depreciation	**16,007**	13,134
Dividend income from investments		
– listed	**(619)**	(350)
– unlisted	**(31)**	(30)
Auditors' remuneration		
– audit services	**3,220**	2,770
– other services	**550**	500
Operating lease charges: minimum lease payments for land and buildings	**83,977**	40,599

8. INCOME TAX

Income tax in the consolidated income statement represents:

	2008 *HK$'000*	2007 *HK$'000*
Current tax		
Provision for Hong Kong Profits Tax	–	–
Provision for income tax outside Hong Kong in the PRC ("PRC enterprise income tax")	**85,426**	68,059
	85,426	68,059
Deferred tax		
Origination and reversal of temporary differences	**(8,995)**	(2,716)
Effect of change in tax rate on deferred tax balances	**4,390**	–
	80,821	65,343

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.

On 16 March 2007, the Tenth National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Tax Law"), which is effective from 1 January 2008. Under the New CIT Tax Law, corporate income tax rate for domestic companies and foreign-invested enterprises will decrease from 33% to 25% since 1 January 2008. In this connection, the deferred tax balances of those subsidiaries in the PRC which were subject to standard enterprise income tax rate of 33% were increased by HK$4,390,000 as at 31 March 2008. In addition, for those enterprises benefiting from lower preferential tax rates, such preferential rates will be gradually phased out by increasing them over the next five years.

9. DIVIDENDS

	2008 *HK$'000*	2007 *HK$'000*
Final dividend proposed after the balance sheet date of $Nil (2007: 1.3 cents) per share	–	23,192

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$16,503,000 (2007: HK$134,333,000) and the weighted average number of ordinary shares of approximately 1,802,662,000 shares (2007: 1,558,705,000 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 the equity shareholders of the Company of HK$16,503,000 (2007: HK$156,495,000) and the weighted average number of ordinary shares of approximately 1,889,663,000 shares (2007: 2,472,228,000 shares).

11. TRADE AND OTHER RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Debtors, prepayments and other receivables	**685,384**	423,955
Gross amount due from customers for contract work	**–**	1,271
Amounts due from associates	**58,874**	71,727
Amounts due from related companies	**9,308**	16,332
	753,566	513,285

All of the trade and other receivables are expected to be recovered within one year.

In respect of trade receivables, individual 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:

	2008	2007
	HK$'000	*HK$'000*
Current	**443,215**	263,129
Due within 6 months	**39,967**	41,029
Due over 6 months but within 12 months	**15,634**	4,795
Due over 12 months but within 24 months	**22,411**	–
	521,227	308,953

12. TRADE AND OTHER PAYABLES

	2008	2007
	HK$'000	*HK$'000*
Creditors, accruals and other payables	**372,292**	277,649
Amounts due to related companies	**4,059**	9,011
	376,351	286,660

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 as of the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
Due within 6 months or on demand	**88,028**	57,445
Due after 6 months but within 12 months	**244**	483
Due after 12 months but within 24 months	**121**	322
Due after 24 months but within 36 months	**519**	31
	88,912	58,281

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year (2007: HK1.3 cents per share).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's businesses are divided into two major categories: core operational business and investment business. Core operational business principally includes IT electronic and media related business (hereinafter "IT business") and healthcare products business. The IT business includes the manufacturing and distribution of electronic products and operation of 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") and China Railway Erju A shares, China Cable Media Group Limited (hereinafter "CCMG") and Me To You Holdings Ltd. (hereinafter "Cayman MTY").

Benefiting from the robust China economy and the impact of appreciation of Renminbi of around 10% in the past year, performance of the Group's core operational business are satisfactory. For the year ended 31 March 2008, the audited turnover was HK$2,988 million, representing an increase of 25.8% from last year. However, due to the granting of 124 million share options by the Group to the Directors and employees, and in accordance with HKFRS 2 "Share-based Payments", the Group has to recognise the fair value of those share options as expenses. Accordingly, the operating expenses of the Group during the year increased by approximately HK$28 million. In addition, a one-off provision for inventory of approximately HK$16 million was made for the purpose of a consistent sales strategy change for healthcare products during the year, this led to operating profits of only HK$76.15 million, representing a decrease of 25% from last year. Besides, there was significant decline in the global equity markets at the year end due to the impact of sub-prime mortgage crisis in the United States, and various measures undertaken in China to suppress inflation resulted in significant decline in the unrealised gain from shares held by the Group in the investment business. The non-operating income recorded only HK$102 million, representing a decrease of 56.5% from last year. Therefore, profit attributable to equity shareholders of the Company amounted to HK$16.50 million only, representing a drop of 87.7% from last year.

BUSINESS REVIEW

Core Businesses

The growth in turnover of IT business and healthcare product business during the operating year was satisfactory. Turnover and gross profit and their respective changes of these two principal business segments and product categories during the year were as follow:

	2007/08		2006/07		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	**252,815**	**45,657**	263,772	44,962	(4.2)	1.5
Distribution of electronic products	**1,227,922**	**73,154**	976,834	71,924	25.7	1.7
Internet cafe chain	**8,123**	**7,199**	5,906	4,148	37.5	73.6
	1,488,860	**126,010**	1,246,512	121,034	19.4	4.1
Healthcare products business	**1,499,191**	**935,722**	1,129,029	622,988	32.8	50.2
	2,988,051	**1,061,732**	2,375,541	744,022	25.8	42.7

IT Business

During the period under review, the overall turnover of IT business increased by 19.4% to HK$1,489 million as compared with the corresponding period of last year, and represented 49.8% of the Group's total turnover. The contributions from manufacturing of electronics products, distribution of electronics products and internet cafe chain were 17.0%, 82.5% and 0.5% respectively. Overall, gross profit of the IT business increased by only 4.1% and resulted the gross profit dropped by 1.2% to merely 8.5% from the corresponding period of last year. Due to fierce competition, distribution costs increased continuously, resulting in operating loss of HK$17.51 million for the IT business, which was a significant decline when compared with the operating profit of HK$983 million of the corresponding period last year.

Electronic Products Manufacturing

The turnover and gross profit of the Group's self-produced electronic products decreased by 4.2% and increased by 1.5% respectively as compared with the corresponding period last year, details are as follow:–

	2007/08		2006/07		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	**213,695**	**29,910**	206,802	29,723	3.3	0.6
Gold tax and tax control products	**23,895**	**16,012**	32,874	17,617	(27.3)	(9.1)
Others	**15,225**	**(265)**	24,096	(2,378)	(36.8)	(88.8)
	252,815	**45,657**	263,772	44,962	(4.2)	1.5

Sales of Stone printer increased slightly during the year, and performed well amongst various products in IT businesses. The sales accounted for 84.5% of the turnover from the manufacturing of electronic products segment and 7.1% of the Group's total turnover. Stone printer's sales increased 3.3% as compared with the corresponding period of last year, which amounted to HK$214 million, while gross margin was maintained at about the same level as the corresponding period of last year. Besides benefiting from the robust China economy, the Group's printer division realised the market demand and understands the needs of customers and made continuous improvement to Stone printer, so that our dot matrix printers are superior to competitors' products. The Group sold a total of 62,000 invoice printers during the year and which represented a significant market share in the PRC's rural credit co-operatives and postal saving and remittance markets.

During the year, the sales of gold tax products of the Group represented 9.5% of the turnover of the manufacturing of electronic products segment and 0.8% of the Group's turnover. Its sales decreased by 27.3% to HK$23.9 million as compared with the corresponding period of last year, while gross profit grew by 13.4%. The decrease in turnover was mainly attributable to government requirement on taxpayers to upgrade their computers from DOS platform to Windows platform, therefore leading to significant increase in the demand for gold tax products last year. The sales of tax control cash registers remained unsatisfactory during the year, hence the management is considering to dispose of this business to reduce expenses of the Group.

The electronic products manufacturing segment also includes certain engineering projects and the manufacture of electronic ballasts for fluorescent light, the sales of which contributed 6.0% of the turnover of the manufacturing of electronic products segment and 0.5% of the Group's total turnover. Its sales amounted to merely HK$15.23 million, a drop of 36.8% from the turnover of the corresponding period of last year, while the gross loss was decreased by HK$2.11 million as compared with the corresponding period of last year. The decrease in turnover was mainly due to the planned cut back of the engineering project department's operation by the Group during the year, which will be closed down upon completion of the last engineering project.

Electronic Products Distribution

The electronic products distribution business outperformed the electronic products manufacturing of the Group. Turnover and gross profit increased by 25.7% and 1.7% respectively from last year and the details are as follows:

	2007/08		2006/07		Increase/ (Decrease)	Increase/ (Decrease)
	Turnover	**Gross Profit**	Turnover	Gross Profit	Turnover	Gross Profit
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*	%	%
Electronic products distribution						
Industrial controllers	**888,824**	**50,105**	651,170	40,841	36.5	22.7
UPS equipments	**57,236**	**2,891**	81,099	3,980	(29.4)	(27.4)
Digital graphic products	**4,157**	**516**	8,425	2,598	(50.7)	(80.1)
Computer parts and others	**34,814**	**2,435**	114,565	6,973	(69.6)	(65.1)
Others	**242,891**	**17,207**	121,575	17,532	99.8	(1.8)
	1,227,922	**73,154**	976,834	71,924	25.7	1.7

Industrial controllers remained the largest sources of income of this business segment, which accounted for 72.4% of the turnover of the electronic products distribution segment, representing 29.7% of the Group's total turnover. Although the Group still dominates the industry, competition in the distribution of industrial controllers was very keen, and the daily operation has been continuously undermined by strong competition from parallel imports so that operations become very difficult. Management strove to improve the after-sale services since last year so as to enhance operation capacity, and has set up numerous representative offices and branches in various provinces in the PRC to expand the service network. As the Group has continued to implement the low gross margin strategy, the sales in industrial controllers rose remarkably during the year and amounted to HK$889 million, representing an increase of 36.5% as compared with the corresponding period last year. However, gross profit margin decreased by 0.7% to 5.6%.

Gross profit from the distribution of UPS product is low while the amount of capital tied up is huge, the management has decided to discontinue the distribution of this product during the year. Hence, turnover in UPS equipments amounted to HK$57.24 million, representing a decrease of 29.4% as compared with last year. This turnover accounted for 4.7% of the turnover of the electronic products distribution segment and represented 1.9% of the total turnover of the Group, whereas gross margin was about the same as last year.

Moreover, the Group has decided to cease selling digital graphic products, mainly due to the sales of Graphtec (日圖) products imported from Japan under agency arrangement has always been unsatisfactory. The Group found that there is no way to make a breakthrough despite our strenuous efforts in the past two years, which not only brought no profit to the Group but increase the Group's outgoings and expenditures. During the year, the Group has scaled down the sales of this product, the turnover of which accounted for only 0.3% of the turnover of the electronic products distribution segment and 0.1% of the Group's total turnover. The turnover of these products amounted to only HK$4.16 million representing a decrease by 50.7% from the same period last year and a sharp decrease of 18.4% in gross profit.

Electronic products distribution also includes the sales of semi-conductor, computer parts, computer application software, the manufacture of electronic lighting equipment, electrical ancillary, health equipment and control system for automatic doors etc. For the year ended 31 March 2008, the turnover of these products amounted to HK$278 million, accounted for 22.6% of the turnover of the electronic products distribution segment and represented 9.3% of the Group's total turnover. This represented an increase of 17.6% as compared to same period last year and gross profit margin was approximately 7.1%.

Internet Cafe Chain

Since the management implemented changes in the mode of operation last year, performance of the internet cafe chain has improved significantly. Turnover increased by 37.5% from last year, amounting to HK$8.12 million, while gross profit margin went up by 18.4% as compared with the corresponding period last year. Moreover, the internet cafe chain has made a profit for the first time since commencement of business in early 2004, and contributed operating profit to the Group, amounting to HK$2.11 million. As at the year-end date, the number of internet cafe chain shops reached 78 with more than 15,600 terminals installed, while the daily computer users in the shops exceeded 70,000.

Healthcare Product Business

For the year ended 31 March 2008, the turnover of healthcare products business reached HK$1,499 million, representing 50.2% of the Group's total turnover. This was the first time that turnover of healthcare products accounted for more than a half of the Group's total turnover since the acquisition the business in 2004. Turnover increased by 32.8% from last year while gross profit margin increased by 7.2% to 62.4% as compared with the same period last year. The sharp increase in sales was mainly attributable to the robustness of the overall China economy, which increased the purchasing power of Chinese nationals and extended the overall consumption power in the healthcare product's market. Together with changes in sales strategies and marketing tactics such as launching equipment in marketing promotion, the turnover surged accordingly. The principal reason behind the increase in gross profit was an agreement reached between the supplier of Naobaijin and the Group at the end of last year whereby it was decided to reallocate the scope of advertising expenses to be borne by the parties for mutual benefits to reduce the tax burden. Also the supplier lowered its selling price of Naobaijin to reduce our direct costs. Details of the turnover and gross profit of healthcare products business categorised by products are as follow:–

	2007/08		2006/07		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	**865,423**	**511,792**	699,827	332,543	23.7	53.9
GoldPartner	**622,497**	**416,251**	424,165	286,845	46.8	45.1
Huang Jin Xue Kang	**11,271**	**7,679**	5,037	3,600	123.8	113.3
	1,499,191	**935,722**	1,129,029	622,988	32.8	50.2

Naobaijin

During the year, sales of Naobaijin was vast, and reached HK$865 million, representing 57.7% of the turnover of healthcare products business and 29.0% of the Group's total turnover. The sales represented an increase of 23.7% over the turnover of the corresponding period last year and the gross profit margin was 59.1%. As mentioned above, gross profit margin rose 11.6% as compared with the corresponding period last year, which contributed the gross profit of HK$512 million to the Group. Although 2007 was the tenth year since the launch of Naobaijin, however, the management continues to exert great efforts in innovating sales strategies. During the year, the new model of tri-packed Naobaijin was introduced for the high end market, which in turn provided more choices for consumers. As a result, Naobaijin once again became the champion of the National Sales of Healthcare Products in the PRC. This is the seventh time Naobaijin was accredited this honour in the past eight years since 2000. The accumulated sales of Naobaijin in the past ten years exceeded RMB 10 billion and the popularity of this product with consumers is widespread. Naobaijin itself represents a legend and consequently is the leading and superior brand name the healthcare product market.

GoldPartner

During the year, the turnover of GoldPartner increased rapidly to HK$622 million, which accounted for 41.5% of the turnover of healthcare products business segment, and represent 20.8% of the Group's total turnover, an increase of 46.8% over the same period last year. The outstanding increase in turnover mainly resulted from the success in the sales strategy of the product, which was extended from the original gift market to the functional market. During the year, GoldPartner for gentlemen was introduced and the product's market share was expanded. In 2007, GoldPartner maintained its position among the top three sellers of the National Sales of Healthcare Products in the PRC for 5 consecutive years. GoldPartner's gross profit margin was approximately the same as last year, at about 66.9%, and it contributed gross profit of HK$416 million to the Group.

Huang Jin Xue Kang

At the beginning of 2006, the Group commenced the pilot launch of Huang Jin Xue Kang which is a vitamin supplement that reduces blood lipids. Within the short span of two years, we have achieved moderate success. With continuous building of the image of the product as the "young blood" with consumers, turnover of the Huang Jin Xue Kang rose significantly by 123.8% to HK$11.27 million, while gross profit margin was 68.1%, contributing gross profit of HK$7.68 million to the Group.

Investment Business

For the year ended 31 March 2008, the Group still held 2,502,274 shares in SINA, representing approximately 4.6% of its issued shares, the value of the investment was approximately HK$686 million. Compared with the market value as at the end of last year, the unrealised profit contributed by SINA to the Group for the year was HK$29.16 million, which accounted for HK$14.87 million profit attributable to equity shareholders after minority interests.

Besides the shareholding in SINA, the Group also invested in China Railway Erju A shares. After the expiry of the lock-up period of those A shares, the Group started to dispose of since mid February this year. As at the end of the year, the Group has sold a total of 3,001,692 A shares in China Railway Erju at an average price of RMB 18.92, and resulted a realised gain of HK$22.67 million. As China Railway Erju implemented 2007 profit appropriation plan and the issue of bonus shares through the capitalisation of the capital reserve on the basis of 3 bonus shares and 3 conversion shares for every 10 shares, the Group held 24,275,556 A shares in China Railway Erju as at the date of the results announcement.

During the period under review, the Group, together with certain investment partners, introduced new investment partners for CCMG, and made additional investment totaling US$29 million, of which US$7 million was contributed by the Group. After the capital injection, the Group held 36.12% of CCMG. As at year-end date, CCMG held 33.3% of the shareholding in China Cable Network Co., Ltd ("CCN"). CCN is engaged in national-wire cable television network services, and operates cable networks in 18 cities in affluent coastal areas in China. It has a customer base about 3 million, and is one of the largest cable television operators in China.

Besides shareholdings in the above internet network and cable television networks, the Group also held shares in Cayman MTY, a company holds 100% shares in Beijing MTY. Beijing MTY is principally engaged in mobile communication and position information value-added services. As Cayman MTY incurred a loss in 2006, the original vendor had to compensate the Group and another investor according to the profit guarantee provision included in the original share purchase agreement. After negotiation, the original vendor transferred 9% shareholdings to the Group at nil consideration in August last year, which increased shareholdings in Cayman MTY held by the Group to 49%. In addition, the original vendor granted an option to the Group at US$1 by which the original vendor will assign 3.8% shareholdings in Cayman MTY to the Group at nil consideration. The option can be exercised within five years by the Group. Beijing MTY's performance in last year was not satisfactory. However, the potential of its operation is immense, together with its co-operation with multi-national corporations in providing automobile GPS services and the GPS navigators developed by Beijing MTY have passed official mandatory product certification in China during the year and have been launched officially by the end of 2007, the management has great confidence in that company.

Besides the above investments, the Group has grasped opportunity to utilise surplus funds and participated in other investment activities. As a strategic investment, the Company invested US$5 million in a bio-chemical company through private equity in October 2007. In addition, we successfully increased our investment of approximately RMB60 million in a real estate project in Shandong in November 2007, increasing the shareholdings from the original 15% to 47.62%. The project is located in Daming Lake region, Jinan City, Shandong Province. The total costs of the project is about RMB560 million, the management expects this project will contribute satisfactory return to the Group upon completion.

LIQUIDITY AND FINANCIAL POSITION

As at the year end, the current ratio of the Group was 1.89 and the quick ratio was 1.74. Cash and cash equivalents held was HK$553 million, equity attributable to equity shareholders of the Company increased from HK$2,393 million at the beginning of the year to HK$2,716 million at the year end, reflecting that the financial position of the Group was very healthy.

At the end of the year, the Group's convertible notes amounted to HK$404 million, which decreased by HK$156 million from the amount outstanding at the beginning of the year. The main reason was convertible notes with par values of HK$135 million and HK$42 million were converted into the Company's shares in May and September last year respectively. According to HKAS 39, all convertible notes 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 reserves until the relevant convertible note is converted or redeemed. The Group's convertible notes bear interest at 4% p.a. and the accrued interest will be subsequently carried at amortised cost.

Those convertible notes of HK$404 million comprised par value of HK$162 million convertible notes with an interest at 3% at a conversion price of HK$0.52 per share and HK$252 million convertible notes at par value with nil interest at a conversion price of HK$0.76 per share.

In addition, a subsidiary of the Company engaged in the healthcare product business obtained a bank loan of RMB100 million and the additional short term bank loan of HK$5 million granted last year has been repaid in accordance with the repayment schedule during the year.

Due to the above factors, the aggregate interest-bearing bank loans and other loans of the Group rose to HK$869 million as at 31 March 2008, which increased 24.2% from the opening balance, the ratio of net borrowings to total equity attributable to equity shareholders of the Company increased to 32%.

As at 31 March 2008, the Group has HK$485 million banking facilities available which included letters of credit facilities, overdrafts and other standby credit. The Group had utilised approximately HK$464 million of its credit facilities. The Group believes that its internal funds and the existing banking facilities are sufficient to satisfy the Group's capital investment and working capital requirements in the second half of the year.

CHARGES OF ASSETS

As at 31 March 2008, the Group had pledged a building with carrying value of approximately HK$36.91 million as collateral against the banking facilities, bank term loan and overdrafts granted to the subsidiaries of the Group. In addition, part of the SINA shares held by the Group had been pledged to a securities company against a margin loan of US$40 million granted to the Group.

CONTINGENT LIABILITIES

As at 31 March 2008, the Group had no material contingent liabilities.

HEDGING

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

HUMAN RESOURCES

As at 31 March 2008 the Group had a total of 8,283 (2007: 9,862) employees, of which 8,259 (2007: 9,834) were employed in the PRC and 24 (2007: 28) were employed in Hong Kong. Out of the 8,259 employees, 6,023 (2007: 7,613) were temporary staff.

Besides basic salary and bonus, employees are entitled to staff benefits such as medical allowances. Employees in Hong Kong and in the PRC have participated in the mandatory provident fund and the Central Pension Scheme and the supplementary defined contribution retirement plans managed by independent insurance company respectively. Moreover, certain employees are granted share options as incentives.

BUSINESS PROSPECT

There has been relatively significant improvements in the IT business at the end of the year, the management has decided to close down three departments that failed to achieve profitability in the coming year. The Group has ceased to carry on the business of intelligent construction engineering, the distribution of UPS product and graphic products. Looking forward, the Group is able to concentrate its resources in the sales of industrial controllers, printers, gold tax products and computer application softwares and with efforts to achieve improved results in these four areas. In addition, internet cafe chain started to contribute profit to the Group last year. The management is actively looking into ways to expand its scope of operation beyond Guangdong Province. After expanding the scale of internet cafe operation, we will have increased bargaining power to enter into alliance with advertising companies or internet game operators to increase the source of income and enhance the overall profitability of internet cafes chain.

As for healthcare products, the management believes that the sales strategies and promotion tactics of last year were very effective. In the coming year, the Group will continue to use the same strategy to ensure steady growth in the sales of Naobaijin and GoldPartner. Sales of Huang Jin Xue Kang that was introduced to the market two years ago will gradually be expanded to the whole country. As the base figure of sales in last year was relatively low, it is believed that the sales of Huang Jin Xue Kang will multiply by folds in the coming year. In addition, the management is carrying out research and development on new products in the hope to utilise the huge and readily penetrable market that has been built up in healthcare product business to generate more profits for the Group.

Regarding investment business, the Group has started to sell shares in SINA after the year end, as at the date of results announcement, a total of 1,518,974 shares in SINA was sold at an average price of US$ 46.00 per share and the Group received total proceeds of US$69.29 million. Disposal of A shares in China Railway Erju will be considered when the A shares stock market rebound to more desirable level.

Growth in the operation of CCN in the past two years has been satisfactory, the management believes that performance of CCN will continue to be good by acquisition of new regional cable television operators and the organic growth in subscribers.

Although Cayman MTY did not perform satisfactorily over the past two years, but with the official launch of MTY communication navigation equipment in the market, plus the 95190 communication navigation nation-wide service platform established by the company to provide integrated information service to vehicle drivers, it is believed that the company will definitely be able to make turnaround and generate profit in the future.

As for the property project in Shandong, the management believes that the project will be completed in 2009. Depending on the market sentiment at the time, the Group will decide whether to lease or sell those properties. As for mineral resources business, in view of the current co-operation intention, the management will consider negotiating with Stone Resources Company in relation to the transfer of exploration rights from Stone Resources, it is possible that we shall enter into the operation of mineral resources business in the second half of the year in an attempt to provide higher returns for our shareholders.

CLOSURE OF REGISTER OF MEMBERS

The register of the members of the Company will be closed from 18 August 2008 to 21 August 2008 (both days inclusive) during which period no transfer of shares will be registered. In order to determine the entitlement to attend and vote at the annual general meeting of the Company to be held on 21 August 2008, 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 4:30 p.m. on 15 August 2008.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high level of corporate governance. 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") and 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 2008, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 2008 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 2008 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 800,000 of its listed shares on the Stock Exchange and the shares repurchased were cancelled by the Company subsequently. Details of the repurchases are summarised as follows:

Date of Repurchase	No. of Shares Repurchased	Price per Share Highest	Price per Share Lowest	Total Consideration
		HK$	*HK$*	*HK$*
28 December 2007	100,000	0.78	0.78	78,000
2 January 2008	100,000	0.77	0.77	77,000
3 January 2008	100,000	0.78	0.78	78,000
9 January 2008	100,000	0.77	0.77	77,000
14 January 2008	100,000	0.75	0.75	75,000
15 January 2008	200,000	0.72	0.71	143,000
17 January 2008	100,000	0.69	0.69	69,000
Total	800,000			597,000

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.

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

Hong Kong, 22 July 2008

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