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STONE GROUP HOLDINGS LIMITED
四 通 控 股 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 409)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2009

FINANCIAL AND OPERATION HIGHLIGHTS

	2008/09	2007/08	**Percentage change**
	HK$'000	*HK$'000*	*%*
Turnover	**3,403,822**	2,988,051	13.9
Operating (loss)/profit	**(6,190)**	76,152	N/A
(Loss)/profit attributable to equity shareholders of the Company	**(141,772)**	16,503	N/A
(Loss)/earnings per share	**HK(7.13) cents**	HK0.92 cent	N/A

The Board of Directors (the "Board") of Stone Group Holdings Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2009 together with comparative figures for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Turnover	3	**3,403,822**	2,988,051
Cost of sales and services		**(1,857,547)**	(1,926,319)
Gross profit		**1,546,275**	1,061,732
Other revenue	4	**41,809**	27,589
Other net (loss)/income	5	**(4,334)**	2,718
		1,583,750	1,092,039
Distribution costs		**(1,366,606)**	(777,569)
Administrative expenses		**(177,949)**	(183,784)
Other operating expenses		**(45,385)**	(54,534)
Net valuation gains on investment properties		**1,042**	14,462
Non-operating income	6	**117,606**	102,159
Finance costs	7(a)	**(31,610)**	(34,462)
Share of profits less losses of associates		**(128,564)**	(14,696)
(Loss)/profit before taxation	7	**(47,716)**	143,615
Income tax	8	**(12,269)**	(80,821)
(Loss)/profit for the year		**(59,985)**	62,794
Attributable to:			
– Equity shareholders of the Company		**(141,772)**	16,503
– Minority interests		**81,787**	46,291
(Loss)/profit for the year		**(59,985)**	62,794
Dividends payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	9	**–**	–
(Loss)/earnings per share	10		
Basic		**(7.13) cents**	0.92 cent
Diluted		**(7.13) cents**	0.87 cent

CONSOLIDATED BALANCE SHEET

As at 31 March 2009

		2009		2008	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets					
Fixed assets					
– Investment properties			**93,039**		112,341
– Property, plant and equipment			**227,753**		162,101
			320,792		274,442
Goodwill			**1,136,614**		1,136,614
Other intangible assets			**32,850**		34,294
Interest in associates			**439,403**		585,159
Other financial assets			**52,986**		55,590
Deferred tax assets			**124,041**		14,647
			2,106,686		2,100,746
Current assets					
Trading securities		**3,299**		958,448	
Available-for-sale investments		**22,114**		–	
Inventories		**185,891**		190,905	
Trade and other receivables	*11*	**745,621**		753,566	
Cash and cash equivalents		**1,019,105**		553,022	
		1,976,030		2,455,941	
Current liabilities					
Bank loans		**54,434**		151,238	
Other loan		**252,000**		311,240	
Trade and other payables	*12*	**599,538**		376,351	
Convertible notes		**56,963**		318,184	
Current taxation		**203,405**		143,180	
		1,166,340		1,300,193	
Net current assets			**809,690**		1,155,748
Total assets less current liabilities			**2,916,376**		3,256,494

		2009		2008	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Non-current liabilities					
Bank loans			**–**		1,875
Convertible notes			**–**		86,095
Deferred tax liabilities			**7,979**		3,820
			7,979		91,790
NET ASSETS			**2,908,397**		3,164,704
CAPITAL AND RESERVES					
Share capital			**200,715**		190,929
Reserves			**2,458,161**		2,525,400
Total equity attributable to equity shareholders of the Company			**2,658,876**		2,716,329
Minority interests			**249,521**		448,375
TOTAL EQUITY			**2,908,397**		3,164,704

Notes:

1. Basis of preparation

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

The HKICPA has issued a number of new Interpretations and an amendment to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. However, none of these developments are relevant to the Group's or the Company's operations.

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

2. Segment information

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

Business segments

The Group comprises the following main business segments:

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

	Healthcare		Electronics		Media-related business		Unallocated		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**2,143,711**	1,499,191	**1,252,789**	1,480,737	**7,322**	8,123	**–**	–	**3,403,822**	2,988,051
Other revenue from external customers	**24,985**	13,595	**3,055**	100	**–**	–	**13,769**	13,894	**41,809**	27,589
Total	**2,168,696**	1,512,786	**1,255,844**	1,480,837	**7,322**	8,123	**13,769**	13,894	**3,445,631**	3,015,640
Segment result	**31,875**	143,550	**(1,597)**	(19,624)	**(320)**	2,596	**(36,148)**	(50,370)	**(6,190)**	76,152
Net valuation gains on investment properties									**1,042**	14,462
Non-operating income									**117,606**	102,159
Finance costs									**(31,610)**	(34,462)
Share of profits less losses of associates	**–**	–	**370**	7,166	**(127,840)**	(21,847)	**(1,094)**	(15)	**(128,564)**	(14,696)
Income tax									**(12,269)**	(80,821)
(Loss)/profit for the year									**(59,985)**	62,794
Depreciation and amortisation for the year	**7,288**	5,518	**9,927**	8,578	**1,785**	1,954	**3,018**	2,112	**22,018**	18,162
Reversal of impairment loss	**–**	–	**–**	–	**–**	–	**–**	8,301	**–**	8,301
Significant non-cash expenses (other than depreciation and amortisation)	**25,193**	23,928	**9,547**	22,662	**–**	–	**17,128**	28,844	**51,868**	75,434
Segment assets	**2,140,678**	2,183,288	**959,517**	741,712	**59,200**	740,391	**483,918**	306,137	**3,643,313**	3,971,528
Interest in associates	**–**	–	**31,310**	48,036	**305,072**	433,006	**103,021**	104,117	**439,403**	585,159
Total assets									**4,082,716**	4,556,687
Segment liabilities	**661,460**	394,562	**175,188**	252,215	**5,752**	318,636	**331,919**	426,570	**1,174,319**	1,391,983
Capital expenditure incurred during the year	**14,049**	7,616	**24,006**	8,781	**12,855**	8,636	**2,463**	315	**53,373**	25,348

Geographical segments

No analysis of the Group's turnover and contribution from operations by geographical segment has been presented as almost all the Group's operating activities are carried out in the People's Republic of China (the "PRC") and less than 10 per cent of the Group's turnover and results were derived from activities conducted outside the PRC.

3. Turnover

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

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

	2009	2008
	HK$'000	*HK$'000*
Manufacturing, distribution and sale of healthcare products	**2,143,711**	1,499,191
Manufacturing, distribution and sale of electronic and electrical products, office equipment and provision of related services	**1,252,789**	1,480,737
Media-related business	**7,322**	8,123
	3,403,822	2,988,051

4. Other revenue

	2009	2008
	HK$'000	*HK$'000*
Government subsidies	**21,239**	11,482
Interest income	**7,499**	5,818
Rental received from investment properties less outgoings	**4,486**	7,398
Dividend income from investments	**411**	650
Others	**8,174**	2,241
	41,809	27,589

5. Other net (loss)/income

	2009	2008
	HK$'000	*HK$'000*
Gain on disposal of fixed assets	**55**	2,592
Net exchange (loss)/gain	**(4,389)**	126
	(4,334)	2,718

6. Non-operating income

	2009	2008
	HK$'000	*HK$'000*
Net realised/unrealised gain on trading securities	**135,201**	114,683
Provision for impairment loss on available-for-sale securities	**(791)**	(52)
Loss on deemed disposal of interest in an associate	**–**	(11,373)
Excess of interest in net fair value of the acquiree's identifiable assets and liabilities over cost of business combination	**–**	1,915
Provision for impairment losses on other receivables	**(16,259)**	(11,312)
Reversal of impairment loss on properties	**–**	8,301
Others	**(545)**	(3)
	117,606	102,159

7. (Loss)/profit before taxation

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

		2009	2008
		HK$'000	*HK$'000*
(a)	Finance costs:		
	Interest on bank advances and other borrowings repayable within five years	**26,686**	21,134
	Interest on other loan	**2,490**	11,003
	Other borrowing costs	**2,434**	2,325
	Total borrowing costs	**31,610**	34,462

		2009	2008
		HK$'000	*HK$'000*
(b)	Other items:		
	Costs of inventories	**1,856,763**	1,925,395
	Staff costs (including retirement costs of HK$8,053,000 (2008: HK$6,122,000) and equity settled share-based payment expenses of HK$8,807,000 (2008: HK$27,984,000))	**334,839**	256,147
	Amortisation of other intangible assets	**2,203**	2,155
	Provision for write-down in value of obsolete inventories made	**21,353**	26,968
	Impairment losses for bad and doubtful debts	**5,448**	9,170
	Depreciation	**19,815**	16,007
	Dividend income from investments		
	– listed	**(286)**	(619)
	– unlisted	**(125)**	(31)
	Operating lease charges: minimum lease payments for land and buildings	**135,227**	83,977

8. Income tax

Income tax in the consolidated income statement represents:

	2009	2008
	HK$'000	*HK$'000*
Current Tax		
Provision for Hong Kong Profits Tax	**–**	–
Provision for income tax outside Hong Kong in the PRC ("PRC corporate income tax")	**119,351**	85,426
	119,351	85,426
Deferred tax		
Origination and reversal of temporary differences	**(107,082)**	(8,995)
Effect of change in tax rate on deferred tax balances	**–**	4,390
	12,269	80,821

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 corporate income tax is calculated at the applicable rates on the estimated taxable income earned by the companies in the PRC.

9. Dividends

	2009	2008
	HK$'000	*HK$'000*
Final dividend proposed after the balance sheet date of $Nil (2008: $Nil) per share	**–**	–

10. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss for the year attributable to equity shareholders of the Company of HK$141,772,000 (2008: profit of HK$16,503,000) and the weighted average number of ordinary shares of approximately 1,989,024,000 (2008: 1,802,662,000 shares) in issue during the year.

(b) Diluted (loss)/earnings per share

The diluted loss per share for the year ended 31 March 2009 is the same as basic loss per share because the existence of outstanding convertible notes and the Company's share options during the year have an anti-dilutive effect on the calculation of diluted loss per share.

The calculation of diluted earnings per share for the year ended 31 March 2008 was based on the profit for the year attributable to the equity shareholders of the Company of HK$16,503,000 (after adjusting the effect of conversion of convertible notes and exercise of share options) and the weighted average number of ordinary shares of approximately 1,889,663,000 shares.

11. Trade and other receivables

	2009	2008
	HK$'000	*HK$'000*
Debtors, prepayments and other receivables	**659,017**	685,384
Amounts due from associates	**72,944**	58,874
Amounts due from related companies	**10,218**	9,308
Derivative financial instruments	**3,442**	–
	745,621	753,566

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

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

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

	2009	2008
	HK$'000	*HK$'000*
Current	**274,997**	443,215
Due within 6 months	**155,579**	39,967
Due over 6 months but within 12 months	**12,841**	15,634
Due over 12 months but within 24 months	**20,809**	22,411
	464,226	521,227

12. Trade and other payables

	2009	2008
	HK$'000	*HK$'000*
Creditors, accruals and other payables	**595,104**	372,292
Amounts due to related companies	**4,434**	4,059
	599,538	376,351

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

Included in creditors, accruals and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

	2009	2008
	HK$'000	*HK$'000*
Due within 6 months or on demand	**57,775**	88,028
Due after 6 months but within 12 months	**425**	244
Due after 12 months but within 24 months	**893**	121
Due after 24 months but within 36 months	**961**	519
	60,054	88,912

13. Post balance sheet events

(a) On 12 May 2009, the Company drew an advance under the term loan facility granted by Agricultural Bank of China in the amount of HK$263 million. The term loan is interest-bearing at 3-month HIBOR plus 1% and secured by the Group's standby letter of credit issued by Hua Xia Bank in favour of Agricultural Bank of China. The term loan will be matured on 15 October 2009.

(b) On 25 May 2009, the Company announced that Beijing Stone Investment Company Limited ("BJ Stone Investment"), a substantial shareholder of the Company, has requested the Board to put forward a proposal to privatise the Company by way of a scheme of arrangement and withdrawal of listing of the Company (the "Proposal"). The shareholders, other than BJ Stone Investment and parties acting in concert with it, will receive from the Company in cash consideration of HK$0.48 for every share held, for cancellation of their shares held in the Company. The share option holders, other than BJ Stone Investment and parties acting in concert with it, will receive from the Company in cash consideration of HK$0.001 for every option held, for the cancellation of their options held in the Company. An independent board committee of the Company has been formed comprising the non-executive Director and all three independent non-executive Directors to advise the shareholders of the Company, other than BJ Stone Investment and parties acting in concert with it. A scheme document containing further details of the Proposal will be despatched to the shareholders in due course.

PROPOSED FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year (2008: HK$Nil per share).

MANAGEMENT DISCUSSION AND ANALYSIS

In the aftermath of the global financial tsunami, the Group recorded an audited operating loss of HK$6.19 million and a loss attributable to shareholders of HK$142 million for the year ended 31 March 2009. In spite of this, the overall turnover went up by 13.9% from last year to HK$3,404 million, mainly due to the launch of a new product, Golden Wine, under the healthcare products business in mid-October last year. The product has been well-received since its launch and generated a turnover of HK$488 million for the Group in a mere 5 months. Nevertheless, the global financial tsunami obviously came as a blow to the overall business operation of the Group and, in particular, the massive advertising expenses incurred did not generate the expected results in turnover, thus leading to an operating loss of HK$6.19 million, compared with the operating profit of HK$76.15 million in the previous year. The management, after all, took an early action to dispose of all the NASDAQ-listed shares in SINA held by the Group at an average price of approximately US$45 per share before the subprime mortgage crisis in the US, thereby generating a non-operating income of HK$178 million for the Group. On the other hand, the A shares in China Railway Erju held by the Group were not sold at its high and until later when the China and Hong Kong stock markets slightly recovered at the end of last year and earlier this year with a minor loss. Furthermore, the launch of the automobile navigation service of the MTY Group, an associate of the Group, was further postponed as a result of the financial tsunami and thus caused further losses. The share of loss of MTY Group together with full impairment loss made by the management on the carrying value of such investment and the related goodwill amounted to HK$130 million in aggregate. As such, the Group had a loss attributable to shareholders of HK$142 million, compared to a profit of HK$16.5 million for the previous year.

BUSINESS REVIEW

Core Businesses

Following the financial tsunami and the Beijing Olympics, the turnover of the IT business dropped significantly, while the healthcare products business posted an impressive turnover, thanks to the success of the new product. Turnover and gross profit and their respective changes of these two principal businesses during the year by segments and product categories were as follows:

	2008/09		2007/08		Increase/ (Decrease)	Increase/ (Decrease)
	Turnover	**Gross profit**	Turnover	Gross profit	Turnover	Gross profit
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*	*%*	*%*
IT business						
Manufacturing of electronic products	**236,309**	**58,719**	252,815	45,657	(6.5)	28.6
Distribution of electronic products	**1,016,480**	**72,912**	1,227,922	73,154	(17.2)	(0.3)
Internet cafe chain	**7,322**	**6,487**	8,123	7,199	(9.9)	(9.9)
	1,260,111	**138,118**	1,488,860	126,010	(15.4)	9.6
Healthcare products business	**2,143,711**	**1,408,157**	1,499,191	935,722	43.0	50.5
	3,403,822	**1,546,275**	2,988,051	1,061,732	13.9	45.6

IT Business

Owing to the suspension of business activities during the Beijing Olympics, the turnover from IT business showed a declining trend in the first half of the year. Together with the global financial tsunami in mid-September, the overall turnover of IT business decreased by 15.4% to HK$1,260 million as compared with the corresponding period last year, and represented 37.0% of the Group's total turnover. The contributions from manufacturing of electronics products, distribution of electronics products and internet cafe chain were 18.8%, 80.7% and 0.5% respectively. Overall, the gross profit of the IT business grew by 9.6% and the gross profit margin was up 2.5 percentage points from the corresponding period last year to 11.0%. In order to capture further market share, the Group expended its distribution network and this led to an increase in distribution costs as compared with the previous year, resulting in an operating loss of HK$17.44 million for the year, which was a mild improvement as compared with the operating loss of HK$19.62 million of the corresponding period last year.

Manufacturing of electronic products

Turnover and gross profit of the Group's self-produced electronic products decreased by 6.5% and increased by 28.6% respectively as compared with the corresponding period last year, with details as follows:

	2008/09		2007/08		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	**186,860**	**33,952**	213,695	29,910	(12.6)	13.5
Gold tax and tax control products	**44,608**	**24,138**	23,895	16,012	86.7	50.7
Others	**4,841**	**629**	15,225	(265)	(68.2)	N/A
	236,309	**58,719**	252,815	45,657	(6.5)	28.6

Due to the suspension or near suspension of various business activities during the Beijing Olympics and the financial tsunami, sales of the Group's Stone printers declined significantly during the year, while still accounted for 79.1% of the segment turnover from the manufacturing of electronic products and 5.5% of the Group's total turnover. Sales of Stone printers lowered by 12.6% to HK$187 million, while gross profit margin rose 4.2 percentage points to 18.2% as compared with the previous year due to enhanced after-sale services. During the year, printer sales was in a difficult situation as sales campaigns of printers were substantially reduced due to limited business activities and traffic control during the Beijing Olympics. Along with the financial tsunami which prompted enterprises to spend less on new equipments as a cost-cutting measure, the total turnover of the segment inevitably decreased. However, gross profit managed to achieve a growth with the great effort of the printer division to develop the high margin after-sale services during the current hardship.

During the year, sales of gold tax products represented 18.9% of the segment turnover of the manufacturing of electronic products and 1.3% of the Group's total turnover. Such sales grew by 86.7% to HK$44.61 million as compared with the previous year, while gross profit margin fell by 12.9 percentage points. The increase in turnover was mainly attributable to the seasonality of product sales as value-added tax software needs to be replaced every 2 to 3 years and staff training is required. As such, the Group recorded a higher turnover as compared with the previous year, while the growth rate was not as high as that of 2007.

The Group closed down the engineering division during the year as engineering projects tied up huge amounts of capital and had a relatively low net profit margin. As regards to the segment named "others" under the IT Business, it only represented the manufacture of electronic ballasts for fluorescent lamps and the sales accounted for 2.0% of the segment turnover of the manufacturing of electronic products and 0.1% of the Group's total turnover. Such sales decreased by 68.2% to HK$4.84 million as compared with the corresponding period last year. In the wake of the closure of the engineering division, the segment recorded a gross profit of HK$629,000, compared to a gross loss in the previous year.

Distribution of electronic products

The electronic products distribution business of the Group suffered from a harder blow, with a drop of 17.2% in turnover as compared with the corresponding period last year. On the other hand, gross profit decreased by a mere 0.3% due to the improved gross profit of industrial controller products during the year. Breakdown of turnover and gross profit are detailed as follows:

	2008/09		2007/08		Increase/ (Decrease)	Increase/ (Decrease)
	Turnover	**Gross profit**	Turnover	Gross profit	Turnover	Gross profit
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*	*%*	*%*
Distribution of electronic products						
Industrial controllers	**860,032**	**61,626**	888,824	50,105	(3.2)	23.0
UPS equipments	**282**	**100**	57,236	2,891	(99.5)	(96.5)
Digital graphic products	**1,360**	**(3,535)**	4,157	516	(67.3)	N/A
Computer parts and others	**18,510**	**2,424**	34,814	2,435	(46.8)	(0.5)
Others	**136,296**	**12,297**	242,891	17,207	(43.9)	(28.5)
	1,016,480	**72,912**	1,227,922	73,154	(17.2)	(0.3)

Industrial controllers remained the largest income source of this business segment and accounted for 84.6% of the segment turnover of the electronic products distribution, representing 25.3% of the Group's total turnover. In view of the fierce competition of the distribution of industrial controllers, the management has been striving to improve the after-sale services in recent years and setting up overseas offices and branches since last year so as to expand the sales network and increase direct contact with clients. Such measures were proved to be effective in the first half of the year. While operating activities in Beijing were nearly suspended during the Beijing Olympics, these overseas offices and branches acted as important distribution channels, thus the Group achieved a growth in turnover of 20.1% to

HK$501 million, in the first half of the year as compared with the corresponding period last year. However, turnover for the second half of the year was HK$359 million, down 23.6% from the corresponding period last year, due to the impact of the financial tsunami. During the year, as several suppliers offered price cuts, gross profit recorded a growth of 23% as compared with the corresponding period last year and gross profit margin was up by 1.6 percentage points from last year to 7.2%.

Like the engineering project mentioned above, the UPS products division had a relatively low gross profit and tied up huge amounts of capital. As such, the management closed down the division and ceased the sales agency business of digital graphic products. Therefore, the turnover of the two products only represented the disposal of the remaining inventory during the year.

Electronic products distribution also includes the distribution of semi-conductors, computer parts, computer application software, electronic lighting equipments, electrical ancillaries, health equipments and control systems for automatic doors, etc. In view of the late settlement for goods by certain customers amidst the impact of the financial tsunami, the management considered it inadvisable for the Group to further approve credit and increase receivables under the economic downturn, and that the Group should consider further distribution of such products only after long-term receivables are collected on schedule. Accordingly, for the year ended 31 March 2009, turnover of these products decreased by 44.3% to merely HK$155 million as compared with the corresponding period last year, and accounted for 15.2% of the segment turnover from distribution of electronic products and 4.5% of the Group's total turnover. Gross profit margin was approximately 9.5%.

Internet Cafe Chain

Given the impact of the Beijing Olympics, the visit rate of internet cafes in last August was relatively low. As such, both turnover and gross profit recorded a decline of 9.9% from the corresponding period last year to HK$7.32 million and HK$6.49 million respectively, while gross profit margin remained flat. The segment contributed an operating profit of HK$0.76 million to the Group. As at the year-end date, the total number of chain internet cafes reached 80 with more than 16,000 terminals installed, while the daily computer users in cafes exceeded 72,000.

Healthcare Product Business

As at 31 March 2009, turnover of healthcare products business reached HK$2,144 million, representing 63.0% of the Group's total turnover. Turnover surged 43.0% from the corresponding period last year, while gross profit margin increased by 3.3 percentage points from the corresponding period last year to 65.7%. The sharp increase in sales was mainly attributable to the launch of the Group's new product, Golden Wine, in mid-October last year. The product has been well-received by the market since its launch and made a contribution of HK$488 million to the turnover of the Group in a mere five months. In addition, with a massive advertising campaign, sales of Naobaijin and GoldPartner recorded a single-digit growth, and that of Huang Jin Xue Kang also multiplied by folds given its relatively small base figure. As a result, overall sales of healthcare products business experienced such remarkable increase. Despite the leap in sales, the target output rate of the original inputted advertising expenses was yet to be achieved. Therefore, the healthcare products business only recorded an operating profit of HK$31.88 million, representing a decline of 77.8% as compared with the HK$144 million in the corresponding period last year. Breakdown of the turnover and gross profit of healthcare products business by product categories are detailed as follows:

	2008/09		2007/08		Increase/ (Decrease)	Increase/ (Decrease)
	Turnover	**Gross profit**	Turnover	Gross profit	Turnover	Gross profit
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*	*%*	*%*
Healthcare products business						
Naobaijin	**949,193**	**679,385**	865,423	511,792	9.7	32.7
GoldPartner	**644,796**	**452,962**	622,497	416,251	3.6	8.8
Huang Jin Xue Kang	**61,846**	**41,338**	11,271	7,679	448.7	438.3
Golden Wine	**487,876**	**234,472**	–	–	N/A	N/A
	2,143,711	**1,408,157**	1,499,191	935,722	43.0	50.5

Naobaijin

Benefiting from considerable advertising effort, the vast sales of Naobaijin continued in 2008, the 11th sales year, and reached HK$949 million, accounting for 44.3% of the segment turnover of healthcare products business and 27.9% of the Group's total turnover. It represented an increase of 9.7% over the turnover for the corresponding period last year, with gross profit margin rose by 12.5 percentage points to approximately 71.6% as compared with the previous year, which contributed a gross profit of HK$679 million to the Group. The slogan "Naobaijin, your gift of choice" has permeated through consumers and is instrumental in maintaining a sales growth of Naobaijin, which once again became the champion of the National Sales of Healthcare Products in the PRC in 2008. This is the eighth time the product was accredited this honour. The growth of 12.5 percentage points in gross profit margin of Naobaijin was due to the entering into an agreement between the management and the suppliers in late 2007. Pursuant to the agreement, with effective from January last year, the Group assumed a larger part of advertising expenses and the suppliers accordingly offered a lower ex-factory price for Naobaijin, by which the Group reduced its direct costs and increased its gross profit to cover the extra advertising expenses. Given that the measure has just commenced in January last year, the time period for which the direct costs of Naobaijin being affected last year was only three months, while the direct costs of Naobaijin for the current year was measured at the reduced ex-factory price on a full year basis, which resulted in an increase in gross profit margin.

GoldPartner

The Group recorded a growth of 46.8% in turnover of GoldPartner from the previous year following a repositioning strategy. During the year, the management continued last year's strategies to focus on both effectiveness and the gift market. This successfully led to a 3.6% growth in sales of GoldPartner to HK$645 million for the year after its high-growth years. Sales accounted for 30.1% of the turnover of healthcare products business and 18.9% of the Group's total turnover. In 2008, GoldPartner maintained its position as one of the top three sellers of the National Sales of Healthcare Products in the PRC for 6 consecutive years. GoldPartner's gross profit margin improved to approximately 70.2% when comparing to that of the previous year and it contributed a gross profit of HK$453 million to the Group.

Huang Jin Xue Kang

Sales for the year remained at a relatively small scale and scope since the management had yet to have full confidence in the market of Huang Jin Xue Kang. The percentage growth in sales was prominent with a history of low turnover and turnover for the year reached HK$61.85 million, representing a growth of 448.7% as compared with the corresponding period last year, while the gross profit margin was 66.8%, which was approximate to that of last year. The product contributed a gross profit of HK$41.34 million to the Group.

Golden Wine

Golden Wine is a new product of the Group which was developed under years of research and repeated examinations with Wuxi Giant Biotech Co., Ltd ("Wuxi Giant"), a healthcare product supplier, and co-produced by Health Spirits Co., Ltd of Sichuan Yibin Wuliangye Group, a well-known PRC company in the industry. An agreement was reached between the Group and Wuxi Giant, whereby the Group acts as the general agent of the product who shall be responsible for the market launch of Golden Wine with Wuxi Giant and the profit and loss of the product will be equally shared. The product has been well-received by the market since its launch and generated a turnover of HK$488 million in a mere five months. The gross profit margin was 48.1% and the product contributed a gross profit of HK$234 million for the Group.

Investment Business

In view of the rumors that went around about the outburst of the subprime mortgage bubble in the U.S., the management disposed of all the 2,502,274 SINA shares held at an average price of approximately US$45 per share during the rebound of the U.S. stock market between June and July 2008, thereby realising a gain of HK$178 million and a profit attributable to shareholders of HK$90.78 million (after minority interests) for the Group. Later, the global financial tsunami put a damper on both the PRC and Hong Kong stock markets. China Railway Erju A share, which then held by the Group, once dipped to a low close of RMB3.82 per share. Although the stock markets in the PRC and Hong Kong have resumed stability and commenced to rebound with the implementation of a series of measures by the PRC government, the management was of the opinion that the global financial tsunami had a profound effect and the recovery of the two stock markets might be temporary. As such, the Group gradually disposed of its entire 24,275,556 China Railway Erju A shares at an average price of approximately RMB8.86 per share during the period from December last year to January this year, resulting in a book loss of HK$19 million. As at the year-end date, the Group retained few Hong Kong shares in hand.

As stated above, given the overwhelming impact of the financial tsunami, Cayman MTY, a company held by the Group and engaging in mobile communication services and automobile navigation services, has been hard hit. It has been loss-making over the past few years since the imposition of restrictions on mobile communication by the PRC government. The promotion expenses spent on the GPS navigators developed by Beijing MTY and introduced last year were to no avail due to the plunging sales of high-end value-adding equipments in the deteriorating economy. Further, with news about the bankruptcy of a number of conglomerates in the car manufacturing industry, Cayman MTY called a halt to the years-long plan of automobile navigation services. In view of the fact that Cayman MTY has been loss-making for years and the delay in the launch of the automobile navigation services with immense potential, the management decided, after due consideration, to make a full impairment loss on the goodwill and the carrying value of such investment. The share of loss of MTY Group together with full impairment loss on the carrying value and the goodwill of such investment amounted to HK$130 million in aggregate.

China Cable Media Group Limited ("CCMG"), a company in which the Group holds 36.12% equity interest, is an investment holding company holding 33.3% equity interest 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 of over 3 million and is one of the largest cable television operators in China. Even with a stable operation condition, the enormous annual capital expenditure requirement is far beyond its profit from operating activities. In the past few years, the Group has made capital injections of more than US$17 million, with a total carrying value of more than HK$300 million, into CCN via CCMG.

Besides the above investments, a bio-chemical company in which the Group made an investment of US$5 million before recorded a loss and did not yield the Group's target return on its investment as the commercial value of a product named bio-butanol to be launched by the company decreased due to tumbling oil prices. Furthermore, the unexpected legal procedures regarding the application for relevant building certificates of a Shandong property project, in which the Group increased its equity interest to 47.62% in the first half of the year, caused disruption to the original construction schedule and the use of funding. The requisite construction permit was recently granted and the construction work is expected to resume at the end of the year upon the grant of bank loans and to be entirely completed in the middle of next year. As for Stone Resources Limited ("Stone Resources") in which the Group made an investment in 2007, negotiation formed the predominant part of the work last year. In Yemen, after the granting of the provisional exploration license to Stone Resources and a domestic company two years ago, the parties have not reached any agreement in respect of the detailed terms for the establishment of a joint venture, through which Stone Resources is required to make an application for the formal exploration license to the local government before conducting exploration. In Tanzania, the staff of Stone Resources has identified certain mines and is in negotiation with the respective owners. However, it is unlikely that any agreement will be reached shortly.

LIQUIDITY AND FINANCIAL POSITION

As at the year end, the current ratio of the Group was 1.69 and the quick ratio was 1.53. Cash and cash equivalents held amounted to HK$1,019 million. Equity attributable to shareholders of the Company decreased from HK$2,716 million at the beginning of the year to HK$2,659 million at the end of the year, reflecting the healthy financial position of the Group.

As at the end of the year, the Group's convertible bonds amounted to HK$56.96 million, which decreased by HK$347 million from the amount outstanding at the beginning of the year. The main reason for the decrease was that convertible bonds with a par value of HK$57 million were converted into the Company's shares in June and July last year and that another batch of bonds with a par value of HK$48 million were redeemed upon its maturity in October last year. Moreover, the convertible bonds with a par value of HK$252 million beneficially owned by Mr. Shi Yuzhu were reclassified as other loan upon its maturity in March 2009 with the consent of Mr. Shi. The repayment date of such loan will be extended to 16 February 2010. According to HKAS 39, all convertible bonds are split into liability and equity components at initial recognition. The liability component is subsequently carried at amortised cost and the equity component is recognised in other reserves until the bond is converted or redeemed. The Group's convertible bonds bear interest at 4% p.a. and the relevant interest will be restated at amortised cost.

All of those convertible bonds of HK$56.96 million are with a par value of HK$57 million and carry interest at 3%. The convertible price is HK$0.52 per share.

In addition, the Group fully repaid other short term borrowings with a brought forward balance of HK$311 million after the disposal of its shares in SINA last year. During the year, a healthcare products subsidiary of the Company obtained a bank loan of RMB48 million as short-term liquidity and such amount was fully repaid as at the date of the announcement.

Due to the above factors, the aggregate interest-bearing bank loans and other loans of the Group dropped to HK$363 million as at 31 March 2009, representing a decrease of 58.2% as compared with the opening balance. The ratio of net borrowings to total equity attributable to shareholders of the Company decreased to 13.8%.

As at 31 March 2009, the Group had available banking facilities of HK$77.43 million which included letter of credit facilities and standby credit facilities. The credit facilities utilised were approximately HK$54.43 million. The Group believes that its internal fundings 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 2009, the Group had no any changes on assets for obtaining credit facilities.

CONTINGENT LIABILITIES

As at 31 March 2009, the Group had no contingent liabilities.

HEDGING

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

HUMAN RESOURCES

As at 31 March 2009, the Group had a total of 15,830 (2008: 8,283) employees, of which 15,808 (2008: 8,259) were employed in the PRC and 22 (2008: 24) were employed in Hong Kong. Out of the 15,808 employees in the PRC, 13,145 (2008: 6,023) were temporary employees.

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

BUSINESS PROSPECT

Other than the year of 2006/07, the IT business has recorded operating losses for the past few years. During the year, the management disposed of, closed down or consolidated a number of divisions or operating entities with a view to seeking methods of profit-making for this business segment. A few years ago, the Group sold the management its substantial equity interests in certain overseas branches with operational inefficiency, but the said arrangement did not bring many benefits to the Group. During the year, the Group had closed down the engineering projects division, the integrated electronic products division and the digital graphic division. However, the IT business segment still faced difficult business conditions and eventually recorded an operating loss for the year. In particular, sales of the main products of the IT business segment, namely industrial controller products, printers and computer products, recorded a decrease in the midst of the financial tsunami. These products represented approximately 85% of the turnover of the IT business. Should the business conditions remain unimproved or even deteriorate in the coming year, it is believed that the segment will consistently incur losses in the coming two to three years, unless new businesses are identified.

For the healthcare products business, the turnover has been increasing in recent years and the future of Golden Wine seems to be promising. However, when reviewing the results for the past few years, it is noted that the healthcare products business recorded an average net profit of HK$170 million in the first two years when the profit was guaranteed, but the profit before interests and taxation for the third and the fourth year dropped to HK$118 million and HK$143 million respectively and that for the year even worsened to HK$31.88 million. It is concerned that massive advertisements will be necessary for the healthcare products business to capture market share. As such, this business may not be able to generate reasonable returns for our shareholders in the coming few years. Nevertheless, the management will study the ratio of advertising expenses to turnover in detail in order to grasp a better balancing point.

In order to maintain competitiveness, CCN will have to increase funding for converting its TV broadcasting format from analogue to digital. Moreover, it will expand its corporate size and increases its number of users through merger and acquisition of other cable TV operators in other regions, which requires considerable funding. In view of this, the management believes that CCN may probably be necessary to raise funds from its shareholders in the coming few years. In the event that the Group fails to inject any new capital into the investment, its shareholdings will be diluted. On the other hand, the new capital injection may put the Group under intense financial pressure. Given the long recovery period of this investment, it is necessary for the management to consider the future direction on handling this investment in the coming year.

As for the Shandong property project, the management believes that the project will be completed in 2010. However, it is anticipated that the property market is not likely to be fully recovered in the short term due to the financial tsunami. The Group will consider the disposal of its equity interests in such property depending on its internal financial situation. The management believes that oil price will not resume to a higher level in the short term under the global economic recession and therefore the Group's investment in a bio-chemical company is not likely to be profitable within two years, and that the returns of such investment will not be realised in near future. As for the mineral resources business, the negotiations have not yet been finalised due to various reasons and, in the opinion of Stone Resources, there might not be any major breakthrough in the second half of the year without compromises between the relevant parties. As such, the management anticipates that the Group will not make any new investment in the mineral resources business in the second half of the year.

On the whole, the management anticipates that in light of the unlikeliness of improvement in the general economic conditions in the near future, the principle businesses of the Group will be affected to a certain extent and more time may be needed for the investment business to realise its returns. It is believed that with the solid unity and concerted effort of our staff, the Group will get through the cold winter soon.

CLOSURE OF REGISTER OF MEMBERS

The register of the members of the Company will be closed from 20 July 2009 to 23 July 2009 (both days inclusive) during which period no transfer of shares will be registered. In order to determine the entitlement to attend and vote at the annual general meeting of the Company to be held on 23 July 2009, all transfers accompanied by the relevant share certificates must be lodged with the transfer office of the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for the registration not later than 4:30 p.m. on 17 July 2009.

CORPORATE GOVERNANCE

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

For the year ended 31 March 2009, except for the requirement that the roles of chairman of the board and chief executive officer should be separate and should not be performed by the same individual (code provision A.2.1), the Company has complied with the code provisions of the Code.

The roles of Chairman and Chief Executive Officer of the Company have been performed by Mr. DUAN Yongji since March 2007. The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code for securities transactions by the Directors. The Company has made specific enquiry of all Directors and has received a written confirmation from each Director confirming that he/she has complied with the Model Code for the year ended 31 March 2009 in relation to his/her securities dealings, if any.

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

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely, Mr. NG Ming Wah, Charles, Mr. Andrew Y. YAN and Mr. LIU Jipeng. The audit committee has reviewed the annual results for the year ended 31 March 2009 and has also discussed auditing, internal control and financial reporting matters including the review of accounting practices and principles by the Group.

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

During the year, the Company repurchased a total of 11,748,000 of its listed shares on the Stock Exchange and the shares repurchased were cancelled by the Company subsequently. Details of the repurchases are summarised as follows:

Date of Repurchase	No. of Shares Repurchased	Price per share		Total
		Highest	Lowest	Consideration
		HK$	*HK$*	*HK$*
23 October 2008	554,000	0.21	0.15	113,840
24 October 2008	1,000,000	0.196	0.19	194,176
27 October 2008	2,000,000	0.19	0.18	377,240
28 October 2008	3,000,000	0.20	0.18	577,064
29 October 2008	540,000	0.199	0.195	107,150
7 November 2008	1,350,000	0.22	0.193	278,800
10 November 2008	1,150,000	0.2399	0.231	273,020
11 November 2008	1,244,000	0.24	0.238	298,164
12 November 2008	380,000	0.24	0.239	91,174
13 November 2008	530,000	0.24	0.24	127,200
Total	11,748,000			2,437,828

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

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

Hong Kong, 16 June 2009

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