STONE GROUP HOLDINGS LIMITED

(Stock Code: 409)

Annual Report 2007/08

PLANNING TOMORROW'S GROWTH
STRENGTHENING OUR FUTURE

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

DUAN Yongji *(Chairman and Chief Executive Officer)*
SHI Yuzhu
SHEN Guojun
ZHANG Disheng *(Chief Operation Officer)*
CHEN Xiaotao
LIU Wei

Non-executive Director

CHENG Fumin

Independent Non-executive Directors

NG Ming Wah, Charles
Andrew Y. YAN
LIU Ji
LIU Jipeng

AUDIT COMMITTEE

NG Ming Wah, Charles (Chairman)
Andrew Y. YAN
LIU Ji
LIU Jipeng

REMUNERATION COMMITTEE

Andrew Y. YAN *(Chairman)*
NG Ming Wah, Charles
LIU Ji
ZHANG Disheng
LIU Wei

INVESTMENT COMMITTEE

DUAN Yongji *(Chairman)*
SHI Yuzhu
ZHANG Disheng
CHEN Xiaotao
Andrew Y. YAN

COMPANY SECRETARY

HUNG Ka Wai

QUALIFIED ACCOUNTANT

HUI Yick Lok, Francis

REGISTERED OFFICE

27th Floor
K. Wah Centre
191 Java Road
North Point
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Nanyang Commercial Bank Limited
Citic Ka Wah Bank
DBS Bank (Hong Kong) Limited
Bank of Communication Co., Ltd.
Industrial and Commercial Bank of China
China Construction Bank Corporation
Agricultural Bank of China
Hua Xia Bank

AUDITORS

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Charter Road
Central
Hong Kong

SHARE REGISTRARS

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

CONTACT INFORMATION OF INVESTOR RELATIONS

E-mail: investor@stone.com.hk
Tel: (852) 2115 6337
Fax: (852) 2880 5573
27th Floor, K. Wah Centre
191 Java Road, North Point, Hong Kong

STOCK CODE

409 (Main Board)

WEBSITE

www.stone.com.hk

COMPANY INTRODUCTION

BACKGROUND

Formerly known as Stone Electronic Technology Limited, Stone Group Holdings Limited (Stock code: 409, the "Company") was established on September 3, 1987. After a successful restructuring exercise, the Company became the first PRC based privately-owned enterprise listed on the main board of Stock Exchange of Hong Kong in August 1993. The Group and its subsidiaries (the "Group") are principally engaged in IT electronic & media-related business in mainland China, healthcare products business and investment business.

IT ELECTRONIC AND MEDIA-RELATED BUSINESS

The Group acts as the agent and distributor of industrial controllers, uninterrupted power supply system equipment, digital graphics, semiconductors, computers, etc.. Product coverage includes the brandname products of SIEMENS, FUJI and SAMSUNG, etc..

The technology of voucher printing and passbook printing with own-brand and own intellectual property has now become the standard of invoice printing in China. The products are mainly used in banking institutions, tax systems and telecommunication sector. The passbook printer operated by the Group has become the well-known brand in the industries of finance, postal and telecommunications. The Group is also one of the founders who commenced the National Gold Tax Project of the State.

The Group's TCS Department is a value-added distributor. Its core activities are to provide the high-grade IT solutions required by enterprises. The solutions it possesses including comprehensive solutions for network design, network architecture management, security management, system design and management, design and management of application software, printing administration, problem management, backup, and recovery management. The TCS Department has entered into agreements with a number of

overseas famous IT product manufacturers, including Citrix Systems Inc. and Altiris Inc., both of the United States, to act as their general business agent and cooperative partner in China.

In addition, with controlling interest, the Group is operating the internet café chain in Guangdong Province, China – Sunnet Café. In June 2004, the first full franchised Sunnet Café commenced business in Guangzhou, China. In December of the same year, the first full franchised Sunnet Café in Dongguan, Guangdong Province, commenced business. As at the end of March 2008, 78 directly operated and franchised shops are under operation. Shops are mainly located in Guangzhou, Dongguan and Shenzhen. The number of directly operated and franchised shops will be gradually increasing.

HEALTHCARE PRODUCT BUSINESS

In December 2003, the Group established its presence in the healthcare product market of the PRC through acquiring 75% equity interest of Shanghai GoldPartner Biotech Co., Ltd ("Shanghai GoldPartner") and its whole management team. The acquired products "Naobaijin" and "GoldPartner" are among the best selling healthcare products in the PRC. "Naobaijin" has been continuously awarded the best selling brand of healthcare product in the last 7 years and attained cumulative sales of more than RMB10 billion during the past 10 years. On the other hand, GoldPartner has also been continuously awarded the best selling of vitamin supplements in the last 5 years. In 2005, GoldPartner was recognized as one of the 100-best transferred projects awarded by Shanghai Hi-Tech Project Transfer Center. In 2006, both of "Naobaijin" and "GoldPartner" were awarded "the most influential brand". In June 2008, "Naobaijin" and "GoldPartner" were awarded "the best 500 valuable brand in China" and were the No. 1 and No. 2 on the list of healthcare product industry according to "the most influential brand" campaign conducted by World Brand Lab. In Spring Festival of 2006, Shanghai GoldPartner started trial marketing of the new product "Huang Jin Xue Kang". In August 2007, Shanghai GoldPartner formally launched the GoldPartner for men. In April 2008, Shanghai GoldPartner entered into the market of healthcare wine with WuLiangYe Group by introducing the new product – "Golden Wine" to the public.

Shanghai GoldPartner's core competitivenesses are its extensive experience in China's healthcare product market and its comprehensive ability to promote a product from strategic planning to implementation. It possesses China's largest healthcare product distribution network. In addition, Shanghai GoldPartner has set up 36 subsidiaries, 128 branch offices and 1,700 representative offices, which are all under the direct control of Shanghai GoldPartner's headquarter. Shanghai GoldPartner has also set up resident establishments in 1,694 counties and different workstations in China, such as Jiangsu, Zhejiang and Fujian. These establishments are managed by the relevant subsidiaries or offices. They have penetrated all areas in China except Hong Kong, Macau, Taiwan and Tibet. Moreover, included in our nationwide marketing network, we have 547 first – tier contracted distributors, 3,000 other distributors and over 300,000 major retail outlets in China. The speed of delivery is very fast, it can deliver to 50,000 terminals within two weeks and to 300,000 terminals within four weeks. We believe that high efficient sales management system which Shanghai GoldPartner has developed represents a unique and effective channel management mode and a sale management methodology based on a strict management system, good cooperative relationship, and abundant management experience.

CCMG

By investing in and then becoming the single largest shareholder of China Cable Network Co., Ltd. ("CCN"), the unique nation-wide and multi-system cable TV operator ("MSO") with substantial number of subscribers, China Cable Media Group Limited ("CCMG") has begun its investment in the PRC cable industry since 2003.

As at 31 March 2008, the total investment of CCMG in CCN was RMB444 million. It gradually increased its shareholding stake in CCN to 33.3%.

As at 31 March 2008, CCN had over 3.03 million subscribers. CCMG is also currently co-operating with some PRC broadcasting group companies in the area of television contents.

SINA.COM

SINA Corporation ("SINA") is a leading online media and value-added infotainment service provider serving mainland China and the Chinese communities throughout the world. SINA operates a number of regional websites for Greater China and overseas Chinese communities.

MTY

Established in 2003 and headquartered in Beijing. Beijing Me-To-You Information Technology Limited and Beijing Me-To-You System Integration Limited (collectively "Beijing MTY") three principal activities are to act as Service Provider (SP), and to provide Global Positioning Services (GPS) and Telematics Service Provider (TSP). Through its unified mobile value-added service platform and nationwide customer service system, it provides entertainment services to the public users and mobile information solutions to corporate users of China. Based on the increase of the number of cars and car owners in mainland China, to provide the users with non-stop online artificial-intelligent voice navigation service and the automobile service will have a very enormous market opportunity. Meanwhile, Beijing MTY launched the terminal products for consumers, e.g GPS Safe Driving Voice Notifier (Tanlu 303) and GPS Navigators (Tanlu303N), Communication Navigators (MTY-95190G and MTY-95190C) are well received by the market.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of the Group, I am pleased to announce the audited results of the Group for the year ended 31 March 2008. The turnover of the Group per audited accounts for the year ended 31 March 2008 amounted to HK$2.988 billion, profit attributable to shareholders was HK$16.5 million, while earnings per share was HK0.92 cent. Turnover increased by HK612 million when compared with last year. However, profit attributable to shareholders fell by HK$118 million, earnings per share decreased by HK7.7 cents. The Board of Directors recommends that final dividend shall not be paid.

BUSINESS REVIEW

The financial year 2007/2008 was comparatively turbulent. During the first three quarters, the Group's IT electronic business and healthcare product business benefited from the boom stock markets and property markets in China and Hong Kong, as well as the spectacular growth of the China economy which provided prosperous operating environment for various industries while boosting consumption powers of consumers. Both turnover and earnings of the Group achieved substantial growth. However, sales in various regions were affected when the impact from the sub-prime crisis in the United States and macro-economic measures undertaken by the Chinese government began to take effect, added to these was the adverse impact on the economy brought by the natural disaster of heavy snowfall in China during the Spring Festival. Despite of the cold front, employees of the Group marched forward in their strenuous efforts, the business performance of this quarter still inevitably fell short of the budgeted level. Besides, the share prices of Sina and China Railway Erju shares held by the Group dropped on the balance sheet date, and the increase in those share prices when compared with the previous balance sheet date was minimal, therefore non-operating income of the Group decreased by HK$133 million year on year, while corresponding profit attributable to shareholders decreased substantially.

In the past year, business performance of the distribution of industrial controller product, Stone branded printer, gold tax product and computer application software that comprise our IT electronic business was good. The turnover increased by 26.3% when compared with the same period last year, generating satisfactory operating profits to the Group. However, there were three departments within the IT electronic business segment which continued to perform poorly, therefore the management made the decision to close them down gradually after repeated discussions

and study of the issue, so as to focus deployment of the Group's resources on departments which generate earnings and have development potential. During the course of reorganization, it was inevitable that an one-off expenditure was incurred. Therefore, the IT electronic business incurred operating loss during the financial year overall, which has already taken into account the first year operating profit contributed by the internet café chain operated by the Group in Guangzhou.

The business performance of healthcare products of the Group is more encouraging. Despite the adverse impact from the heavy snowfall disaster, turnover achieved during the year still increased by 32.8% when compared with the same period of last year. Naobaijin maintained its position as the champion in terms of sale in the healthcare product market in 2007 that marked the tenth year after this product had first been launched in the market. Sale performance of GoldPartner was also gratifying, besides achieving 46.8% increase in turnover, it also ranked among the top three healthcare products in terms of sales nationwide. The new product Huang Jin Xue Kang was also selling well, market response was favourable although it was introduced in only a few regions, its turnover had doubled and exceeded HK$10 million. These three products contributed the bulk of operating profits of the Group.

With regard to investment business, the Group, together with its investment partners, increased the equity capital invested in CCMG in May last year and introduced new investment partners so that the registered share capital of CCMG was increased by US$29 million. CCN which was held by CCMG continued to perform well, with over 3 million registered users. In June, the Group together with other investors, and I am one of them, invested HK$60 million to form Stone Resources Limited for the development of mineral resources in Yemen, Tanzania and Australia. The Group holds 16.67% shareholding in that company. Although that company has been set up for only one year, its staff has already succeeded in finding superb mining regions in the countries concerned, and has entered into negotiation in relation thereof. The operating result of Cayman MTY that operates mobile communication network was still adversely affected by the government policy on SMS and the delay in launching new products, so its business performance was poor. The Group increased its shareholding in that company from 40% to 49% in August last year in accordance with the profit guarantee provision. During the period from October to November, the Group invested US$5 million in a bio-chemical company and injected capital amounting to RMB 60 million in a real property company respectively in the pursuit of favourable investment return. In February 2008, the Group disposed of more than 3 million shares in China Railway Erju A Shares, profit on disposal amounted to over HK$20 million. During the financial year, there has not been any disposal of shares in Sina.

BUSINESS PROSPECTS

The development of healthcare product business will be our core task. Besides continuous development of mature products – Naobaijin and GoldPartner, we will firstly consider expanding the scope of sales of Huang Jin Xue Kang that will gradually be extended to the whole of China, which will benefit patients who suffer from high blood lipids. In addition, the Group will consider the introduction of new products to meet the needs of different consumer groups, to exploit the existing, huge, effective and highly radiating national network of our healthcare product business. The management is also considering co-operation with existing healthcare product operators or relevant industrial corporations so as to fully utilize the existing sale network to increase returns to shareholders. As for the IT electronic business, as mentioned above, the Group will focus its efforts on the business of industrial controller, printer, gold tax product and computer application software, and building on the foundation of existing market share, the Group will exploit market potential in pursuit of greater profit. After a year's observation through Stone Resources Limited, the Group has gained deeper knowledge in mineral resources, maybe the Group will engage in mineral resource business in the second half of the year to create a better earnings growth point for shareholders. In line with the above-mentioned developments, the Group has gradually reduced shareholdings in certain investment projects since May this year, it is planned that part of the proceeds will be injected into businesses which need to be developed.

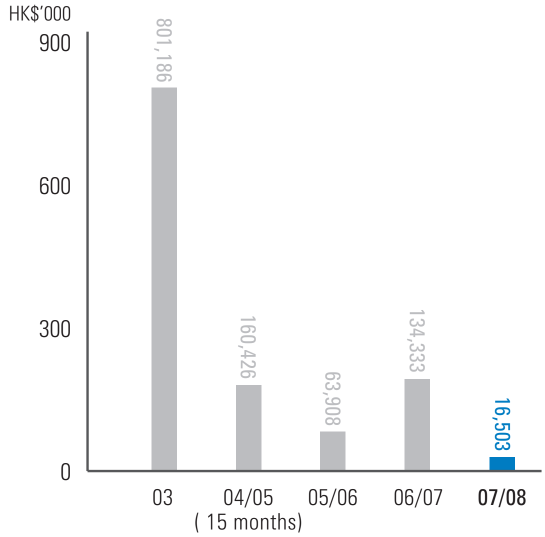
DUAN Yongji
Chairman

Hong Kong, 22 July 2008

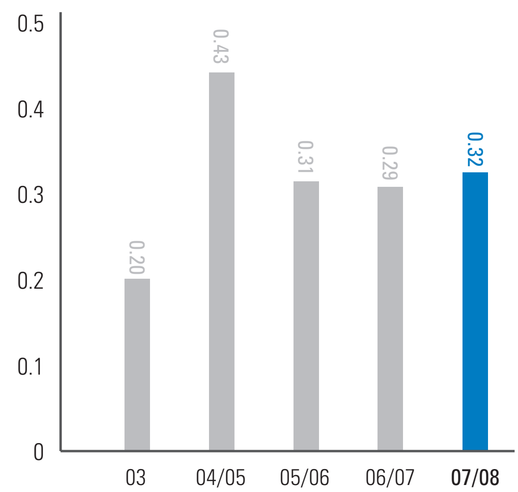
FINANCIAL HIGHLIGHT

For the year ended 31 March 2008

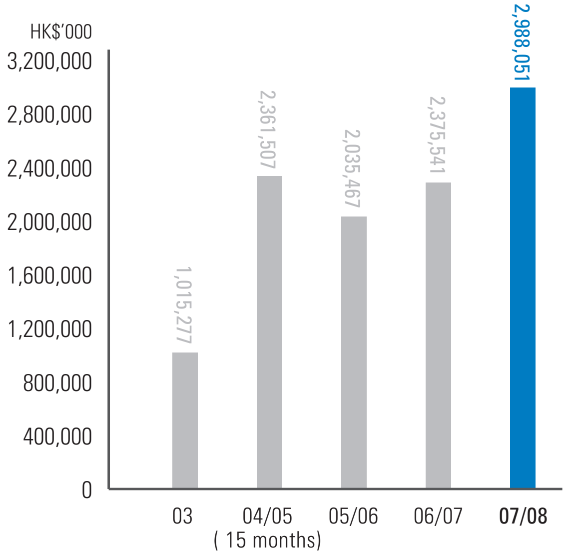
NET PROFIT



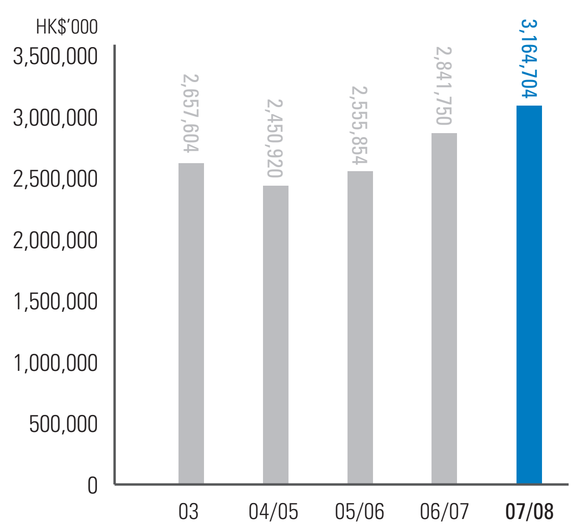
GEARING RATIO



TURNOVER



SHAREHOLDERS' EQUITY



MILESTONES

2007/08

JUNE 2008

Beijing "Naobaijin" and "GoldPartner" were awarded "the best 500 valuable brand in China" and were the No. 1 and No. 2 on the list of healthcare product industry. (According to "the most influential brand" campaign conducted by World Brand Lab)

APRIL 2008

Shanghai GoldPartner entered into the market of healthcare wine with WuLiangYe Group by introducing the new product – "Golden Wine".

MARCH 2008

"Naobaijin" has been continuously awarded the best selling brand of healthcare product brand in the last 7 years and attained cumulative sales of more than RMB10 billion during the past 10 years. GoldPartner has also been continuously awarded the best selling of vitamin supplements in the last 5 years. (According to the sales list of healthcare products in China announced by the Bureau of Statistics of China)

NOVEMBER 2007

Beijing MTY formally launched "95190 Communication Navigator" to the market, equipped with functions of navigating, communicating and call-diverting.

SEPTEMBER 2007

Executive Director, Mr. SHI Yuzhu, through Ready Finance Limited converted the Convertible Notes in the principal sum of HK$42,000,000 into 55,263,157 shares of the Company.

"Naobaijin" was awarded "the Great Wall Award of Honest Advertisement" in the 14th Advertising Festival. (According to the 14th Advertising Festival conducted by China Advertising Council.)

2007/08

AUGUST 2007

Beijing MTY formally launched a new product – Tanluzhe303N GPS Navigator into the market.

A new packaging of Naobaijin – three-bottle gift packing was formally launched.

New product "GoldPartner for Men" with the compound vitamins supplement was formally launched into the market.

Shanghai GoldPartner was awarded "the best after-sale service in China". (According to the survey of the Best After-Sale Service in China jointly conducted by Information Office of State Council of China, Bureau of Information Industry of Guang Dong, the Election Committee of the Best Customer Service in China, Asia Customer Service Council, the Council of Hong Kong Customer Centre, etc..)

APRIL 2007

The Company subscribed for 3,150,000 preference shares of CCMG and converted US$6,899,441 of the loans and interests into 3,104,749 preference shares of CCMG.

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 follows:

	2007/08		2006/07		Increase/ (Decrease)	Increase/ (Decrease)
	Turnover HK$'000	Gross Profit HK$'000	Turnover HK$'000	Gross Profit HK$'000	Turnover %	Gross Profit %
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 year under review, the overall turnover of IT business increased by 19.4% to HK$1,489 million as compared with 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, the gross profit of the IT business increased by only 4.1% and resulted in a drop of the gross profit margin 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 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	%	%
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 by 3.3% 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 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 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 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 profit 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 last year and the 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 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 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 follows:–

	2007/08		2006/07		Increase/ (Decrease)	Increase/ (Decrease)
	Turnover HK$'000	Gross Profit HK$'000	Turnover HK$'000	Gross Profit HK$'000	Turnover %	Gross Profit %
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 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 some of them 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 per A share, and resulted in 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 of China Railway Erju 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 this report.

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 ON 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 this report, 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 Limited in relation to the transfer of exploration rights from Stone Resources Limited, 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.

REPORT OF THE DIRECTORS

The directors of Stone Group Holdings Limited (the "Company") and its subsidiaries (the "Group") have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 March 2008 ("the Year").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of its principal subsidiaries are set out in note 43 on the financial statements.

The Group's turnover is derived principally from the manufacturing, distribution and sale of healthcare products, electronic and electrical products, office equipment and the provision of related services, and the operation of media-related business.

The Group operates primarily in the People's Republic of China ("PRC") where its existing manufacturing facilities and distribution network are based. The Group's activities in Hong Kong include the sourcing of electronic and electrical products, office equipment and component parts for processing, distribution and sale in the PRC.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contributions from operations by business segments for the Year is set out in note 15 on the financial statements. No analysis of the Group's turnover and contributions from operations by geographical segment has been presented as almost all the Group's operating activities are carried out in the PRC.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the five largest customers in aggregate accounted for less than 10% of the Group's turnover. The five largest suppliers in aggregate and the largest supplier of the Group accounted for approximately 62% (year ended 31 March 2007: 68%) and 23% (year ended 31 March 2007: 26%) respectively by value of the Group's total purchases.

At no time during the Year have the directors of the Company ("Directors"), their associates or any shareholder of the Company (which, to the knowledge of the Directors, owns more than 5% of the Company's share capital) had any interests in such major customers and suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year and the state of the Company's and the Group's affairs as at 31 March 2008 are set out in the financial statements on pages 48 to 134.

No interim dividend was paid during the Year (2007: Nil). The Directors do not recommend the payment of a final dividend for the Year (2007: HK1.3 cents).

SHARE CAPITAL

Details of the Company's share capital are set out in note 32 on the financial statements.

TRANSFER TO RESERVES

Profits attributable to equity shareholders of the Company HK$16,503,000 (2007: HK$134,333,000) have been transferred to reserves. Other movements in reserves are set out in note 33 on the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the Year are set out in note 17 on the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 March 2008 are set out in notes 27 and 28 on the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 135.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Save as disclosed in the sections entitled "Directors' Interests or Short Positions in Shares, Underlying Shares and Debentures", "Share Option Scheme" and "Substantial Shareholders' Interests or Short Positions in Shares and Underlying Shares" below and save for the particulars of convertible notes of the Group as at 31 March 2008 set out in note 30 on the financial statements, the Company had no other outstanding options, convertible securities, warrants or other similar rights as at 31 March 2008 and there were no other repurchases or exercises of options and convertible securities during the Year.

DIRECTORS

The Directors during the Year and up to the date of this report were:

Executive directors

DUAN Yongji *(Chairman and Chief Executive Officer)*
SHI Yuzhu
SHEN Guojun
ZHANG Disheng *(Chief Operation Officer)*
CHEN Xiaotao
LIU Wei

Non-executive director

CHENG Fumin *(appointed on 4 October 2007)*

Independent non-executive directors

NG Ming Wah, Charles
Andrew Y. YAN
LIU Ji
LIU Jipeng

In accordance with article 101 of the Company's articles of association, Messrs. ZHANG Disheng, CHEN Xiaotao and LIU Ji and Ms. LIU Wei will retire by rotation from the board at the forthcoming annual general meeting and being eligible but only Messrs. ZHANG Disheng and CHEN Xiaotao offer themselves for re-election. Mr. LIU Ji and Ms. LIU Wei will not offer themselves for re-election.

The Board recommends Mr. LIU Zuowei for election as a new Director to fill up the vacated office resulted from the retirement of Ms. LIU Wei as Director at the forthcoming annual general meeting.

A resolution proposed not to fill up the vacated office resulted from the retirement of Mr. LIU Ji as Director will be put to the forthcoming annual general meeting.

In accordance with article 92 of the Company's articles of Association, Mr. CHENG Fumin will retire by rotation from the board at the forthcoming annual general meeting and being eligible, offers himself for re-election.

Mr. DUAN Yongji will retire from the board at the forthcoming annual general meeting on a voluntary basis, and being eligible, offers himself for re-election.

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

DIRECTORS' SERVICE CONTRACTS

Messrs. DUAN Yongji and SHEN Guojun, the Executive Directors, entered into director's service contracts with the Company on 23 July 1993, all of which are for a term of 3 years and will continue thereafter until terminated by either party to the contracts at 6 month written notice.

Mr. CHENG Fumin, the Non-Executive Director, entered into director's service contract with the Company for a period of 3 year term until terminated by either party of the contract at 3 month written notice.

Messrs. NG Ming Wah, Charles, Andrew Y. YAN, LIU Ji and LIU Jipeng, the Independent Non-Executive Directors, entered into director's service contracts with the Company, all of which are for a period of 3 years term until terminated by either party to each of the contracts at 1 month written notice.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Directors who held office at 31 March 2008 had the following interests or short positions in the shares, underlying shares and debentures of the Company or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of directors' and chief executives' interests and short positions required to be kept under section 352 of the SFO or required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO or required to be notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"):

Name of director	Nature of interests	Number of shares	Interest in underlying shares of equity derivatives of the Company pursuant to share option (being granted and remained outstanding)	Interest in underlying shares of equity derivatives of the Company pursuant to convertible notes	Aggregate interest	Approximate shareholding (Note 3)
DUAN Yongji	Personal (Note 1)	104,357,845	15,000,000	125,000,000	244,357,845 (L)	12.79
SHEN Guojun	Personal (Note 1)	–	4,000,000	–	4,000,000 (L)	0.20
CHEN Xiaotao	Personal (Note 1)	–	4,000,000	–	4,000,000 (L)	0.20
ZHANG Disheng	Personal (Note 1)	–	6,000,000	–	6,000,000 (L)	0.31
SHI Yuzhu	Corporate (Note 2)	55,263,157	5,000,000	331,578,947	391,842,104 (L)	20.52
LIU Wei	Personal	–	3,000,000	–	3,000,000 (L)	0.15
LIU Jipeng	Personal	–	2,000,000	–	2,000,000 (L)	0.10
CHENG Fumin	Personal	–	1,000,000	–	1,000,000 (L)	0.10
NG Ming Wah, Charles	Personal	1,000,000	2,000,000	–	3,000,000 (L)	0.15
Andrew Y. YAN	Personal	–	2,000,000	–	2,000,000 (L)	0.10
LIU Ji	Personal	–	2,000,000	–	2,000,000 (L)	0.10

L denotes Long Position

Notes:

(1) Beijing Stone Investment Company Limited together with its associates (as defined in the Listing Rules) holds a total of 407,110,053 shares in the Company. Beijing Stone Investment Company Limited is owned as to 42.3% by Stone Jiu Guang New Technology Development (Holdings) Co. Ltd., 6.7% by Stone Group Corporation ("SGC") and 51% by the Beijing Stone Investment Company Limited Employees' Shareholdings Society. In addition, SGC indirectly holds 92,374,413 shares in the Company (through Wise Expand Developments Limited which is a limited company incorporated in Hong Kong and beneficially owned by SGC) and directly holds 1,062,000 shares in the Company. Messrs. DUAN Yongji, SHEN Guojun, CHEN Xiaotao and ZHANG Disheng (collectively as the "said Directors") are also directors of SGC. So long as the said Directors remain as directors of SGC, each of them together with the other employees collectively own interests in the assets of SGC but none of them has any specific interests in SGC. Moreover, Mr. DUAN Yongji is the holder of the convertible notes of the Company in the aggregate principal sum of HK$65 million which are convertible into shares of the Company at the conversion price of HK$0.52 per share.

(2) The interest is held by Ready Finance Limited ("Ready Finance") as beneficial owner. Ready Finance is wholly owned by Mr. SHI Yuzhu who is deemed under the SFO to be interested in the shares and underlying shares of equity derivates of the Company held by Ready Finance. The interest in underlying shares of equity derivatives of the Company pursuant to share options granted to Mr. SHI Yuzhu is beneficially owned by him.

(3) The number of issued ordinary shares of the Company as at 31 March 2008 ("31 March 2008 Issued Share Capital") is 1,909,281,738 and is applied to calculate the relevant percentage.

Save as disclosed herein and in the sections entitled "Share Option Scheme" and Substantial Shareholders' Interests or Short Positions in the Shares, Underlying Shares and Debentures", to the knowledge of the Company, none of the Directors and the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or required to be notified to the Company pursuant to the Model Code.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the Shareholders Agreement was entered into among Seasource Holdings Limited (a company wholly owned by Mr. DUAN Yongji (Chairman and Chief Executive Officer)), the Company and the six independent third parties on 18 June 2007, no contracts of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, subsisted at the end of the Year or at any time during the Year.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 12 April 2002 ("the Scheme"). The purpose of the Scheme is to encourage the participants to perform their best in achieving the goals of the Group and at the same time allow the participants to enjoy the results of the Company attained through their effort and contribution. Participants include any employee, director, supplier of goods or services, adviser (professional or otherwise) or consultant to any area of business or business development of the Company or any of its subsidiaries or associated companies as absolutely determined by the directors of the Company.

SHARE OPTION SCHEME *(Continued)*

The Directors may, at their discretion, invite any participant to take up options. An option is deemed to have been accepted by the grantee upon his or her signing the duplicate letter comprising acceptance of the option and paying HK$1 by way of consideration for the grant thereof.

The subscription price for shares in the Company under the Scheme will be the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange on the date on which the option is offered, which date must be a business day, (ii) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the option is offered, and (iii) the nominal value of a share of the Company.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme. The Company may seek approval of the shareholders in general meeting to renew the said 10% limit such that the total number of shares in respect of options that may be granted under the Scheme or any other share option schemes of the Company shall not exceed 10% of the total number of shares of the Company in issue as at the date of approval to renew the limit. Notwithstanding the above, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share options schemes of the Company shall not exceed 30% of the total number of shares of the Company in issue from time to time.

The maximum entitlement for any one participant is that the total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised or outstanding options) in any 12-month period must not exceed 1% of the total number of shares of the Company in issue. Any further grant of options in excess of the said 1% limit shall be subject to shareholders' approval in general meeting with such participant and his or her associates abstaining from voting. An option may be exercised during a period to be determined by the directors in its absolute discretion and in any event such period shall not be longer than 10 years after the date of the grant of the option. The Scheme will remain in force for a period of 10 years from 12 April 2002.

On 2 November 2006, it was conditionally approved by the Board at its meeting to change the exercise period from 10 years to 5 years which mentioned in the Share Option Scheme and that the revised Share Option Scheme was adopted by the Board in its meeting dated 22 January 2007.

The total number of shares of the Company available for issue under the Scheme as at 31 March 2008 was 21,406,000 shares of the Company, which represented 1.12% of the issued share capital of the Company at 31 March 2008.

SHARE OPTION SCHEME *(Continued)*

At 31 March 2008, the directors and employees of the Group had the following interests in options to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one share of the Company:

Name		Outstanding at 1.4.2007	Granted during the Year	Exercised during the Year	Lapsed During the Year	Outstanding at 31.3.2008	Date of grant	Exercisable period	Exercise price HK$	Closing immediately preceding the date of grant HK$	Weighted average closing price of shares immediately before exercise date HK$	% of the total issued (Note h)
DUAN Yongji	Note a	3,900,000	–	–	3,900,000	–	22–5–2002	22–5–2002 to 21–5–2007	0.792	0.78	N/A	–
	Note f	–	15,000,000	–	–	15,000,000	21–8–2007	21–8–2007 to 20–8–2012	0.714	0.71	N/A	0.81
SHEN Guojun	Note a	4,000,000	–	–	4,000,000	–	22–5–2002	22–8–2002 to 21–5–2007	0.792	0.78	N/A	–
	Note f	–	4,000,000	–	–	4,000,000	21–8–2007	21–8–2007 to 20–8–2012	0.714	0.71	N/A	0.21
CHEN Xiaotao	Note b	8,000,000	–	–	8,000,000	–	22–5–2002	22–5–2002 to 21–5–2007	0.792	0.78	N/A	–
	Note f	–	4,000,000	–	–	4,000,000	21–8–2007	21–8–2007 to 20–8–2012	0.714	0.71	N/A	0.21
ZHANG Disheng	Note c	10,400,000	–	–	10,400,000	–	22–5–2002	22–5–2002 to 21–5–2007	0.792	0.78	N/A	–
	Note f	–	6,000,000	–	–	6,000,000	21–8–2007	21–8–2007 to 20–8–2012	0.714	0.71	N/A	0.32
SHI Yuzhu	Note f	–	5,000,000	–	–	5,000,000	21–8–2007	21–8–2007 to 20–8–2012	0.714	0.71	N/A	0.27
LIU Wei	Note f	–	3,000,000	–	–	3,000,000	21–8–2007	21–8–2007 to 20–8–2012	0.714	0.71	N/A	0.16
CHENG Fumin	Note g	–	1,000,000	–	–	1,000,000	16–11–2007	16–11–2007 to 15–11–2012	0.852	0.84	N/A	0.05
NG Ming Wah, Charles	Note g	–	2,000,000	–	–	2,000,000	16–11–2007	16–11–2007 to 15–11–2012	0.852	0.84	N/A	0.10
Andrew Y. YAN	Note g	–	2,000,000	–	–	2,000,000	16–11–2007	16–11–2007 to 15–11–2012	0.852	0.84	N/A	0.10
LIU Ji	Note g	–	2,000,000	–	–	2,000,000	16–11–2007	16–11–2007 to 15–11–2012	0.852	0.84	N/A	0.10
LIU Jipeng	Note g	–	2,000,000	–	–	2,000,000	16–11–2007	16–11–2007 to 15–11–2012	0.852	0.84	N/A	0.10
Contracted Employees	Note d	48,056,000	–	–	48,056,000	–	22–5–2002	22–5–2002 to 21–5–2007	0.792	0.78	N/A	–
Contracted Employees	Note e	83,856,000	–	83,856,000	–	–	31–12–2002	31–12–2002 to 30–12–2007	0.476	0.44	0.869	–
Contracted Employees	Note f	–	78,200,000	–	–	78,200,000	21–8–2007	21–8–2007 to 20–8–2012	0.714	0.71	N/A	4.25

SHARE OPTION SCHEME *(Continued)*

Notes:

(a) The options granted to these grantees shall be exercisable in the following four batches (the "Vesting Period"):

(i) Not more than 25% of options granted exercisable from 22-08-2002 to 21-08-2003;

(ii) Not more than 50% of options granted exercisable from 22-08-2003 to 21-08-2004;

(iii) Not more than 75% of options granted exercisable from 22-08-2004 to 21-08-2005; and

(iv) Free to exercise from 22-08-2005 to 21-05-2007.

(b) Free to exercise 4,000,000 options from 22-05-2002 to 21-05-2007 and the remaining 4,000,000 options are subject to the Vesting Period set out in Note (a).

(c) Free to exercise 5,000,000 options from 22-05-2002 to 21-05-2007 and the remaining 5,400,000 options are subject to the Vesting Period set out in Note (a).

(d) Free to exercise 8,356,000 options from 22-05-2002 to 21-05-2007 and the remaining 39,700,000 options are subject to the Vesting Period set out in Note (a).

(e) Free to exercise 83,856,000 options from 31-12-2002 to 30-12-2007.

(f) The options granted to these grantees shall be exercisable in the following three batches:

(i) Not more than 50% of options granted exercisable from 21-08-2007 to 20-08-2008;

(ii) Not more than 75% of options granted exercisable from 21-08-2008 to 20-08-2009; and

(iii) Free to exercise from 21-08-2009 to 20-08-2012.

(g) The options granted to these grantees shall be exercisable in the following three batches:

(i) Not more than 50% of options granted exercisable from 16-11-2007 to 15-11-2008;

(ii) Not more than 75% of options granted exercisable from 16-11-2008 to 15-11-2009;

(iii) Free to exercise from 16-11-2009 to 15-11-2012.

(h) 31 March 2008 Issued Share Capital is applied to calculate the relevant percentage.

SHARE OPTION SCHEME *(Continued)*

The consideration paid by each of the above Directors and employees for the share options granted was HK$1.

On 21 August 2007, 37,000,000 share options and 78,200,000 share options were granted for the consideration of HK$1 to the executive Directors and employees of the Company, respectively under the Share Option Scheme (no share options were granted during the year ended 31 March 2007). Each option gives the holder the right to subscribe for one share of HK$0.1 each of the Company. These share options shall be exercisable in the following three batches:

(i) Not more than 50% of these share options exercisable from 21 August 2007 to 20 August 2008;

(ii) Not more than 75% of these share options exercisable from 21 August 2008 to 20 August 2009; and

(iii) Free to exercise from 21 August 2009 to 20 August 2012.

The exercise price of these share options is HK$0.714, being the average closing price of the Company's shares for the five business days immediately preceding the date of grant.

On 16 November 2007, 1,000,000 share options and 8,000,000 share options were granted for the consideration of HK$1 to the non-executive Director and independent non-executive Directors; respectively under the Share Option Scheme (no share options were granted during the year ended 31 March 2007). Each option gives the holder the right to subscribe for one share of HK$0.1 each of the Company. These share options shall be exercisable in the following three batches:

(i) Not more than 50% of these options exercisable from 16 November 2007 to 15 November 2008;

(ii) Not more than 75% of these share options exercisable from 16 November 2008 to 15 November 2009;

(iii) Free to exercise from 16 November 2009 to 15 November 2012.

The exercise price of these share options is HK$0.852, being the average closing price of the Company's shares for the five business days immediately preceding the date of grant.

SHARE OPTION SCHEME *(Continued)*

Grant of the share options to the executive Directors and the relevant employees of the Company on 21 August 2007

Closing share price immediately preceding the date of grant	HK$0.71 per share
Exercise price of share option	HK$0.714 per share
Expected volatility (based on the annualised historical volatility of the closing price of the shares of the Company for the past five years to the date of the grant)	50.71%
Expected life (in years)	5 years
Risk-free interest rate	4.15%
Expected dividend yield	1.59%

Grant of the share options to the non-executive Director and the independent non-executive Directors on 16 November 2007

Closing share price immediately preceding the date of grant	HK$0.84 per share
Exercise price of share option	HK$0.852 per share
Expected volatility (based on the annualised historical volatility of the closing price of the shares of the Company for the past five years to the date of the grant)	52.01%
Expected life (in years)	5 years
Risk-free interest rate	3.08%
Expected dividend yield	1.67%

During the year, save as disclosed above, no option was granted, exercised and cancelled pursuant to the Share Option Scheme.

MANAGEMENT CONTRACTS

Pursuant to an agreement dated 24 September 2003 between the Company and SGC, the latter agreed to provide, inter alia, secretarial and other related services and the use of office equipment to the Group for a term of five years commencing from 23 July 2003 at reimbursement costs which shall not exceed HK$3,500,000 per annum. Details of the aforesaid agreement are also disclosed in the section entitled "Connected Transactions" below.

Save as disclosed in the section entitled "Connected Transactions" below and other related party transactions during the year as set out in note 38 on the financial statements, no contracts of significance were entered into or subsisted between the Company or its subsidiaries and the Company's controlling shareholders or its subsidiaries during the Year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2008, to the best knowledge of the Directors, the following parties who have interests or short positions in the shares or underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO:

Interests in the shares and underlying shares of the Company:

Name	Nature of interest	Interest in shares	Interest in underlying shares of equity derivatives of the Company pursuant to share options (being granted and remained outstanding)	Interest in underlying shares of equity derivatives of the Company pursuant to the convertible notes	Aggregate Interests	Approximate shareholding percentage (Note 6)
Beijing Stone Investment Company Limited	Corporate (Note 1)	407,110,053	–	–	407,110,053 (L)	21.32
Beijing Stone Investment Company Limited Employees' Shareholding Society	Corporate (Note 2)	407,110,053	–	–	407,110,053 (L)	21.32
Stone Jiu Guang New Technology Development (Holdings) Co. Ltd.	Corporate (Note 2)	407,110,053	–	–	407,110,053 (L)	21.32
Shenyang Heguang Group Co. Ltd	Corporate (Note 2)	407,110,053	–	–	407,110,053 (L)	21.32
SGC	Corporate (Note 2)	500,546,466	–	–	500,546,466 (L)	26.21
深圳發展銀行深圳人民橋支行	Corporate (Note 3)	310,000,000	–	–	310,000,000 (L)	16.23
Ready Finance	Corporate (Note 4)	55,263,157	–	331,578,947	386,842,104 (L)	20.26
DUAN Yongji	Personal (Note 5)	104,357,845	15,000,000	125,000,000	244,357,845 (L)	12.79
SHI Yuzhu	Corporate (Note 4)	55,263,157	5,000,000	331,578,947	391,842,104 (L)	20.52

L denotes Long Position

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES *(Continued)*

Notes:

1. The shareholding of 407,110,053 shares comprised the combined shareholdings of Beijing Stone Investment Company Limited and its associates (as defined in the Listing Rules).

2. Beijing Stone Investment Company Limited is owned as to 42.3% by Stone Jiu Guang New Technology Development (Holdings) Co. Ltd., 6.7% by SGC and 51% by Beijing Stone Investment Company Limited Employees' Shareholding Society which are accordingly deemed to be interested in the said 407,110,053 shares. Stone Jiu Guang New Technology Development (Holdings) Co. Ltd. is owned as to 56.14% by Shenyang Heguang Group Co. Ltd., which is accordingly also deemed to be interested in the said 407,110,053 shares. In addition, SGC also beneficially held 92,374,413 shares indirectly (through Wise Expand Developments Limited) and 1,062,000 shares directly. Wise Expand Developments Limited is a company with limited liability incorporated in Hong Kong and beneficially owned by SGC.

3. The interest of 深圳發展銀行深圳人民橋支行 is held by it as person having a security interest in shares.

4. The interest of Ready Finance is held by it as beneficial owner. Please also refer to Note 2 on page 26.

5. The interest of DUAN Yongji is held by him as beneficial owner. Please also refer to Note 1 on page 26.

6. 31 March 2008 Issued Share Capital is applied to calculate the relevant percentage.

Saved as disclosed above, the Company has not been notified of any other interests or short positions in the shares and the underlying shares of the Company as recorded in the register of substantial shareholders maintained under section 336 of the SFO as at 31 March 2008.

CONNECTED TRANSACTIONS

(a) On 10 March 1999, Beijing Stone New Technology Industrial Company Limited ("Beijing New Technology") (a subsidiary of the Company) and SGC, a controlling shareholder of the Company, entered into an agreement (the "I/E Agreement"), pursuant to which Beijing New Technology appointed SGC to act as its agent to deal with all import procedural matters during the year 1999. Details of the I/E Agreement are set out below and have been published in the Company's announcement dated 17 December 1999:

Services to be provided:	Arrangement for shipment of goods from Hong Kong to the PRC and for remittance of the price of the goods to Hong Kong for Beijing New Technology by Stone Group Corporation Import and Export Company ("Stone I/E") as directed by SGC
Term:	for the year 1999 and renewable on annual basis thereafter
Handling fee:	1.3% of the costs of goods for every shipment of goods arranged by Stone I/E provided that the annual aggregate handling fee shall not exceed HK$5,000,000, or 3% of the net tangible assets of the Company as shown in its latest published audited consolidated financial statements.

(b) On 24 September 2003, SGC and the Company entered into a service agreement (the "Service Agreement"), pursuant to which SGC agreed to provide the Group with general services as directed by the board of directors of the Company from time to time in connection with the business and operations of the Group. Details of the Service Agreement are set out below and have published in the Company's announcement dated 10 December 2003:

Services to be provided:	provision of management staffing services for the overall management, administration and control of the business of the Group; provision of the company secretarial services; dispatch of documents and materials as the Company may request for distribution to its shareholders and/or warrantholders and related preparations and arrangements; provision of office machines, facilities and equipment; and provision of public relation services (collectively, the "Services")
Purpose of the transaction:	more economical and cost-effective for the Group to engage SGC to perform the Services
Term:	5 years commenced on 23 July 2003 and expired on 22 July 2008 (both days inclusive)
Service Fee:	on reimbursement basis of not more than HK$3,500,000 per annum

Negotiation between SGC and the Company as to the terms of the renewal of the Service Agreement (including the annual cap) is still going on.

CONNECTED TRANSACTIONS *(Continued)*

(c) On 18 June 2007, the Shareholders' Agreement was entered into among, inter alios, the Company, six independent third parties and Seasource Holdings Limited, being a company established in the British Virgin Islands and wholly owned by Mr. DUAN Yongji, the chairman of the Company (being an associate of a connected person of the Company) for the purpose of regulating the operation and management of Stone Resources Limited, a joint venture company established in Hong Kong to engage in mineral resources exploration in the middle East region, Africa and other countries and other ancillary business, whose total issued capital is HK$60,000,000 divided into 60,000,000 shares of HK$1 each, 16.67% of which was issued to the Company, 20% of which was issued to Seasource Holdings Limited and the remaining 63.33% of which was issued to the six independent third parties.

The transaction contemplated by the Shareholders' Agreement constitutes a non-exempt connected transaction for the Company which is only subject to the reporting and announcement requirements under the Listing Rules but without requiring independent shareholders' approval. Details of the Shareholders' Agreement were disclosed in the announcement of the Company dated 18 June 2007.

Other material related party transactions entered by the Group during the Year are set out in note 38 on the financial statements.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

The transactions contemplated under the I/E Agreement and the Service Agreement constitute continuing connected transactions of the Company under the Listing Rules.

The independent non-executive directors of the Company had reviewed the transactions contemplated under the I/E Agreement and the Service Agreement for the Year (collectively, the "Transactions") and confirmed that the Transactions were entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms; and

(c) in accordance with the terms of each of the I/E Agreement and the Service Agreement that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company had reviewed the Transactions and reported that:

(a) the Directors have approved the Transactions;

(b) the Transactions have been entered into in accordance with the terms of each of the I/E Agreement and the Service Agreement; and

(c) the Transactions have not exceed the annual caps as disclosed in the subsections (a) and (b) of the section entitled "Connected Transactions" above.

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

During the Year, certain shares in the Company were repurchased by the Company on the Stock Exchange and those shares were subsequently cancelled by the Company. Details of the share repurchases are set out in note 32 on the financial statements.

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

PROPERTIES

Particulars of the major properties and property interests of the Group are shown on page 136 of the annual report.

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in note 14 on the financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company comprises four independent non-executive directors, namely, Messrs. NG Ming Wah, Charles, Andrew Y. YAN, LIU Ji and LIU Jipeng. The audit committee has reviewed the audited financial statements for the Year and has also discussed auditing, internal control and financial reporting matters including the review of accounting practices and principles by the Group.

AUDITORS

The financial statements have been audited by Messrs. KPMG who retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of Messrs. KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

There is no change in auditors of the Company in the past 3 years.

On behalf of the Board
DUAN Yongji
Chairman

Hong Kong, 22 July 2008

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

EXECUTIVE DIRECTORS

Mr. DUAN Yongji, aged 62, appointed in March 1992, is the Chairman and Chief Executive Officer of the Group and the Chairman of Stone Group Corporation. Mr. DUAN graduated from Tsinghua University and was a research student at Beijing Aeronautic College. He held a senior position at Chinese Aeronautical Research 621 Laboratory from 1982 until 1984. In 1995, Mr. DUAN was acclaimed "Beijing Electronics Industry Outstanding Entrepreneur". In 1996, Mr. DUAN was acclaimed "The Top 20 Outstanding Managers" in Industrial System, Beijing. In 2000, Mr. DUAN was acclaimed "2000 Bauhinia Cup Outstanding Entrepreneur Awards". Mr. DUAN is a director of Fairchild Investments Limited, a company listed on the NEX board of Toronto Stock Exchange venture market in Canada. Mr. DUAN was the past director and general manager of Beijing Centergate Technologies (Holding) Co. Ltd. ("Centergate"), a company listed on Shenzhen Stock Exchange and also the past director of SINA Corporation, a company listed on NASDAQ, United States of America.

Mr. SHI Yuzhu, aged 46, appointed in August 2004, is the Executive Director of the Company. Mr. SHI was the Chief Executive Officer of the Company from August 2004 to March 2007. Mr. SHI graduated from Zhejiang University in 1984 with a Bachelor degree in Mathematics. He was also a research student from Shenzhen University in Software Science in 1989. Mr. SHI began his career in 1989 by engaging in software development, and later established Giant Group. In 1993, he was awarded with a special reward under the major reward of the 2nd anniversary of science and technology in Zhuhai City. In 1994, Mr. SHI was elected as one of the China's Top 10 Reform Celebrities. In late 1997, he embarked on a new business venture with the development of Naobaijin, a technologically-advanced healthcare product. Naobaijin won the championship of nationwide sales of healthcare products in China for 4 consecutive years starting from 2000. In 2001, Mr. SHI was honored as one of the CCTV Chinese Economic Leaders and the Top 10 Chinese Financial Figures. He launched another innovative healthcare product GoldPartner in 2002. In 2004, GoldPartner and Naobaijin were ranked No. 1 and No. 2 on the list for nationwide sales of healthcare products. He was recognized as an Outstanding Scientific Entrepreneur for Private Entities in China and received the Bauhinia Cup Awards for Outstanding Entrepreneur. Mr. SHI is also the director of China Minsheng Banking Corp., Ltd., a company listed on the Shanghai Stock Exchange and the managing director of Giant Interactive Group Inc, a company listed on the New York Stock Exchange.

Mr. SHEN Guojun, aged 73, appointed in December 1992, is the Executive Director of the Company. He is also the Chairman of Beijing Stone Investment Company Limited ("Stone Investment"). Mr. SHEN graduated from Beijing University where he held a teaching post until 1965. During the period between 1965 and 1984, Mr. SHEN had several senior positions in National Science Research Ninth Council and Chinese Science College Science Technology Office. Mr. SHEN is a director of Fairchild Investments Limited, a company listed on the NEX board of Toronto Stock Exchange venture market in Canada.

Mr. ZHANG Disheng, aged 52, appointed in May 2003, is the Executive Director of the Company. Mr. ZHANG is the President of Beijing Stone New Technology Industrial Company Limited, a subsidiary of the Group, and is also the President of Beijing Stone Investment Company Limited. Mr. ZHANG has also been appointed as the Chief Operation Officer of the Company since March 2008. Mr. ZHANG graduated from 北京經濟學院 (Beijing Economics College) and obtained a Master degree from 日本流通經濟大學 (Ryulsu Kaizai University, Japan). Mr. ZHANG held a senior position in 北京經濟學院經濟技術開發總公司 (Beijing Economics College Economic Technology Development Company) prior to joining the Group. Mr. ZHANG is responsible for the business management of the Group. Mr. ZHANG is a director of Fairchild Investments Limited, a company listed on the NEX board of Toronto Stock Exchange venture market in Canada.

EXECUTIVE DIRECTORS *(Continued)*

Mr. CHEN Xiaotao, aged 50, appointed in May 2001, is the Executive Director of the Company. Mr. CHEN was the President and Chief Operating Officer of the Company from May 2001 to December 2004. He was the General Manager of 四通集團公司進出口分公司 (Stone Group Corporation Import and Export Company) and 北京四通電工營銷有限公司 (Beijing Stone Electrical Marketing Company Limited) prior to joining the Company. Mr. CHEN is responsible for the investment in media-related business of the Group. Besides, he was also a director of SINA Corporation, a company listed on NASDAQ, the United States of America.

Ms. LIU Wei, aged 40, appointed in March 2004, is the Executive Director of the Company and was the General Manager of Shanghai GoldPartner Biotech Co., Ltd. from March 2004 till December 2007, a subsidiary of the Group. Ms. LIU was the General Manager of Shanghai Jiante Biotech Co., Ltd. prior to joining the Group. Ms. LIU is also the director of Giant Interactive Group Inc., a company listed on the New York Stock Exchange.

NON-EXECUTIVE DIRECTOR

Mr. CHENG Fumin, aged 63, appointed in October 2007, the Non-Executive Director of the Company. Mr. CHENG graduated from the Central South University (formerly known as Zhongnan Metallurgics College), majoring in geology. Prior to joining the Company, he previously held senior positions in a number of companies, government bodies and industry organization including the former General Manager of the China National Gold Group Corporation, the former general manager of Administration of Gold of State Economic & Trade Commission of China, vice-director of geology bureau of the Ministry of Metallurgical Industry of China and the former president of China Gold Association. Mr. CHENG has extensive knowledge and is experienced in the exploration and development of the mineral resources. Moreover, he previously held the office of directorship in the relevant government bureau.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. NG Ming Wah, aged 58, appointed in September 2004, is an Independent Non-Executive Director of the Company and has since acted as the chairman of the audit committee. Mr. NG graduated from Loughborough University in England in 1972 with a Bachelor of Science degree in Electrical and Electronic Engineering and from the London Graduate School of Business Studies (London Business School) in England in 1974 with a Master of Science degree in Business Studies. Mr. NG is a director of Somerley Limited, the principal business of which is the provision of corporate financial advisory services. Mr. NG has over 25 years of experience in corporate finance and investment banking. Mr. NG is also a non-executive director of Goldlion Holdings Limited (stock code: 533); and an independent non-executive director of each of China Everbright Limited (stock code: 165), Dalian Port (PDA) Company Limited (stock code: 2880) and China Molybdenum Co., Ltd. (stock code: 3993). In addition, Mr. NG holds a number of community service positions, including as a member of the Council of Lingnan University of Hong Kong and a member of the Board of Governors of the Hong Kong Arts Centre.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Andrew Y. YAN, aged 51, appointed in June 2001, is an Independent Non-Executive Director of the Company. He is the Managing Partner of SB Asia Investment Fund II and Softbank Asia Infrastructure Fund (SAIF). Mr. YAN received a Master degree in Sociology and Economics from Beijing University in 1986 and a second Master's degree from Princeton University in the United States in 1989. He obtained his Bachelor degree in Engineering from the Nanjing Aeronautic Institute in the PRC. Mr. YAN was the managing director and head of the Hong Kong office of the Emerging Markets Partnership from 1995 until 2001. From 1994 to 1995, Mr. YAN worked at Sprint International Corporation as the director of Strategic Planning and Business Development for the Asia Pacific Region. Under Mr. YAN's leadership, SAIF's investment in Shanda Interactive Entertainment (SNDA) has been named "the Investment of the Year" by China Venture Capital Industry in 2003. SAIF was voted as "VC Firm of the Year" and Mr. YAN was elected as "Venture Capitalist of the Year" in 2004 by Chinese Venture Capital Association. Mr. YAN is currently a governor of the Chinese Venture Capital Association, an independent director of Eastern Communications Co., Ltd, a company listed on Shanghai Stock Exchange and is also an Independent Non-Executive Director of China Oilfield Services Ltd (Stock Code: 2883), FoSun International Limited (Stock Code: 656) and China Resources Land Limited (Stock Code: 1109), all of which are listed on The Stock Exchange of Hong Kong and also an independent non-executive director of Giant Interactive Group Inc, a company listed on the New York Stock Exchange and a director of China Digital TV Holdings Co. Ltd., a company listed on the New York Stock Exchange.

Mr. LIU Ji, aged 72, appointed in May 2005, is an Independent Non-Executive Director of the Company. He graduated from TsingHua University, Beijing. He is now the Research Fellow and Member of Academic Board of Chinese Academy of Social Sciences and the Honourable Chairman of China Europe International Business School. He is also acted as the President of Shanghai Academy of Management Sciences, the Chairman of China Mobile Communications Association, etc. He is currently the independent non-executive director of First Shanghai Investments Limited.

Mr. LIU Jipeng, aged 52, appointed in April 2006, is an Independent Non-Executive Director of the Company. He graduated from the Industrial Economic Department of the Graduate School of Chinese Academy of Social Sciences with a Master degree in Economics. Mr. LIU is a professor of China University of Political Science and Law, and a mentor of the graduate students of the Research Institute for Fiscal Science, the Ministry of Finance of the PRC. He has acted as a consultant of the municipal government of each of Tianjin, Chengdu and Nanning, and the former State Power Corporation. He was also a member of the legal expert group for the PRC enterprises to be listed in Hong Kong and a committee member of the 7th – 8th of All-China Youth Federation. He was an expert member of the Amendment Committee for Securities Law under the National People's Congress ("NPC"). He is now a member of the Drafting Committees of NPC for State-owned Assets Law and Futures Transaction Law respectively. Mr. LIU is specialized in implementing the theories of demutualization, group engineering and internationalization in sized corporations. He is a well-known expert in the theories of demutualization, group engineering and internationalization in size corporations. He is a well-known expert in demutualization and solving company problems. In the past ten years, he acted as a leader in almost 200 shareholding structure, listing and management consultancy projects for different kind of enterprises. Since August 2004, Mr. LIU has been an Independent Non-Executive Director of Huaneng Power International, Inc (Stock Code: 902), a company listed in Hong Kong, the PRC and the United States.

SENIOR MANAGEMENT

Mr. LIU Yong, aged 57, is the Vice President of Beijing New Technology and Stone Investment. Mr. LIU graduated from Shaanxi Engineering College and held a senior position in Wuhan Engineering Research Centre prior to joining the Group. Mr. LIU is responsible for printer business of the Group.

Mr. LU Fang, aged 50, is the Vice President of Beijing New Technology and Stone Investment. Mr. LU graduated from Aeronautic and Aerospace University of Beijing. Mr. Lu held a senior position in 北京航空材料研究所 (Beijing Aeronautical Materials Research Laboratory) prior to joining the Group. Mr. LU is responsible for the electronic commercial product business of the Group.

Mr. PAN Qi, aged 49, is the Vice President of Beijing New Technology and Stone Investment. Mr. PAN graduated from Postal and Telecommunication University of Beijing. Mr. PAN held a senior position in an electronic instrument plant in Beijing prior to joining the Group. Mr. PAN is responsible for industrial controllers business of the Group.

Mr. LIU Zuowei, aged 40, is the General Manager of Shanghai GoldPartner Biotech Co. Ltd., a subsidiary of the Group. Mr. LIU graduated from Shandong University of Science and Technology, majoring in English. Prior to joining the Group, he held senior position in Giant Group. He is responsible for the business of healthcare products of the Group.

Ms. CHENG Chen, aged 33, is the Deputy General Manager of the Business Development Department of Shanghai GoldPartner Biotech Co. Ltd. Ms. CHENG graduated from International Relations Institute of the People's Liberation Army, majoring in English, and is currently pursuing an EMBA degree at Cheung Kong Graduate School of Business. Prior to joining the Group, Ms. CHENG is the vice-president of Giant Group. Ms. CHENG is responsible for branding and business strategy for Naobaijin and GoldPartner, two of the principal products of Shanghai GoldPartner Biotech Co. Ltd.

CORPORATE GOVERNANCE REPORT

Stone Group Holdings Limited and its subsidiaries (the "Group") are committed to maintaining a high standard of corporate governance practices. 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.

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 other code provisions of the Code.

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.

CORPORATE GOVERNANCE STRUCTURE

The Board has put in place a corporate governance structure for the Company and is primarily responsible for setting directions, formulating strategies, monitoring performance and managing risks of the Group. Under the Board, there are currently 3 board committees, namely Audit Committee, Remuneration Committee and Investment Committee. All these committees perform their distinct roles in accordance with their respective terms of reference.

BOARD OF DIRECTORS

The Board currently comprises 11 Directors, including 6 Executive Directors (including Mr. DUAN Yongji ("Mr. DUAN") who is the Chairman of the Board); one Non-Executive Director; and 4 Independent Non-Executive Directors ("INEDs"). All the INEDs and the Non-Executive Director are appointed for a specific term and subject to the retirement and re-appointment provisions of the Articles. Details of all Directors are disclosed in "Directors and Senior Management" section of this annual report. To the best knowledge of the Company, there are no financial, business, family or other material/relevant relationships amongst members of the Board.

Pursuant to Rules 3.10(1) and (2) of the Listing Rules, the Company has appointed not less than three INEDs and at least one of them has the appropriate professional qualifications or accounting or related financial management expertise.

A written confirmation was received from each of the INEDs, namely, Messrs. NG Ming Wah, Charles ("Mr. NG"), Andrew Y. YAN ("Mr. YAN"), LIU Ji and LIU Jipeng, confirming their independence pursuant to Rule 3.13 of the Listing Rules.

For the year ended 31 March 2008, other than resolutions passed by means of resolutions in writing of all Directors, six (6) full Board meetings were held. Notice of at least 14 days is usually given of a regular Board meeting to give all Directors an opportunity to attend, otherwise, consent to short notice will be obtained from all directors. The following table shows the attendance records of individual Directors at the full Board meetings and the attendance records of individual members at the meetings of the Audit and the Remuneration and the Investment Committees held for the year ended 31 March 2008 respectively:

	Number of meetings attended / Number of meetings held for the year ended 31 March 2008			
Designation and name	Full Board	Audit Committee	Remuneration Committee	Investment Committee
Executive Director and Chairman and Chief Executive Officer				
DUAN Yongji	5/6	N/A*	N/A*	1/1
Executive Directors				
SHI Yuzhu	5/6	N/A*	N/A*	1/1
SHEN Guojun	6/6	N/A*	N/A*	N/A*
ZHANG Disheng	6/6	N/A*	2/2	1/1
CHEN Xiaotao	6/6	N/A*	N/A*	0/1
LIU Wei	5/6	N/A*	2/2	N/A*
Non-Executive Director				
Cheng Fumin	1/1#	N/A*	N/A*	N/A*
Independent Non-executive Directors				
NG Ming Wah, Charles	6/6	2/2	2/2	N/A*
Andrew Y. YAN	4/6	0/2	2/2	1/1
LIU Ji	0/6	2/2	2/2	N/A*
LIU Jipeng	5/6	2/2	N/A*	N/A*

* "N/A": Not applicable

\# appointed in October 2007

To enhance better communication with the Directors as to the business transacted at the full Board meetings, the final version of the minutes of each full Board meeting was provided to the Directors.

In addition, the Company has maintained a set of procedures for its Directors to seek independent professional advice, in the process of discharging their duties to the Company when necessary, at the Company's expenses and also arranged liability insurance coverage for the Directors and officers of the company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the chairman of the Board and the CEO of the Company are assumed by Mr. DUAN. On 1 March, 2007, Mr. SHI Yuzhu ("Mr. SHI") resigned as CEO of the Company due to his commitment to his own investment businesses kept on increasing and he foresaw that he would not be able to allocate sufficient time to take care of all of the Company's affairs. Mr. SHI considered the resignation is a more proper arrangement to avoid any unfavorable impact to the future growth of the Company's overall businesses. Mr. SHI will still act as an Executive Director and focus his time to the healthcare products business of the Company. Concurrently, the Board, having considered that the non-segregation would not result in 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, Mr. DUAN's management experience in, and his extensive knowledge of, the Group, unanimously agreed to appoint him to act as CEO of the Company with effect from the same date.

The primary role of the Chairman of the Board is to provide leadership for the Board and to ensure that it works effectively in the discharge of its responsibilities. The CEO is responsible for the day-to-day management of the Group's business. Their respective roles and responsibilities are set out in writing and have been approved by the Board. As mentioned above, the roles of Chairman and the CEO have been performed by Mr. DUAN, pending the finding of suitable candidate for the position of CEO by the Board and when the Board thinks appropriate, the above roles will be separately discharged by different persons in the future.

BOARD COMMITTEES

The Board has established Board committees, namely Audit Committee, Remuneration Committee and Investment Committee to oversee particular aspects of the Company's affairs and to assist in sharing the Board's responsibilities. The Board has reserved for its decision or consideration on matters covering corporate strategy, annual and interim results, changes of members of the Board and its committees, major acquisitions, disposals and capital transaction, and other significant operational and financial matters. All the Board committees have clear written terms of reference and have to report to the Board regularly on their decisions and recommendations. The day-to-day running of the Company, including implementation of the strategies and plans adopted by the Board and its committees, is delegated to the management with divisional heads responsible for different aspects of the business.

A. Audit Committee

The Audit Committee currently comprises Mr. NG, Mr. YAN, Mr. LIU Ji and Mr. LIU Jipeng, who are all INEDs. Mr. NG is the Chairman of the Audit Committee. In line with its terms of reference approved by the Board, the Audit Committee is principally responsible for, inter alia, providing independent review of the effectiveness of the financial reporting procedures and the internal control system of the Group; reviewing the appointment of independent auditors and the efficiency and quality of their work.

The major tasks accomplished by the Audit Committee for the year ended 31 March 2008 are as follows:

a. reviewed and submitted the consolidated financial statements of the Group for the year ended 31 March 2007 and the auditors' report thereon to the Board;

b. reviewed the unaudited consolidated financial statements of the Group for the six months ended 30 September 2007 based on the review conducted by the Group's external auditors in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants, as well as obtaining reports from the management of the Group;

c. reviewed the management recommendations furnished by the external auditors and the responses from the Group's management;

d. reviewed the accounting principles and practices adopted by the Group;

e. assisted the Board in conducting independent evaluation of the effectiveness of the Group's financial reporting procedures and internal control system; and

f. furnished its opinion to the management of the Group concerning related risks in respect of significant matters of the Group.

B. Remuneration Committee

In line with its terms of reference approved by the Board, the role and function of the Remuneration Committee is, inter alia, to review and discuss the policy and package for the remuneration of the Directors and senior management, and to establish and maintain a set of transparent procedures for determining the remuneration of such persons.

The Remuneration Committee currently comprises Mr. YAN, Mr. NG, Mr. LIU Ji, Mr. ZHANG Disheng and Ms. LIU Wei. Mr. YAN is the Chairman of the Remuneration Committee.

During the year ended 31 March 2008, the Remuneration Committee reviewed and discussed the level and package of the remuneration of Executive Directors and members of senior management as well as the proposal on the level of remuneration. The emoluments of the Directors are based on their respective responsibilities and their involvement in the Group's affairs and are determined by reference to the Group's business condition and the prevailing market practice.

C. Investment Committee

In line with its terms of reference approved by the Board, the Investment Committee is principally responsible for perusing all the investment projects of the Group and to approve the projects with investment amount under HK$30 million.

The Investment Committee currently comprises Mr. DUAN, Mr. SHI, Mr. YAN, Mr. ZHANG Disheng and Mr. CHEN Xiaotao. Mr. DUAN is the Chairman of the Investment Committee. During the year ended 31 March 2008, the Investment Committee reviewed and perused the investment proposals provided by the operating subsidiaries, joint venture companies and operating departments. After having thorough discussion, the Investment Committee approved some investment proposals within their authority limit and submitted those proposals beyond their approval limit to the Board for further consideration.

D. Nomination of Directors

Although the Board has not established a nomination committee, the Board meets on a regular basis to:

a. review the composition and membership of the Board, inter alia, the length of services and the breadth of expertise of the Board as a whole;

b. identify and nominate to the Board suitable candidate(s) who possess(es) the expertise which is relevant and beneficial to the Group's business; and

c. assess the independence of the Company's INEDs.

Mr. CHENG Fumin was appointed non-executive Director on 4 October 2007.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for the preparation of the financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and its results and cash flows for the relevant period. In preparing the financial statements for the year ended 31 March 2008, the Directors ensured that the financial statements are in accordance with statutory requirements and applicable accounting standards and have applied them consistently; made judgments and estimates that are prudent and reasonable; and have prepared the financial statements on a going concern basis. The Directors are also responsible for the timely publication of the financial statements of the Group.

The statement of the auditors of the Company, Messrs. KPMG, about their reporting responsibilities on the financial statements of the Group is set out in the "Independent Auditor's Report" section of this annual report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

AUDITORS' REMUNERATION

For the year ended 31 March 2008, Messrs. KPMG, the external auditors of the Company, received approximately HK$3,220,000 (2007: HK$2,770,000) for audit services, and approximately HK$550,000 (2007: HK$500,000) for non-audit services, including fees for review of the Group's interim financial report.

INTERNAL CONTROLS

The Board acknowledges its responsibilities for maintaining an adequate system of internal control and prompt and transparent reporting of the Group's activities to the Shareholders and to the public. A review of the effectiveness of the system of internal control of the Group has been conducted.

The Group's internal audit department is responsible for performing risk-driven audits to monitor and evaluate the Group's financial, operational and compliance controls and risk management on a regular or as-needed basis with the aim of ensuring that the effectiveness of the internal control system of the Group is improving continuously. The work of the Group's internal audit department was also reviewed by the Audit Committee from time to time.

The internal control system of the Company and its subsidiaries for the year ended 31 March 2008 was reviewed by the Audit Committee from time to time.

CORPORATE COMMUNICATION

The objective of shareholder's communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company encourages two way communications with both its institutional and private investors. Extensive information about the Group's activities is provided in the Company's annual reports, interim reports, various notices, announcements and circular which have been sent to its Shareholders. Procedure for demanding voting by poll has been included in all circulars accompanying notice convening general meeting and the detailed procedures for conducting a poll has been read out at general meeting.

Press conferences are held on results announcement to explain the Group's activities, performance and future plans and to enable the public to better understand the Group. Besides, the Company arranged from time to time meet the press luncheons and maintained its corporate website to disseminate the information relating to the Group and its business to the public in order to foster effective communication.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Stone Group Holdings Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Stone Group Holdings Limited ("the Company") set out on pages 48 to 134, which comprise the consolidated and company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

22 July 2008

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
Turnover	3 & 15	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	16	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(a)	(80,821)	(65,343)
Profit for the year		62,794	233,239
Attributable to:			
– Equity shareholders of the Company	11 & 33(a)	16,503	134,333
– Minority interests	33(a)	46,291	98,906
Profit for the year	33(a)	62,794	233,239
Dividends payable to equity shareholders of the Company attributable to the year:	12		
Final dividend proposed after the balance sheet date		–	23,192
Earnings per share	13		
Basic		0.92 cent	8.62 cents
Diluted		0.87 cent	6.33 cents

The notes on pages 58 to 134 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

at 31 March 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2008 $'000	2007 $'000	2007 $'000
Non-current assets					
Fixed assets					
– Investment properties	16		112,341		96,295
– Property, plant and equipment	17(a)		162,101		142,669
			274,442		238,964
Goodwill	18		1,136,614		1,136,614
Other intangible assets	19		34,294		33,328
Interest in associates	21		585,159		388,142
Other financial assets	22		55,590		44,294
Deferred tax assets	34(a)		14,647		7,241
			2,100,746		1,848,583
Current assets					
Trading securities	23	958,448		894,596	
Inventories	24	190,905		193,220	
Trade and other receivables	25	753,566		513,285	
Cash and cash equivalents	26	553,022		477,202	
		2,455,941		2,078,303	
Current liabilities					
Bank loans	27	151,238		17,231	
Other loan	28	311,240		117,210	
Trade and other payables	29	376,351		286,660	
Convertible notes	30	318,184		–	
Current taxation	8(b)	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

at 31 March 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2008 $'000	2007 $'000	2007 $'000
Non-current liabilities					
Bank loans	27		1,875		4,375
Convertible notes	30		86,095		560,431
Deferred tax liabilities	34(a)		3,820		1,019
			91,790		565,825
NET ASSETS			3,164,704		2,841,750
CAPITAL AND RESERVES	33(a)				
Share capital	32		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

Approved and authorised for issue by the board of directors on 22 July 2008.

DUAN Yongji
Director

ZHANG Disheng
Director

The notes on pages 58 to 134 form part of these financial statements.

BALANCE SHEET

at 31 March 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2008 $'000	2007 $'000	2007 $'000
Non-current assets					
Fixed assets					
– Investment properties	16		5,170		4,500
– Property, plant and equipment	17(b)		531		744
			5,701		5,244
Interest in subsidiaries	20		2,220,639		2,192,265
Interest in associates	21		102,227		433
Other financial assets	22		51,769		40,825
			2,380,336		2,238,767
Current assets					
Trading securities	23	14,181		18,708	
Inventories	24	15,470		15,470	
Trade and other receivables	25	18,713		8,324	
Cash and cash equivalents	26	56,216		118,646	
		104,580		161,148	
Current liabilities					
Convertible notes	30	318,184		–	
Trade and other payables	29	13,072		20,138	
		331,256		20,138	
Net current (liabilities)/assets			(226,676)		141,010
Total assets less current liabilities			2,153,660		2,379,777
Non-current liability					
Convertible notes	30		86,095		560,431
NET ASSETS			2,067,565		1,819,346
CAPITAL AND RESERVES	33(b)				
Share capital	32		190,929		155,993
Reserves			1,876,636		1,663,353
TOTAL EQUITY			2,067,565		1,819,346

Approved and authorised for issue by the board of directors on 22 July 2008.

DUAN Yongji
Director

ZHANG Disheng
Director

The notes on pages 58 to 134 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2008
(Expressed in Hong Kong dollars)

		2008		2007	
	Note	$'000	$'000	$'000	$'000
Total equity at 1 April 2007/2006			2,841,750		2,555,854
Net income recognised directly in equity:					
Exchange differences on translation of the financial statements of foreign entities	33(a)		105,739		43,050
Capital reserve on shares repurchased	33(a)		80		667
Changes in fair value of available-for-sale securities	33(a)		(120)		68
Net income directly recognised in equity			105,699		43,785
Transfer from equity:					
Transfer to profit or loss on impairment of available-for-sale securities	33(a)		52		–
			105,751		43,785
Net profit for the year	33(a)		62,794		233,239
Total recognised income and expense for the year			168,545		277,024
Attributable to:					
– Equity shareholders of the Company		111,457		176,080	
– Minority interests		57,088		100,944	
		168,545		277,024	
Dividend approved and paid during the year	33(a)		(23,192)		(12,533)

for the year ended 31 March 2008
(Expressed in Hong Kong dollars)

		2008		2007	
	Note	$'000	$'000	$'000	$'000
Dividends paid to minority shareholders	33(a)		(57,162)		(5,853)
Shares repurchased	33(a)		(597)		(2,808)
Movements in equity arising from capital transactions:					
Movements in share capital and share premium					
– shares issued upon conversion of convertible notes	33(a)	168,299		29,127	
– shares issued under share option scheme	33(a)	39,905		–	
– equity settled share-based transactions	33(a)	27,984		–	
– shares repurchased	32	(80)		(667)	
		236,108		28,460	
Share of minority interest in additional interests in a subsidiary	33(a)	(748)		–	
Share of minority interest on disposal of subsidiaries	33(a)	–		1,606	
			235,360		30,066
Total equity at 31 March			3,164,704		2,841,750

The notes on pages 58 to 134 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2008
(Expressed in Hong Kong dollars)

		2008		2007	
	Note	$'000	$'000	$'000	$'000
Operating activities					
Profit before taxation			143,615		298,582
Adjustments for:					
– Interest charges			32,137		30,276
– Interest income			(5,818)		(8,873)
– Dividend income			(650)		(380)
– Share of profits less losses of associates			14,696		12,463
– Amortisation and depreciation			18,162		15,104
– Gain on disposal of interest in subsidiaries			–		(6,536)
– Loss on deemed disposal of interest in an associate			11,373		–
– Excess of interest in fair values of the acquirees' identifiable assets and liabilities over cost of acquisition			(1,915)		(3,084)
– (Gain)/loss on disposal of fixed assets			(2,592)		158
– Valuation gains on investment properties			(14,462)		(6,744)
– Net realised/unrealised gain on trading securities			(114,683)		(247,238)
– Provision for impairment loss on available-for-sale securities			52		–
– Reversal of impairment loss on properties			(8,301)		(6,000)
– Provision for impairment losses on other receivables			11,312		27,899
– Equity settled share-based payment expenses			27,984		–
Operating profit before changes in working capital			110,910		105,627

for the year ended 31 March 2008
(Expressed in Hong Kong dollars)

		2008		2007	
	Note	$'000	$'000	$'000	$'000
Decrease/(increase) in amounts due from/to associates (net)		11,243		(30,993)	
Decrease/(increase) in inventories		18,287		(39,325)	
Increase in debtors, prepayments and other receivables		(286,557)		(126,045)	
Decrease in gross amount due from customers for contract work		1,271		5,309	
Decrease in pledged deposits		–		145	
Decrease in amounts due from related companies		8,552		1,121	
Increase/(decrease) in creditors, accruals and other payables		71,042		(29,883)	
Decrease in amounts due to related companies		(5,796)		(1,852)	
Foreign exchange		2,032		(3,174)	
			(179,926)		(224,697)
Cash used in operations			(69,016)		(119,070)
Tax paid:					
– Hong Kong Profits Tax refunded		–		24	
– PRC tax paid		(49,653)		(3,099)	
Interest received		5,818		8,873	
			(43,835)		5,798
Net cash used in operating activities			(112,851)		(113,272)

for the year ended 31 March 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2008 $'000	2007 $'000	2007 $'000
Investing activities					
Disposal of interests in subsidiaries		–		2,361	
Purchase of fixed assets		(25,348)		(35,603)	
Proceeds from sale of fixed assets		11,659		74	
Purchase of investments		(54,824)		(120,324)	
Proceeds from disposal of investments		78,045		156,841	
Acquisition of associates		(119,287)		(84)	
Dividends received		650		380	
Net cash (used in)/generated from investing activities			(109,105)		3,645
Financing activities					
Interest paid		(19,825)		(14,691)	
Dividends paid		(23,192)		(12,533)	
Dividends paid to minority shareholders		(57,162)		(5,853)	
Expenses paid in connection with share issues and conversion of convertible notes		(176)		(28)	
Shares repurchased		(597)		(2,808)	
Proceeds from shares issued under share option scheme		39,905		–	
New other loan		194,525		–	
New bank loans		243,122		127,933	
Repayment of bank loans		(111,545)		(109,175)	
Net cash generated from/(used in) financing activities			265,055		(17,155)

for the year ended 31 March 2008
(Expressed in Hong Kong dollars)

		2008		2007	
	Note	$'000	$'000	$'000	$'000
Net increase/(decrease) in cash and cash equivalents			43,099		(126,782)
Effect on foreign exchange rate changes			32,721		22,223
Cash and cash equivalents at 1 April 2007/2006			477,202		581,761
Cash and cash equivalents at 31 March	26		553,022		477,202

The notes on pages 58 to 134 form part of these financial statements.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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. A summary of the significant accounting policies adopted by the Group (hereafter defined) is set out below.

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. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2008 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investment properties (see note 1(g)); and

– financial instruments classified as available-for-sale or as trading securities (see note 1(f)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 41.

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 1(n), (o) or (p) depending on the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associates' net assets, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates recognised for the year (see notes 1(e) and (k)).

Where the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses (see note 1(k)), unless it is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(k)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

On disposal of a cash generating unit, an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in debt and equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(u)(iv) and (v).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(k)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 1(u)(iv) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 1(u)(v). When these investments are derecognised or impaired (see note 1(k)), the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(j)) to earn rental income and/or for capital appreciation.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(u)(iii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(j).

(h) Other property, plant and equipment

Other property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(w)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Leasehold land and buildings in Hong Kong	over the shorter of remaining lease term, or 50 years
Land use rights and buildings outside Hong Kong in the People's Republic of China ("PRC")	over the period of the lease
Furniture, fixtures and fittings	3 to 20 years
Plant, machinery and equipment	2 to 10 years
Motor vehicles	3 to 10 years

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Other property, plant and equipment *(Continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development.

Intangible assets represent product trademarks, patent rights for the manufacturing of healthcare products and patent rights for software development acquired by the Group and are stated at cost less accumulated amortisation and impairment losses (see note 1(k)). Amortisation is charged to profit or loss on a straight-line basis over the estimated useful life of 10 to 20 years.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(g)); and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Leased assets *(Continued)*

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(g)).

(k) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries and associates: see note 1(k)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

  Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– intangible assets;

– investments in subsidiaries and associates (except for those classified as held for sale (or included in a disposal group that is classified as held for sale)); and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

(ii) Impairment of other assets (continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Inventories

(i) Trading and manufacturing

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Property development

Properties held for sale are carried at the lower of cost and net realisable value. In the case of properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, including borrowing costs capitalised (see note 1(w)), attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Convertible notes

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the other reserve until either the note is converted or redeemed.

If the note is converted, the other reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the other reserve is released directly to retained profits.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in profit or loss as incurred.

The employees of the PRC subsidiaries participate in defined contribution retirement plans managed by the local government authority whereby the subsidiaries are required to contribute to the schemes at fixed rates of the employees' salary costs. In addition to the local government defined contribution retirement plans, certain subsidiaries also participate in supplementary defined contribution retirement plans managed by independent insurance companies whereby the subsidiaries are required to make contributions to the retirement plans at fixed rates of the employees' salary costs. The subsidiaries have no obligation for the payment of retirement and other post-retirement benefits of staff other than the contributions described above.

(ii) Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Employee benefits *(Continued)*

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Income tax *(Continued)*

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    – the same taxable entity; or

    – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Fee income

Fee income from value-added technical services is recognised when the services are rendered.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vi) Government subsidies

Government subsidies are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Subsidies that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations outside Hong Kong in the PRC are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 April 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 April 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(w) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Related parties *(Continued)*

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(y) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances corporate and financing expenses.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments: Disclosures* and the amendment to HKAS 1, *Presentation of financial statements: Capital disclosures*, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include 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*. These disclosures are provided throughout these financial statements, in particular in note 35.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 32(b).

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 instruments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 42).

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. Further details of the principal subsidiaries are set out in note 43 to the financial statements.

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 $'000	2007 $'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 $'000	2007 $'000
Government subsidies (Note)	**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

Note: These represent refunds of certain percentage of the Group's value-added tax and business tax payments from local municipal government in Shanghai.

(Expressed in Hong Kong dollars)

5 OTHER NET INCOME

	2008 $'000	2007 $'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 $'000	2007 $'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 (note 21(a))	(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

(Expressed in Hong Kong dollars)

7 PROFIT BEFORE TAXATION

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

	2008 $'000	2007 $'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
(b) Other items:		
Cost of inventories	1,925,395	1,629,761
Staff costs (including retirement costs of $6,122,000 (2007: $5,482,000) and equity settled share-based payment expenses of $27,984,000 (2007: $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

(Expressed in Hong Kong dollars)

8 INCOME TAX

(a) **Income tax in the consolidated income statement represents:**

	2008 $'000	2007 $'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 (note 34(a))	(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 $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.

(Expressed in Hong Kong dollars)

8 INCOME TAX *(Continued)*

(a) **Income tax in the consolidated income statement represents:** *(Continued)*

Reconciliation between tax expense and accounting profit at applicable tax rates:

	2008	2007
	$'000	$'000
Profit before taxation	**143,615**	298,582
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**40,371**	86,423
Tax effect of non-deductible expenses	**37,764**	29,260
Tax effect of non-taxable revenue	**(20,397)**	(61,851)
Tax effect of unused tax losses not recognised	**18,693**	11,511
Effect of change in tax rate on deferred tax balances	**4,390**	–
Actual tax expense	**80,821**	65,343

(b) **Current taxation in the balance sheets represents:**

	Group		Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Provision for Hong Kong Profits Tax				
– Provisional Profits Tax paid	**–**	–	**–**	–
Provision for PRC enterprise income tax	**143,180**	98,210	**–**	–
	143,180	98,210	**–**	–

(Expressed in Hong Kong dollars)

9 DIRECTORS' REMUNERATION

Directors' remuneration, excluding emoluments waived, disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees $'000	Salaries and other emoluments $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payments (Note) $'000	2008 Total $'000
Executive directors						
Duan Yongji	–	1,929	–	1,929	3,393	5,322
Shi Yuzhu	–	480	–	480	1,131	1,611
Shen Guojun	–	873	–	873	905	1,778
Zhang Disheng	–	1,121	26	1,147	1,358	2,505
Chen Xiaotao	–	–	–	–	905	905
Liu Wei	–	1,345	7	1,352	679	2,031
Non-executive director						
Cheng Fumin	–	123	–	123	214	337
Independent non-executive directors						
Ng Ming Wah, Charles	280	–	–	280	427	707
Andrew Y Yan	280	–	–	280	427	707
Liu Ji	250	–	–	250	427	677
Liu Jipeng	250	–	–	250	427	677
	1,060	5,871	33	6,964	10,293	17,257

(Expressed in Hong Kong dollars)

9 DIRECTORS' REMUNERATION *(Continued)*

	Directors' fees $'000	Salaries and other emoluments $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payments $'000	2007 Total $'000
Executive directors						
Duan Yongji	–	4,148	–	4,148	–	4,148
Shi Yuzhu	–	1,740	–	1,740	–	1,740
Shen Guojun	–	1,020	–	1,020	–	1,020
Zhang Disheng	–	1,655	20	1,675	–	1,675
Chen Xiaotao	–	400	–	400	–	400
Liu Wei	–	1,778	–	1,778	–	1,778
Independent non-executive directors						
Ng Ming Wah, Charles	271	–	–	271	–	271
Andrew Y Yan	269	–	–	269	–	269
Liu Ji	239	–	–	239	–	239
Liu Jipeng	234	–	–	234	–	234
	1,013	10,741	20	11,774	–	11,774

During the year ended 31 March 2008, two directors agreed to waive part of their emoluments totalling $11,477,000 (2007: $11,720,000) to which they are entitled under the service contracts entered into with the Company.

Note: These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(r)(ii) and, in accordance with that policy, includes adjustments to reserve amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 31.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals with the highest emoluments comprise five (2007: four) directors whose emoluments are disclosed in note 9 and nil (2007: one) employee. Details of the emoluments in respect of these employees are as follows:

	2008 **$'000**	2007 $'000
Salary, housing and other emoluments	–	899
Discretionary bonuses	–	540
Share-based payments	–	–
Retirement scheme contributions	–	20
	–	1,459

The emoluments of the above employees are within the following bands:

	2008 **Number of employees**	2007 Number of employees
$0 – $1,000,000	–	–
$1,000,001 – $1,500,000	–	1

11 PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit for the year attributable to equity shareholders of the Company includes a profit of $35,888,000 (2007: loss of $26,945,000) which has been dealt with in the financial statements of the Company.

12 DIVIDENDS

	2008 **$'000**	2007 $'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.

(Expressed in Hong Kong dollars)

13 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 $16,503,000 (2007: $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, calculated as follows:

Weighted average number of ordinary shares

	2008 $'000	2007 $'000
Issued ordinary shares at 1 April 2007/2006	1,559,930	1,508,914
Effect of conversion of convertible notes	211,728	53,583
Effect of exercise of share options	31,186	–
Effect of repurchase of own shares	(182)	(3,792)
Weighted average number of ordinary shares at 31 March	1,802,662	1,558,705

(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 $16,503,000 (2007: $156,495,000) and the weighted average number of ordinary shares of approximately 1,889,663,000 shares (2007: 2,472,228,000 shares) calculated as follows:

(i) Profit attributable to equity shareholders of the Company (diluted)

	2008 $'000	2007 $'000
Profit attributable to equity shareholders	16,503	134,333
Effect of effective interest on liability component of convertible notes	–	22,162
Profit attributable to equity shareholders (diluted)	16,503	156,495

13 EARNINGS PER SHARE *(Continued)*

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

(ii) Weighted average number of ordinary shares (diluted)

	2008 Number of shares '000	2007 Number of shares '000
Weighted average number of ordinary shares at 31 March	1,802,662	1,558,705
Effect of conversion of convertible notes	56,296	913,523
Effect of exercise of share options	30,705	–
Weighted average number of ordinary shares (diluted) at 31 March	1,889,663	2,472,228

14 RETIREMENT SCHEMES

Pursuant to the requirements of the Mandatory Provident Fund Schemes Ordinance ("MPF Scheme") and related guidelines, the Group's and employees' contributions to the MPF Scheme are based on 5% of the relevant income of the relevant staff. The Group's contributions payable to the MPF Scheme are charged to the income statement. Retirement costs for the MPF Scheme for the year were $201,000 (2007: $178,000).

The employees of the subsidiaries in the PRC are members of the Central Pension Scheme operated by the Government of the PRC. The subsidiaries are required to contribute a certain percentage of the employee's payroll to the Central Pension Scheme to fund the benefits. The obligation for the Group with respect to the Central Pension Scheme is the required contributions under the Central Pension Scheme.

Other than the above, certain subsidiaries also participate in supplementary defined contribution retirement plans managed by independent insurance companies whereby the subsidiaries are required to make contributions to the retirement plans at fixed rates of the employees' salary costs.

Retirement costs for the Central Pension Scheme and supplementary retirement plans for the year were $5,921,000 (2007: $5,304,000).

(Expressed in Hong Kong dollars)

15 SEGMENT REPORTING

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
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'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

(Expressed in Hong Kong dollars)

15 SEGMENT REPORTING *(Continued)*

Business segments *(continued)*

	Healthcare		Electronics		Media-related business		Unallocated		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
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 PRC and less than 10 per cent of the Group's turnover and results were derived from activities conducted outside the PRC.

(Expressed in Hong Kong dollars)

16 INVESTMENT PROPERTIES

	Group		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Valuation:				
At 1 April 2007/2006	96,295	88,274	4,500	3,900
Exchange adjustments	5,058	2,596	–	–
Disposal during the year	(3,474)	–	–	–
Surplus on revaluation	14,462	6,744	670	600
Transfer to fixed assets (note 17(a))	–	(1,319)	–	–
At 31 March	112,341	96,295	5,170	4,500

(a) **The analysis of valuation of investment properties is as follows:**

	Group		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Held in Hong Kong under long-term leases	2,900	2,000	–	–
Held outside Hong Kong in the PRC under medium-term leases	109,441	94,295	5,170	4,500
	112,341	96,295	5,170	4,500

(b) The investment properties held in Hong Kong and outside Hong Kong in the PRC were revalued at 31 March 2008 on an open market value basis calculated by reference to net rental income allowing for reversionary income potential. The valuations were carried out by an independent firm of surveyors, RHL Appraisal Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors, with recent experience in the location and category of property being valued.

(c) The gross carrying amounts of investment properties of the Group held for use in operating leases were $112,341,000 (2007: $96,295,000).

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 6 months to 2 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

(Expressed in Hong Kong dollars)

16 INVESTMENT PROPERTIES *(Continued)*

(d) The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	Group		Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Within 1 year	**3,613**	4,280	**490**	290
After 1 year but within 5 years	**481**	868	**365**	17
	4,094	5,148	**855**	307

17 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Property under development	Land and buildings held for own use	Furniture, fixtures and fittings	Plant, machinery and equipment	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation:						
At 1 April 2007	17,407	135,662	12,884	37,614	38,408	241,975
Additions for the year	8,255	58	3,795	6,777	6,463	25,348
Disposals	–	(6,365)	(35)	(10,376)	(4,593)	(21,369)
Exchange adjustments	1,630	5,425	528	3,298	3,286	14,167
At 31 March 2008	27,292	134,780	17,172	37,313	43,564	260,121
Representing:						
Cost	27,292	134,087	17,172	37,313	43,564	259,428
Valuation in 1992	–	693	–	–	–	693
	27,292	134,780	17,172	37,313	43,564	260,121

(Expressed in Hong Kong dollars)

17 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) Group *(continued)*

	Property under development $'000	Land and buildings held for own use $'000	Furniture, fixtures and fittings $'000	Plant, machinery and equipment $'000	Motor vehicles $'000	Total $'000
Accumulated amortisation and depreciation:						
At 1 April 2007	–	45,583	5,707	22,277	25,739	99,306
Charge for the year	–	3,230	1,844	5,514	5,419	16,007
Written back on disposals	–	(956)	(31)	(10,371)	(4,418)	(15,776)
Reversal of impairment loss (Note)	–	(8,301)	–	–	–	(8,301)
Exchange adjustments	–	2,497	288	1,898	2,101	6,784
At 31 March 2008	–	42,053	7,808	19,318	28,841	98,020
Net book value:						
At 31 March 2008	27,292	92,727	9,364	17,995	14,723	162,101

(Expressed in Hong Kong dollars)

17 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) Group *(continued)*

	Property under development $'000	Land and buildings held for own use $'000	Furniture, fixtures and fittings $'000	Plant, machinery and equipment $'000	Motor vehicles $'000	Total $'000
Cost or valuation:						
At 1 April 2006	–	126,345	12,419	32,840	36,351	207,955
Transfer from investment properties (note 16)	–	1,319	–	–	–	1,319
Additions for the year	17,407	5,566	1,062	7,592	3,976	35,603
Reductions through disposal of subsidiaries	–	–	(813)	(3,284)	(2,646)	(6,743)
Other disposals	–	–	(43)	(1,063)	(925)	(2,031)
Exchange adjustments	–	2,432	259	1,529	1,652	5,872
At 31 March 2007	17,407	135,662	12,884	37,614	38,408	241,975
Representing:						
Cost	17,407	134,969	12,884	37,614	38,408	241,282
Valuation in 1992	–	693	–	–	–	693
	17,407	135,662	12,884	37,614	38,408	241,975
Accumulated amortisation and depreciation:						
At 1 April 2006	–	47,559	4,657	19,291	22,447	93,954
Charge for the year	–	2,827	1,393	4,560	4,354	13,134
Reductions through disposal of subsidiaries	–	–	(444)	(1,603)	(1,095)	(3,142)
Written back on disposals	–	–	(20)	(854)	(925)	(1,799)
Reversal of impairment loss (Note)	–	(6,000)	–	–	–	(6,000)
Exchange adjustments	–	1,197	121	883	958	3,159
At 31 March 2007	–	45,583	5,707	22,277	25,739	99,306
Net book value:						
At 31 March 2007	17,407	90,079	7,177	15,337	12,669	142,669

(Expressed in Hong Kong dollars)

17 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) Group *(continued)*

Note: Due to the continual growth of the Hong Kong property market, the Group reassessed the recoverable amount of the land and buildings held for own use at the balance sheet date and $8,301,000 (2007: $6,000,000) of the recognised impairment loss was reversed during the year (included in "Non-operating income"). The estimates of recoverable amount were determined on an open market value basis by an independent firm of surveyors, RHL Appraisal Limited who have among their staff Fellows of the Hong Kong Institute of Surveyors.

(b) Company

	Furniture, fixtures and fittings $'000	Motor vehicles $'000	Total $'000
Cost or valuation:			
At 1 April 2007	3,455	3,321	6,776
Additions	79	–	79
At 31 March 2008	3,534	3,321	6,855
Accumulated amortisation and depreciation:			
At 1 April 2007	2,729	3,303	6,032
Charge for the year	274	18	292
At 31 March 2008	3,003	3,321	6,324
Net book value:			
At 31 March 2008	531	–	531

17 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) **Company** *(continued)*

	Furniture, fixtures and fittings $'000	Motor vehicles $'000	Total $'000
Cost or valuation:			
At 1 April 2006	3,317	3,321	6,638
Additions	149	–	149
Disposals	(11)	–	(11)
At 31 March 2007	3,455	3,321	6,776
Accumulated amortisation and depreciation:			
At 1 April 2006	2,342	3,275	5,617
Charge for the year	398	28	426
Written back on disposals	(11)	–	(11)
At 31 March 2007	2,729	3,303	6,032
Net book value:			
At 31 March 2007	726	18	744

(c) **The analysis of cost or valuation of land and buildings is as follows:**

	Group 2008 $'000	Group 2007 $'000
Held in Hong Kong under long-term leases	**47,084**	47,084
Held outside Hong Kong in the PRC under medium-term leases	**82,769**	84,125
Held outside Hong Kong in the PRC under short-term leases	**4,927**	4,453
	134,780	135,662

(Expressed in Hong Kong dollars)

17 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(d) Land and buildings held by a subsidiary with carrying value of $36,913,000 (2007: $29,400,000) was pledged as security for banking facilities amounting to $38,000,000 (2007: $35,000,000), which were utilised to the extent of $22,686,000 at 31 March 2008 (2007: $15,781,000) (note 27).

18 GOODWILL

	Group $'000
Cost:	
At 1 April 2006/2007 and 31 March 2007/2008	1,140,132
Accumulated impairment losses:	
At 1 April 2006/2007 and 31 March 2007/2008 (Note)	3,518
Carrying amount:	
At 31 March 2007 and 2008	1,136,614

18 GOODWILL *(Continued)*

Note:

Impairment test for cash-generating unit containing goodwill

Goodwill at the balance sheet date primarily related to the distribution network of "Naobaijin" and "GoldPartner" operated by the subsidiaries of Central New International Limited ("Central New").

The healthcare manufacturing and distribution unit contains the whole of the goodwill arising from the acquisition of Central New. The impairment test of this unit is based on value in use calculations. Those calculations use cash flow projections based on actual operating results for the year ended 31 March 2008 and approved budget for the year ending 31 March 2009. In view of the introduction of new products in the coming years, turnover for the years ending 31 March 2010 and 2011 are extrapolated using 25 per cent and 40 per cent growth rate respectively and remain constant thereafter in future years. The growth rate is consistent with the growth rate for the industry. Pre-tax discount rate of 12.57 per cent had been used in discounting the projected cash flows.

The key assumption is the annual growth of the turnover of the healthcare products and it is determined based on the statistical analysis of the annual consumption of healthcare products in the PRC adjusted for actual experience. The turnover growth of the healthcare products is considered to be in line with the cash flow projections.

The carrying amount of the unit exceeds its recoverable amount. Any adverse change in the key assumption could reduce the recoverable amount below carrying amount.

(Expressed in Hong Kong dollars)

19 OTHER INTANGIBLE ASSETS

Trademark and patent rights

	Group	
	2008	2007
	$'000	$'000
Cost:		
At 1 April 2007/2006	**39,401**	37,525
Exchange adjustments	**3,690**	1,876
At 31 March	**43,091**	39,401
Accumulated amortisation and impairment losses:		
At 1 April 2007/2006	**6,073**	3,908
Amortisation for the year	**2,155**	1,970
Exchange adjustments	**569**	195
At 31 March	**8,797**	6,073
Carrying amount:		
At 31 March	**34,294**	33,328

The amortisation charge for the year is included in "Other operating expenses" in the consolidated income statement.

(Expressed in Hong Kong dollars)

20 INTEREST IN SUBSIDIARIES

	Company	
	2008	2007
	$'000	$'000
Unlisted investments, at cost	287,137	288,424
Amounts due from subsidiaries (Note)	2,207,304	2,109,287
Amounts due to subsidiaries (Note)	(70,304)	(1,948)
	2,424,137	2,395,763
Less: Impairment loss	(203,498)	(203,498)
	2,220,639	2,192,265

Note: Except for an amount of $2,043,000 (2007: $1,945,000) due to a subsidiary which is interest-bearing at London Interbank Offered Rate ("LIBOR") plus 1% (2007: LIBOR plus 1%) per annum, all the amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayments.

Details of the principal subsidiaries are set out in note 43 to the financial statements.

21 INTEREST IN ASSOCIATES

	Group		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Unlisted investments, at cost	–	–	102,227	433
Share of net assets	527,444	317,905	–	–
Goodwill (Note (b))	63,132	75,654	–	–
	590,576	393,559	102,227	433
Less: Impairment loss	(5,417)	(5,417)	–	–
	585,159	388,142	102,227	433

(Expressed in Hong Kong dollars)

21 INTEREST IN ASSOCIATES *(Continued)*

(a) On 17 April 2007, the Group served a conversion notice to China Cable Media Group Limited ("CCMG") to exercise the right to convert the bridge loans owed to the Group by CCMG and China Cable Network Co., Ltd. and the unpaid interest totalling US$6,899,441 (equivalent to approximately $53,800,000) into 3,104,749 preference shares of CCMG at the conversion price of approximately US$2.22 per share.

On 18 April 2007, the Group entered into a share purchase agreement with CCMG pursuant to which the Group conditionally agreed to subscribe for and CCMG conditionally agreed to allot and issue 3,150,000 preference shares at a consideration of US$7.0 million (equivalent to approximately $54,600,000), representing a subscription price of approximately US$2.22 per share. On the same date, CCMG also entered into subscription agreements pursuant to which the existing financial investor and two new investors conditionally agreed to subscribe for 5,400,001, 4,050,000 and 450,000 new preference shares of CCMG respectively at the subscription price of approximately US$2.22 per share.

After all the conversions and subscriptions, the Group's interest in CCMG decreased slightly from 36.9% to 36.12% as at 31 March 2008 and a loss on deemed disposal of $11,373,000 was recognised in the current year accordingly (note 6).

(b) In April 2005, the Group acquired a 40% interest in Me To You Holdings Limited ("Cayman MTY") at a consideration of US$19.2 million (equivalent to approximately $149,760,000) by cash. This acquisition has given rise to goodwill of approximately $76 million.

Pursuant to the sale and purchase agreement, Yearbase International Limited ("the Vendor") and Mr Chen Zhi Feng, guarantor of the Ventor provide a guarantee to the Group on, among other things, the consolidated net profit after taxation of Cayman MTY and its subsidiaries ("MTY Group") for each of the years ended 31 December 2005 and 31 December 2006. In the event that the audited consolidated net profit after taxation of MTY Group is less than the guaranteed profit (as predetermined), the interest of the Group in MTY Group should be adjusted by way of issue of new shares. As the audited consolidated net profit after taxation of MTY Group for the year ended 31 December 2006 was less than the guaranteed amount of US$8.1 million, the Group was compensated by 4,500 ordinary shares of Cayman MTY currently held by the Vendor and granted an option to acquire additional 1,900 ordinary shares of Cayman MTY ("Option Shares") from the Vendor at US$1 for a period of 5 years (the "Option Period", i.e. 2 August 2007 to 1 August 2012). The Vendor also irrevocably and unconditionally assigned all the dividends derived from the Option Shares and the right to receive the dividends during the Option Period to the Group for a consideration of US$1.

After receiving the compensation from the Vendor, the Group's interest in MTY Group increased from 40% as at 31 March 2007 to 49% as at 31 March 2008 and MTY Group still remained as an associate of the Group. Accordingly, the fair value of the acquired share of net assets in Cayman MTY was increased by $12,522,000 and the goodwill on acquisition of Cayman MTY was reduced from approximately $75,654,000 to approximately $63,132,000 as at 31 March 2008.

21 INTEREST IN ASSOCIATES *(Continued)*

(c) Details of the principal associates are set out in note 44 to the financial statements.

(d) **Summary financial information on associates**

	Assets $'000	Liabilities $'000	Equity $'000	Revenue $'000	Loss $'000
2008					
100 percent	1,369,013	(247,492)	1,121,521	191,141	(25,742)
Group's effective interest	644,650	(117,206)	527,444	78,744	(14,696)
2007					
100 percent	1,039,316	(228,608)	810,708	195,229	(35,030)
Group's effective interest	405,140	(87,235)	317,905	77,931	(12,463)

22 OTHER FINANCIAL ASSETS

	Group		Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Available-for-sale equity securities				
Listed in Hong Kong	**1,635**	1,755	**1,635**	1,755
Unlisted	**53,955**	42,539	**50,134**	39,070
	55,590	44,294	**51,769**	40,825
Market value of listed securities	**1,635**	1,755	**1,635**	1,755
Fair value of individually impaired available-for-sale securities	**1,635**	1,755	**1,635**	1,755

22 OTHER FINANCIAL ASSETS *(Continued)*

As at 31 March 2008, the Group's and the Company's listed available-for-sale equity securities were individually determined to be impaired on the basis of a material decline in their fair value below cost and adverse changes in the market in which these investees operated which indicated that the cost of the Group's investment in them may not be recovered. Impairment losses on these investments were recognised in profit or loss in accordance with the policy set out in note 1(k)(i) (see note 6).

23 TRADING SECURITIES

	Group		Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Equity securities, at market value				
Listed in Hong Kong	**14,736**	19,864	**14,181**	18,708
Listed outside Hong Kong	**943,712**	874,732	**–**	–
	958,448	894,596	**14,181**	18,708

24 INVENTORIES

	Group		Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Trading and manufacturing				
Raw materials	**14,141**	11,849	**–**	–
Work in progress	**1,861**	2,534	**–**	–
Finished goods	**159,433**	163,367	**–**	–
	175,435	177,750	**–**	–
Property development				
Properties held for sale	**15,470**	15,470	**15,470**	15,470
	190,905	193,220	**15,470**	15,470

(Expressed in Hong Kong dollars)

24 INVENTORIES *(Continued)*

The amount of trading and manufacturing inventories carried at net realisable value is $23,909,000 (2007: $26,726,000).

Properties held for sale at 31 March 2008 were carried at net realisable value based on management estimates by reference to prevailing market conditions.

25 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Debtors, prepayments and other receivables	**685,384**	423,955	**6,440**	4,284
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	**12,273**	4,040
	753,566	513,285	**18,713**	8,324

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

The Group's credit policy is set out in note 35(a).

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

	Group	
	2008	2007
	$'000	$'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

(Expressed in Hong Kong dollars)

25 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly (see note 1k(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	Group		Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
At 1 April 2007/2006	**107,370**	104,745	**–**	–
Impairment loss recognised	**3,612**	2,625	**–**	–
At 31 March	**110,982**	107,370	**–**	–

At 31 March 2008, the Group's and the Company's trade debtors and bills receivable of $124,028,000 (2007: $133,637,000) and $Nil (2007: $Nil) respectively were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of $110,982,000 (2007: $107,370,000) and $Nil (2007: $Nil) respectively were recognised. The Group does not hold any collateral over these balances.

(Expressed in Hong Kong dollars)

25 TRADE AND OTHER RECEIVABLES *(Continued)*

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	Group		Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Neither past due nor impaired	**434,046**	241,635	**–**	–
Due within 6 months	**39,431**	37,254	**–**	–
Due over 6 months but within 12 months	**12,293**	3,797	**–**	–
Due over 12 months but within 24 months	**22,411**	–	**–**	–
	74,135	41,051	**–**	–
	508,181	282,686	**–**	–

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

Receivables that were past due but not impaired relate to independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(Expressed in Hong Kong dollars)

26 CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Deposits with banks and other financial institutions	**85,177**	57,370	**17,497**	22,007
Cash at bank and in hand	**467,845**	419,832	**38,719**	96,639
Cash and cash equivalents in the balance sheets and consolidated cash flow statement	**553,022**	477,202	**56,216**	118,646

27 BANK LOANS

At 31 March 2007 and 2008, the bank loans were repayable as follows:

	Group	
	2008	2007
	$'000	$'000
Within 1 year	**151,238**	17,231
After 1 year but within 2 years	**1,875**	2,500
After 2 years but within 5 years	**–**	1,875
	1,875	4,375
	153,113	21,606

At 31 March 2008, the banking facilities of certain subsidiaries of the Group are secured by mortgages over land and buildings with an aggregate carrying value of $36,913,000 (2007: $29,400,000) (note 17(d)). At 31 March 2008, such banking facilities amounting to $38,000,000 (2007: $35,000,000), were utilised to the extent of $22,686,000 (2007: $15,781,000).

(Expressed in Hong Kong dollars)

28 OTHER LOAN

	Group 2008 $'000	Group 2007 $'000
Secured and repayable on demand	311,240	117,210

The other loan is secured by 2,500,000 ordinary shares of SINA Corporation held by the Group with carrying value of US$88.2 million (equivalent to approximately $686 million as at 31 March 2008 (2007: US$84.1 million (equivalent to approximately $657 million). This loan bears interest at a rate of LIBOR plus 0.5% per annum and is repayable on demand.

29 TRADE AND OTHER PAYABLES

	Group		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Creditors, accruals and other payables	372,292	277,649	12,973	20,039
Amounts due to related companies	4,059	9,011	99	99
	376,351	286,660	13,072	20,138

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:

	Group 2008 $'000	Group 2007 $'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

30 CONVERTIBLE NOTES

	Group and Company	
	2008	2007
	$'000	$'000
Balance at 1 April 2007/2006	560,431	574,001
Conversion during the year	(168,464)	(29,155)
Effective interest for the year	12,312	15,585
Balance at 31 March	404,279	560,431

At 31 March 2007 and 2008, convertible notes were repayable as follows:

	Group and Company	
	2008	2007
	$'000	$'000
Within 1 year	318,184	–
After 1 year but within 2 years	86,095	426,142
After 2 years but within 5 years	–	134,289
	86,095	560,431
	404,279	560,431

(a) On 6 June 2003, the Company and a placing agent entered into an agreement whereby (i) the placing agent agreed to procure subscribers to subscribe as principals for the convertible notes (the "Original Notes") of a principal amount of at least $50 million, and (ii) the Company granted to the placing agent the option (the "Option") to require the Company to issue additional convertible notes up to an additional principal amount of $350 million for subscription by the subscribers upon the terms and conditions of the placing agreement. The Option was exercisable by the placing agent on or before 13 January 2005. In 2003, Original Notes of $220 million were issued. During the period ended 31 March 2005, the remaining Original Notes of $180 million were issued pursuant to the placing agreement.

The Original Notes bear interest at a rate of 3% per annum, payable annually in arrears with the first interest payment to be made on the date falling twelve months from the date of issue of such convertible notes.

30 CONVERTIBLE NOTES *(Continued)*

(a) The Original Notes will be redeemed at 100% of the principal amount plus any accrued and unpaid interest on the maturity date. The Company can redeem in whole or in part the issued Original Notes prior to their maturity dates by serving at least seven calendar days written notice and payment of 100% of the principal amount plus an early redemption fee of 7% on the redeemed amount and any accrued and unpaid interest. The Original Notes holders can, by written notice to the Company, within fourteen days immediately after the expiry of a six-month period following the date of issue of the respective Original Notes, require the Company to redeem the Original Notes at an amount equivalent to 100% of the principal amount of the Original Notes plus a 1.7% premium.

The Original Notes are convertible at any time on the day following 90 calendar days after the date of issue of the Original Notes up to the fourteenth day prior to and exclusive of the maturity date at a conversion price of $0.52 per share (subject to adjustments). The maturity date of each Original Note is the date falling sixty months from (and inclusive of) the date of issue of such convertible notes.

(b) On 4 March 2004, convertible notes of approximately $572 million (the "Notes") were issued as part of the consideration for the acquisition of a subsidiary. The Notes are non-interest bearing and will mature in 5 years after the issue date.

The Company has the right to redeem the Notes at 100% of the principal amount in amounts of $500,000 or integral multiples thereof prior to the maturity date by giving not less than seven business days written notice.

The Notes comprise Series A, Series B and Series C Notes in the principal amounts of $190 million, $190 million and $192 million respectively, and are convertible by the holder at any time after 12 months, 15 months and 27 months respectively from the date of issue of the Notes at a conversion price of $0.76 per share, subject to adjustments.

(c) On 20 December 2005, the Company entered into a Repurchase Agreement with Ready Finance Limited, pursuant to which the Company has conditionally agreed to repurchase $191,955,403 nominal value of the Company's approximately $566 million outstanding Notes (the "Repurchase") held by Ready Finance Limited for a cash consideration of $145,406,003. Upon completion, the said repurchased Notes were cancelled, and approximately $374 million of the remaining outstanding Notes maturing 3 March 2009 continue to be held by Ready Finance Limited. The gain of $24,930,000 arising from the Repurchase has been included in "Non-operating income" in the consolidated income statement for the year ended 31 March 2006.

(d) During the year ended 31 March 2007, $30 million of the Original Notes were converted into 57,692,307 ordinary shares of the Company (note 32).

(Expressed in Hong Kong dollars)

30 CONVERTIBLE NOTES *(Continued)*

(e) During the year, $55 million of the Original Notes and $122 million of the Notes were converted into 105,769,229 and 160,526,313 ordinary shares of the Company respectively (note 32).

(f) The effective interest rate of the Original Notes and the Notes for the year ended 31 March 2008 is 4% (2007: 4%).

31 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Group adopted a share option scheme (the "Scheme") pursuant to the shareholders' resolution in a general meeting on 12 April 2002, following the amendments on the Listing Rules which came into effect from September 2001.

Under the terms of the Scheme, the directors may at their discretion invite employees and directors of the Company or any of its subsidiaries and associates, to take up options to subscribe for shares of the Company. The Scheme is valid and effective for a period of ten years, ending on 11 April 2012, after which no further options will be granted. The exercise price of options is determinable by the Board and is the highest of (i) the nominal value of the shares; (ii) the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") for five business days immediately preceding the date of the grant; and (iii) the closing price of the shares on the Stock Exchange on the date of the offer.

The exercise period of the options granted is determinable by the Board, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant. Pursuant to directors' written resolution dated 22 January 2007, the exercise period of the options granted has been changed to not later than 5 years from the date of grant. A nominal consideration of $1 is payable on acceptance of the grant of options. Each option gives the holder the right to subscribe for one share in the Company.

(Expressed in Hong Kong dollars)

31 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(a) The number and weighted average exercise prices of share options are as follows:

	2008		2007	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at 1 April 2007/2006	**$0.625**	**158,212,000**	$0.620	191,312,000
Lapsed	**$0.792**	**(74,356,000)**	$0.601	(33,100,000)
Exercised	**$0.476**	**(83,856,000)**	–	–
Granted	**$0.724**	**124,200,000**	–	–
At 31 March	**$0.724**	**124,200,000**	$0.625	158,212,000
Exercisable at 31 March	**$0.724**	**124,200,000**	$0.625	158,212,000

(Expressed in Hong Kong dollars)

31 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(b) The terms of unexpired and unexercised share options at balance sheet date are as follows, whereby all options are settled by physical delivery of shares:

Date granted	Exercise period	Exercise price	2008 Number	2007 Number
Options granted to directors and contracted employees				
22 May 2002	22 May 2002 to 21 May 2007	$0.792	–	17,356,000
22 May 2002	22 August 2002 to 21 May 2007	$0.792	–	14,250,000
22 May 2002	22 August 2003 to 21 May 2007	$0.792	–	14,250,000
22 May 2002	22 August 2004 to 21 May 2007	$0.792	–	14,250,000
22 May 2002	22 August 2005 to 21 May 2007	$0.792	–	14,250,000
31 December 2002	31 December 2002 to 30 December 2007	$0.476	–	83,856,000
21 August 2007	21 August 2007 to 20 August 2012	$0.714	57,600,000	–
21 August 2007	21 August 2008 to 20 August 2012	$0.714	28,800,000	–
21 August 2007	21 August 2009 to 20 August 2012	$0.714	28,800,000	–
16 November 2007	16 November 2007 to 15 November 2012	$0.852	4,500,000	–
16 November 2007	16 November 2008 to 15 November 2012	$0.852	2,250,000	–
16 November 2007	16 November 2009 to 15 November 2012	$0.852	2,250,000	–
			124,200,000	158,212,000

(Expressed in Hong Kong dollars)

31 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(c) Details of share options granted during the year

Exercise period	Exercise price	2008 Number	2007 Number
21 August 2007 to 20 August 2012	$0.714	**115,200,000**	–
16 November 2007 to 15 November 2012	$0.852	**9,000,000**	–
		124,200,000	–

(d) Details of share options exercised during the year

Exercise date	Exercise price	Market value per share at exercise date	Proceeds received	Number
21 May 2007	$0.476	$0.85	952,000	2,000,000
22 May 2007	$0.476	$0.87	952,000	2,000,000
29 May 2007	$0.476	$1.11	952,000	2,000,000
13 June 2007	$0.476	$1.21	952,000	2,000,000
27 June 2007	$0.476	$1.10	2,380,000	5,000,000
7 December 2007	$0.476	$0.86	476,000	1,000,000
10 December 2007	$0.476	$0.85	13,804,000	29,000,000
12 December 2007	$0.476	$0.85	9,282,000	19,500,000
27 December 2007	$0.476	$0.80	10,165,456	21,356,000
			39,915,456	83,856,000

31 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(e) **Share option expenses charged to the consolidated income statement are determined with the binomial model based on the following assumptions:**

	21 August 2007	16 November 2007
Fair value of each share option as of the date of grant	$0.31	$0.33
Closing price at the date of grant	$0.71	$0.80
Exercise price	$0.714	$0.852
Expected volatility	50.71%	52.01%
Annual risk-free interest rate	4.15%	3.08%
Expected average life of options	5 years	5 years
Expected dividend yield	1.59%	1.67%

The volatility measured at the standard deviation of annualised expected share price returns is based on statistical analysis of weekly share prices over the five years immediately preceding the grant date.

32 SHARE CAPITAL

	2008		2007	
	Number of shares '000	Amount $'000	Number of shares '000	Amount $'000
Authorised:				
Ordinary shares of $0.1 each	5,000,000	500,000	5,000,000	500,000
Issued and fully paid:				
At 1 April 2007/2006	1,559,930	155,993	1,508,914	150,891
Shares issued upon conversion of convertible notes (note 30)	266,295	26,630	57,692	5,769
Shares issued under share option scheme	83,856	8,386	–	–
Purchase of own shares (note (a))	(800)	(80)	(6,676)	(667)
At 31 March	1,909,281	190,929	1,559,930	155,993

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

32 SHARE CAPITAL *(Continued)*

(a) Purchase of own shares

During the year, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Date of repurchase	Number of shares repurchased	Highest price paid per share $	Lowest price paid per share $	Aggregate price paid $'000
28 December 2007	100,000	0.780	0.780	78
2 January 2008	100,000	0.770	0.770	77
3 January 2008	100,000	0.780	0.780	78
9 January 2008	100,000	0.770	0.770	77
14 January 2008	100,000	0.750	0.750	75
15 January 2008	200,000	0.720	0.710	143
17 January 2008	100,000	0.690	0.690	69
	800,000			597

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 49H of the Hong Kong Companies Ordinance, an amount equivalent to the par value of the shares cancelled of $80,000 (2007: $667,000) was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of $517,000 (2007: $2,141,000) was charged to retained profits.

(b) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

(Expressed in Hong Kong dollars)

32 SHARE CAPITAL *(Continued)*

(b) Capital management *(Continued)*

The Group monitors its capital structure on the basis of a net borrowings to total equity ratio. For this purpose the Group defines net borrowings as total debt (which includes bank loans, other loan and convertible notes) less cash and cash equivalents. Total equity comprises share capital and reserves attributable to equity shareholders of the Company.

The net borrowings to total equity ratio at 31 March 2008 and 2007 was 11.6% and 9.3% respectively. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

33 CAPITAL AND RESERVES

(a) Group

	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Capital reserve $'000	Other reserve $'000	Investment revaluation reserve $'000	Exchange fluctuation reserve $'000	Retained profits $'000	Sub-total $'000	Minority interests $'000	Total equity $'000
At 1 April 2006	150,891	1,155,368	354	14,177	77,596	–	26,576	778,392	2,203,354	352,500	2,555,854
Dividend approved and paid during the year (note 12)	–	–	–	–	–	–	–	(12,533)	(12,533)	–	(12,533)
Minority interest's share of dividend	–	–	–	–	–	–	–	–	–	(5,853)	(5,853)
Changes in fair value of available-for-sale securities	–	–	–	–	–	68	–	–	68	–	68
Share premium on issue of shares upon conversion of convertible notes (note 32)	5,769	24,694	–	–	(1,336)	–	–	–	29,127	–	29,127
Shares repurchased (note 32)	(667)	–	667	–	–	–	–	(2,808)	(2,808)	–	(2,808)
Share of minority interest on disposal of subsidiaries	–	–	–	–	–	–	–	–	–	1,606	1,606
Exchange differences arising on consolidation	–	–	–	–	–	–	41,012	–	41,012	2,038	43,050
Profit for the year	–	–	–	–	–	–	–	134,333	134,333	98,906	233,239
At 31 March 2007	155,993	1,180,062	1,021	14,177	76,260	68	67,588	897,384	2,392,553	449,197	2,841,750

(Expressed in Hong Kong dollars)

33 CAPITAL AND RESERVES *(Continued)*

(a) Group *(Continued)*

	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Capital reserve $'000	Other reserve $'000	Investment revaluation reserve $'000	Exchange fluctuation reserve $'000	Retained profits $'000	Sub-total $'000	Minority interests $'000	Total equity $'000
At 1 April 2007	155,993	1,180,062	1,021	14,177	76,260	68	67,588	897,384	2,392,553	449,197	2,841,750
Dividend approved and paid during the year (note 12)	–	–	–	–	–	–	–	(23,192)	(23,192)	–	(23,192)
Minority interest's share of dividend	–	–	–	–	–	–	–	–	–	(57,162)	(57,162)
Shares issued under share option scheme	8,386	31,519	–	–	–	–	–	–	39,905	–	39,905
Share premium on issue of shares upon conversion of convertible notes (note 32)	26,630	150,204	–	–	(8,535)	–	–	–	168,299	–	168,299
Shares repurchased (note 32)	(80)	–	80	–	–	–	–	(597)	(597)	–	(597)
Share of minority interest in additional interests in a subsidiary	–	–	–	–	–	–	–	–	–	(748)	(748)
Equity settled share-based transactions (note 31)	–	–	–	27,984	–	–	–	–	27,984	–	27,984
Exchange differences arising on consolidation	–	–	–	–	–	–	94,942	–	94,942	10,797	105,739
Available-for-sale securities:											
– changes in fair value	–	–	–	–	–	(120)	–	–	(120)	–	(120)
– transfer to profit or loss on impairment	–	–	–	–	–	52	–	–	52	–	52
Profit for the year	–	–	–	–	–	–	–	16,503	16,503	46,291	62,794
At 31 March 2008	190,929	1,361,785	1,101	42,161	67,725	–	162,530	890,098	2,716,329	448,375	3,164,704

The application of the share premium account and the capital redemption reserve is governed by sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

The capital reserve has been set up and will be dealt with in accordance with the accounting policies adopted for goodwill arising on or derived from acquisition or disposal of subsidiaries and associates prior to 1 April 2004 and share-based payments in notes 1(e) and (r)(ii) respectively.

The exchange fluctuation reserve has been set up and will be dealt with in accordance with the accounting policies adopted for the foreign currency translation in note 1(w).

(Expressed in Hong Kong dollars)

33 CAPITAL AND RESERVES *(Continued)*

(a) Group *(Continued)*

Other reserve comprises of the value of unexercised equity component of convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible notes in note 1(n).

The investment revaluation reserve has been set up and will be dealt with in accordance with the accounting policies adopted for the gain or loss on revaluation and disposal of available-for-sale securities in note 1(f).

(b) Company

	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Capital reserve $'000	Other reserve $'000	Investment revaluation reserve $'000	Retained profits $'000	Total $'000
At 1 April 2006	150,891	1,155,368	354	–	77,596	–	448,228	1,832,437
Dividend approved and paid during the year	–	–	–	–	–	–	(12,533)	(12,533)
Changes in fair value of available-for-sale securities	–	–	–	–	–	68	–	68
Share premium on issue of shares upon conversion of convertible notes	5,769	24,694	–	–	(1,336)	–	–	29,127
Shares repurchased	(667)	–	667	–	–	–	(2,808)	(2,808)
Loss for the year	–	–	–	–	–	–	(26,945)	(26,945)
At 31 March 2007	155,993	1,180,062	1,021	–	76,260	68	405,942	1,819,346

33 CAPITAL AND RESERVES *(Continued)*

(b) Company *(Continued)*

	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Capital reserve $'000	Other reserve $'000	Investment revaluation reserve $'000	Retained profits $'000	Total $'000
At 1 April 2007	155,993	1,180,062	1,021	–	76,260	68	405,942	1,819,346
Dividend approved and paid during the year	–	–	–	–	–	–	(23,192)	(23,192)
Share issued under share option scheme	8,386	31,519	–	–	–	–	–	39,905
Share premium on issue of shares upon conversion of convertible notes	26,630	150,204	–	–	(8,535)	–	–	168,299
Shares repurchased	(80)	–	80	–	–	–	(597)	(597)
Equity settled share-based transactions	–	–	–	27,984	–	–	–	27,984
Available-for-sale securities:								
– changes in fair value	–	–	–	–	–	(120)	–	(120)
– transfer to profit or loss on impairment	–	–	–	–	–	52	–	52
Profit for the year	–	–	–	–	–	–	35,888	35,888
At 31 March 2008	190,929	1,361,785	1,101	27,984	67,725	–	418,041	2,067,565

At 31 March 2008, the amount of distributable reserves of the Company amounted to $418,041,000 (2007: $397,285,000).

(Expressed in Hong Kong dollars)

34 DEFERRED TAXATION

(a) Deferred tax assets and liabilities recognised:

(i) Group

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Depreciation allowances in excess of related depreciation $'000	Deferred revenue $'000	Provision for obsolete inventories $'000	Impairment loss for bad and doubtful debts $'000	Reversal of overprovision and accruals $'000	Deferred expenses $'000	Fair value changes on trading securities $'000	Tax losses $'000	Total $'000
Deferred tax arising from:									
At 1 April 2006	1,128	(991)	(977)	(2,520)	130	–	–	(276)	(3,506)
Charged/(credited) to consolidated income statement	247	3	(3,272)	28	7	(30,845)	31,113	3	(2,716)
At 31 March 2007	1,375	(988)	(4,249)	(2,492)	137	(30,845)	31,113	(273)	(6,222)
At 1 April 2007	1,375	(988)	(4,249)	(2,492)	137	(30,845)	31,113	(273)	(6,222)
Charged/(credited) to consolidated income statement	2,923	(379)	(3,925)	(438)	21	(19,087)	11,981	(91)	(8,995)
Effect of change in tax rate on deferred tax balances	(129)	(658)	(746)	(1,661)	91	7,478	–	15	4,390
At 31 March 2008	4,169	(2,025)	(8,920)	(4,591)	249	(42,454)	43,094	(349)	(10,827)

34 DEFERRED TAXATION *(Continued)*

(a) **Deferred tax assets and liabilities recognised:** *(Continued)*

(ii) Company

The components of deferred tax (assets)/liabilities recognised in the balance sheet and the movements during the year are as follows:

	Depreciation allowances in excess of related depreciation $'000	Tax losses $'000	Total $'000
At 1 April 2006	63	(63)	–
Charged/(credited) to income statement	(36)	36	–
At 31 March 2007	27	(27)	–
At 1 April 2007	27	(27)	–
Charged/(credited) to income statement	82	(82)	–
Effect of change in tax rate on deferred tax balances	(1)	1	–
At 31 March 2008	108	(108)	–

	Group		Company	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Net deferred tax assets recognised on the consolidated balance sheet	**(14,647)**	(7,241)	**–**	–
Net deferred tax liabilities recognised on the consolidated balance sheet	**3,820**	1,019	**–**	–
	(10,827)	(6,222)	**–**	–

(Expressed in Hong Kong dollars)

34 DEFERRED TAXATION *(Continued)*

(b) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(s), the Group has not recognised deferred tax assets in respect of unused tax losses of $35,359,000 (2007: $31,021,000) and deductible temporary differences of $40,248,000 (2007: $36,847,000) as it is not probable that there will be sufficient taxable profits available against which the unused tax losses and deductible temporary differences can be utilised. The tax losses do not expire under current tax legislation.

35 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other 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.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

(b) Liquidity risk

Individual operating entities with the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

35 FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

Group

	2008						2007					
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
Convertible notes	404,279	421,470	331,860	89,610	–	–	560,431	608,130	6,510	460,510	141,110	–
Bank loans	153,113	160,079	158,088	1,991	–	–	21,606	22,019	17,421	2,640	1,958	–
Other loan	311,240	311,240	311,240	–	–	–	117,210	117,210	117,210	–	–	–
Trade and other payables	376,351	376,351	376,351	–	–	–	286,660	286,660	286,660	–	–	–
	1,244,983	1,269,140	1,177,539	91,601	–	–	985,907	1,034,019	427,801	463,150	143,068	–

Company

	2008						2007					
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
Convertible notes	404,279	421,470	331,860	89,610	–	–	560,431	608,130	6,510	460,510	141,110	–
Trade and other payables	13,072	13,072	13,072	–	–	–	20,138	20,138	20,138	–	–	–
	417,351	434,542	344,932	89,610	–	–	580,569	628,268	26,648	460,510	141,110	–

(Expressed in Hong Kong dollars)

35 FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk

The Group has interest rate risk as certain interest-bearing borrowings are on a variable rate basis. The Group's interest rate profile as monitored by management is set out in (i) below. The Group does not expect any changes on interest rates which might materially affect the Group's result of operations.

During the year, the Group and the Company had not entered into any interest rate swap contracts.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's net borrowings (as defined above) at the balance sheet date.

	Group				Company			
	2008		2007		2008		2007	
	Effective interest rate %	$'000	Effective interest rate %	$'000	Effective interest rate %	$'000	Effective interest rate %	$'000
Net fixed rate borrowings:								
Bank loans	7.8	110,951	–	–	–	–	–	–
Convertible notes	4.0	404,279	4.0	560,431	4.0	404,279	4.0	560,431
		515,230		560,431		404,279		560,431
Variable rate borrowings:								
Bank loans	5.6	42,162	5.5	21,606	–	–	–	–
Other loan	5.0	311,240	5.7	117,210	–	–	–	–
		353,402		138,816		–		–
Total net borrowings		868,632		699,247		404,279		560,431
Net fixed rate borrowings as a percentage of total net borrowings		59%		80%		100%		100%

35 FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk

Almost all the Group's operating activities are carried out in the PRC with most of the transactions denominated in Renminbi. The Group is exposed to foreign currency risk arising from the exposure of Renminbi against Hong Kong dollars as a result of its investment in the PRC and certain of the general and administrative expenses are settled in Hong Kong dollars. In addition, Renminbi is not freely convertible into foreign currencies and the conversion of Renminbi into foreign currencies is subject to rules and regulations of the foreign exchange control promulgated by the PRC government.

The Group is also exposed to foreign currency risk in respect of its United States Dollars denominated assets and liabilities.

(i) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from forecast transactions or recognised assets or liabilities denominated in United States Dollars.

Group

	2008 United States Dollars $'000	2007 United States Dollars $'000
Trading securities	**88,205**	84,101
Trade and other receivables	**10,179**	9,471
Cash and cash equivalents	**2,240**	1,442
Bank loans	**(4,856)**	(2,155)
Other loan	**(40,000)**	(15,000)
Trade and other payables	**(1,576)**	(838)
Gross exposure arising from recognised assets and liabilities	**54,192**	77,021

(ii) Sensitivity analysis

Management assumed that the pegged rate between the Hong Kong dollars and the United States Dollars would be materially unaffected by any changes in movement in value of the United States Dollars against other currencies. Therefore, the impact on the Group's profit and total equity is not expected to be material in response to possible changes in United States Dollars to which the Group is exposed.

(Expressed in Hong Kong dollars)

35 FINANCIAL INSTRUMENTS *(Continued)*

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 23) and available-for-sale equity securities (see note 22). Other than unquoted securities held for strategic purposes, all of these investments are listed.

The Group's listed investments are listed on the Stock Exchange of Hong Kong, the Shanghai Stock Exchange and the NASDAQ Stock Exchange. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the market and other industry indications, as well as the Group's liquidity needs. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

The following table indicates the approximate change in the Group's profit after tax (and retained profits) and other components of consolidated equity in response to reasonably possible changes in the relevant stock market index (for listed investments) to which the Group has significant exposure at the balance sheet date.

	2008			2007		
	Increase/ (decrease) in the relevant risk variable	Effect on profit after tax and retained profits $'000	Effect on other components of equity $'000	Increase/ (decrease) in the relevant risk variable	Effect on profit after tax and retained profits $'000	Effect on other components of equity $'000
Stock market index in respect of listed investments:						
Shanghai Stock Exchange A Share Index	1%	2,633	–	1%	1,868	–
	(1)%	(2,633)	–	(1)%	(1,868)	–
NASDAQ Composite Index	1%	9,396	–	1%	6,309	–
	(1)%	(9,396)	–	(1)%	(6,309)	–

(Expressed in Hong Kong dollars)

35 FINANCIAL INSTRUMENTS *(Continued)*

(e) Equity price risk *(Continued)*

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the balance sheet date and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the Group's equity investments would be considered impaired as a result of a reasonably possible decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2008 and 2007 except as follows:

(i) Group and Company

	2008		2007	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Convertible notes	404,279	402,568	560,431	545,034

(ii) Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest-free and have no repayment terms. Given these terms it is not meaningful to quantify their fair values and they are stated at cost.

(iii) Unlisted investments

Certain investments of the Group of $53,955,000 (2007: $42,539,000) and of the Company of $50,134,000 (2007: $39,070,000) do not have a quoted market price in an active market and therefore their fair values cannot be reliably measured. They are recognised at cost less impairment losses.

(Expressed in Hong Kong dollars)

35 FINANCIAL INSTRUMENTS *(Continued)*

(g) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table set out in note 35(f) above.

Convertible notes

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

Securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs. Fair values for the unquoted equity investments are estimated using the applicable price/earning ratios for similar listed companies adjusted for the specific circumstances of the issuer.

36 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at balance sheet date not provided for in the financial statements were as follows:

	Group		Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Contracted for	**2,237**	57,684	**–**	–
Authorised but not contracted for	**38,905**	2,687	**–**	–
	41,142	60,371	**–**	–

36 COMMITMENTS *(Continued)*

(b) **Operating lease commitments**

At balance sheet date, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group		Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Within 1 year	**11,717**	13,167	**1,335**	1,362
After 1 year but within 5 years	**15,209**	6,322	**–**	363
	26,926	19,489	**1,335**	1,725

37 CONTINGENT LIABILITIES

	Group		Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Guarantees given to banks in respect of credit facilities granted to subsidiaries	**–**	–	**63,000**	55,000
Guarantee given to a bank to secure banking facilities of an associate	**–**	40,580	**–**	–
	–	40,580	**63,000**	55,000

The Company has not recognised any deferred income for the guarantees given in respect of credit facilities granted to subsidiaries as their fair value cannot be reliably measured and their transaction price was $Nil.

(Expressed in Hong Kong dollars)

38 MATERIAL RELATED PARTY TRANSACTIONS

The following material transactions with related parties were, in the opinion of the directors, carried out in the ordinary course of business and on normal commercial terms:

		2008 $'000	2007 $'000
(a)	Transactions with and amounts paid to or received from Stone Group Corporation ("SGC"), a minority shareholder of the Group:		
	Sale of traded products	**265**	1,683
	Purchase of traded products and component parts	**1,742**	3,307
	Management fees (based on actual cost incurred) paid in relation to training, secretarial and general administrative services (note (i))	**3,297**	3,500
	Rental paid for staff quarters	**981**	978
	Rental income on properties (note (ii))	**847**	822
	Handling fee (note (iii))	**27**	41
(b)	Transactions with associates of the Group:		
	– Sales of traded products	**2,820**	396
	– Purchases of traded products and component parts	**2,243**	3,428

(c) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2008 $'000	2007 $'000
Short-term employee benefits	**22,993**	16,523
Post-employment benefits	**160**	92
Equity compensation benefits	**–**	–
	23,153	16,615

Total remuneration is included in "staff costs" (see note 7(b)).

38 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Key management personnel remuneration *(Continued)*

Notes:

(i) On 24 September 2003, the Company entered into a management contract whereby SGC agreed to provide secretarial and other related services and the use of office equipment to the Group at reimbursement cost which shall not exceed $3,500,000 per annum for a term of five years commencing from 23 July 2003.

(ii) A subsidiary of the Group acquired the Stone Building situated in Beijing from SGC during 1996 and leased various units of the Stone Building to SGC for a lease term of three years commencing from 1 August 1996. The lease term has been renewed on an annual basis thereafter. The rental income received for the year ended 31 March 2008 was calculated at a daily rate of RMB6 per square metre which was considered to be not materially different from the market rental.

(iii) In March 1999, Beijing Stone New Technology Industrial Company Limited ("Beijing New Technology") entered into an agreement with SGC, pursuant to which Beijing New Technology appointed SGC to act as its agent to deal with all import procedural matters during the year 1999. The agreement may be renewed on an annual basis thereafter. A handling fee was payable to SGC pursuant to the agreement and was calculated at 1.3% of the cost of goods shipped which was considered to be not materially different from the market price.

39 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

40 PARENT AND ULTIMATE CONTROLLING PARTY

At 31 March 2008, the directors consider the parent and ultimate controlling party of the Group to be Beijing Stone Investment Company Limited and the Beijing Stone Investment Co., Ltd Employees' Shareholding Society respectively, which are established in the PRC. These entities do not produce financial statements available for public use.

(Expressed in Hong Kong dollars)

41 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Key sources of estimation uncertainty

Notes 18, 21 and 35 contain information about the assumptions and their risk factors relating to goodwill impairment and financial instruments. Other key sources of estimation uncertainty are as follows:

– *Valuation of investment properties*

Investment properties are included in the balance sheet at their open market value, which is assessed annually by independent qualified valuers, after taking into consideration the net income allowing for reversionary potential.

The assumptions adopted in the property valuations are based on the market conditions existing at the balance sheet date, with reference to current market sales prices and the appropriate capitalisation rate.

– *Assessment of useful economic lives for depreciation of fixed assets*

In assessing the estimated useful lives of fixed assets, management takes into account factors such as the expected usage of the asset by the Group based on past experience, the expected physical wear and tear (which depends on operational factors), technical obsolescence arising from changes or improvements in production or from a change in the market demand for the product or service output of the asset. The estimation of the useful life is a matter of judgment based on the experience of the Group.

Management reviews the useful lives of fixed assets annually, and if expectations are significantly different from previous estimates of useful economic lives, the useful lives and, therefore, the depreciation rate for the future periods will be adjusted accordingly.

– *Assessment of impairment of non-current assets*

Management assesses the recoverable amount of each asset based on its value in use (using relevant rates) or on its net selling price (by reference to market prices), depending upon the anticipated future plans for the asset. Estimating the value in use of an asset involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to these future cash flows. Cash flow projections for remaining useful life of the asset and the most recent financial budgets/forecasts are approved by management.

– *Recognition of deferred tax assets*

The recognition of deferred tax assets requires formal assessment by the Group of the future profitability of related operations. In making this judgment, the Group evaluates, amongst other factors, the forecast financial performance, changes in technology and operational and financing cashflows.

(Expressed in Hong Kong dollars)

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2008

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2008 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the financial statements:

		Effective for accounting periods beginning on or after
HK (IFRIC) 11	HKFRS 2 - Group and treasury share transactions	1 March 2007
HK (IFRIC) 13	Customer loyalty programmes	1 July 2008
HKFRS 8	Operating segments	1 January 2009
Revised HKAS 1	Presentation of financial statements	1 January 2009
Revised HKAS 23	Borrowing costs	1 January 2009
Revised HKFRS 3	Business combinations	1 July 2009
Revised HKAS 27	Consolidated and separate financial statements	1 July 2009

(Expressed in Hong Kong dollars)

43 SUBSIDIARIES

Details of the principal subsidiaries, which materially affected the results or assets of the Group at 31 March 2008, are as follows:

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid capital/ registered capital	Attributable interest	Principal activities
Stone Advance Technology Limited	Hong Kong	$40,000,000	100%	Sourcing of electronic and office equipment, and component parts
Prexton Investment Limited	Hong Kong	$10,000	100%	Property investment
Key Success Trading Limited	Hong Kong	$2	100%	Property investment
Gold Vantage Investments Limited	Hong Kong	$2	100%	Property investment
Shanghai GoldPartner Biotech Co., Ltd.*	PRC	$100,000,000	75%	Manufacture, sale and distribution of healthcare products
Beijing Stone Electronic Technology Co., Ltd.	PRC	US$21,300,000	100%	Investment holding
Beijing Stone New Technology Industrial Co., Ltd.*	PRC	RMB175,000,000	100%	Investment holding and distribution and sale of electronic and electrical products and office equipment

(Expressed in Hong Kong dollars)

43 SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid capital/ registered capital	Attributable interest	Principal activities
Beijing Stone Industrial Control Technology Company Limited*	PRC	RMB30,000,000	61.67%	Sale of industrial controllers products
Beijing Stone Computer Co., Ltd.* ("Beijing Stone Computer")	PRC	RMB50,000,000	51%	Manufacture and distribution of computers and network components
Sun Stone Media Group Limited*	BVI	$8	##51%	Investment holding
Tianjin Stone Computer Equipment Corporation Limited*	PRC	US$800,000	75%	Manufacture and sale of fluorescent electronic ballasts
Stone Online Sci & Tech Co., Ltd. (Beijing)*	PRC	RMB22,500,000	80%	Investment holding
Shanghai Stone Hu Guang Technology Shareholding Company Limited*	PRC	RMB14,000,000 ^	51%	Manufacture and distribution of lighting fixtures and sliding doors
Guangdong Sunnet Cafe Development Co., Ltd	PRC	RMB20,200,000	60%	Operation of internet cafe chains

* Indirect holding.

This subsidiary is 100% owned by Sun Stone New Media Limited in which the Company has 51% direct interest.

^ This subsidiary is 100% owned by Beijing Stone Computer in which the Company has 51% indirect interest.

(Expressed in Hong Kong dollars)

44 ASSOCIATES

Details of the principal associates, which materially affected the results or assets of the Group at 31 March 2008, are as follows:

Name of company	Place of establishment and operation	Registered capital	Attributable interest	Principal activities
Beijing Stone Zhi Neng Technology Company*	PRC	RMB16,000,000	23.5%	Provision of terminal network system and mobile messaging services system
Beijing Stone Digital Technology Co., Ltd.*	PRC	RMB50,000,000	30%	Provision of electronic commerce service
China Cable Media Group Limited*	Cayman Islands	US$29,376,733	36.12%	Investment holding
Censoft Company Limited*	PRC	RMB30,000,000	30%	Development and distribution of application Software
Me To You Holdings Limited*	Cayman Islands	US$50,000	49%	Investment holding
Shandong New Kaiyuan Real Estate Co., Ltd	PRC	RMB210,000,000	47.62%	Property investment

* Indirect holding.

FIVE YEAR FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

	2003 (restated) $'000	2004/05 (restated) $'000	2005/06 $'000	2006/07 $'000	**2007/08 $'000**
Results					
Turnover	1,015,277	2,361,507	2,035,467	2,375,541	**2,988,051**
Operating profit	1,722,466	259,017	78,093	311,045	**158,311**
Share of profits less losses of associates	(15,183)	(16,391)	5,547	(12,463)	**(14,696)**
Share of loss of a jointly controlled entity	–	(1,420)	(5,101)	–	**–**
Profit before taxation	1,707,283	241,206	78,539	298,582	**143,615**
Income tax	(583)	(3,126)	(18,522)	(65,343)	**(80,821)**
Profit for the year/period	1,706,700	238,080	60,017	233,239	**62,794**
Attributable to:					
Equity shareholders of the Company	801,186	160,426	63,908	134,333	**16,503**
Minority interests	905,514	77,654	(3,891)	98,906	**46,291**
Profit for the year/period	1,706,700	238,080	60,017	233,239	**62,794**
Assets and Liabilities					
Investment properties, property, plant and equipment, goodwill, other intangible assets, and deferred tax assets	187,825	1,365,438	1,376,864	1,416,147	**1,459,997**
Interest in associates	169,956	53,465	388,468	388,142	**585,159**
Interest in a jointly controlled entity	–	185,296	–	–	**–**
Other financial assets	43,042	157,165	44,046	44,294	**55,590**
Net current assets	2,470,781	1,523,018	1,321,329	1,558,992	**1,155,748**
	2,871,604	3,284,382	3,130,707	3,407,575	**3,256,494**
Long term liabilities	(214,000)	(832,955)	(574,001)	(564,806)	**(87,970)**
Deferred tax liabilities	–	(507)	(852)	(1,019)	**(3,820)**
	2,657,604	2,450,920	2,555,854	2,841,750	**3,164,704**

GROUP PROPERTIES

1 MAJOR PROPERTIES HELD FOR INVESTMENT

Location	Existing use	Term of lease
Stone Building, Haidian South Avenue, Haidian District, Beijing, the PRC	Office	Medium
10/F, Haven Commercial Building, Nos. 6-8 Tsing Fung Street, North Point, Hong Kong	Office	Long
Unit Nos. 821 and 822, 8th level of Bright China Chang An Building, 7 Jianguomennei Avenue, Dong Cheng District, Beijing, the PRC	Office	Medium
Unit 2201-2223, 20th level of Zhongguancun High-Tech Trade Centre, Beijing, the PRC	Office	Medium

2 PROPERTIES HELD FOR SALE

Location	Existing use	Gross floor area	Group's interest
The Whole Floor of 5th Floor, Dalian International Trade Centre, No 201, 4th Road, Huanghaixi Road, Dalian Free Trade Zone, Dalian City Liaoning Province the PRC	Office	3,987m^2	100%