STONE GROUP HOLDINGS LIMITED

(Stock Code: 409)

Annual Report
2008/09

Contents

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 Zuowei

Non-executive Director

CHENG Fumin

Independent Non-executive Directors

NG Ming Wah, Charles
Andrew Y. YAN
LIU Jipeng

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

INVESTMENT COMMITTEE

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

COMPANY SECRETARY

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 Chater 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

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

STOCK CODE

409 (Main Board)

WEBSITE

www.stone.com.hk

Company Introduction

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, 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 cafe chain in Guangdong Province, China – Sunnet Cafe. In June 2004, the first full franchised Sunnet Cafe commenced business in Guangzhou, China. In December of the same year, the first full franchised Sunnet Cafe in Dongguan, Guangdong Province, commenced business. As at the end of March 2009, 80 shops which are mainly located in Guangzhou, Dongguan and Shenzhen are under operation.

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 8 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 vitamin supplements in the last 6 years. In 2005, GoldPartner was recognised as one of the 100-best transferred projects awarded by Shanghai Hi-Tech Project Transfer Center. In 2006, both "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 and formally introduced the new product – "Golden Wine" to the public in mid-October, the same year.

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 more than 130 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.

中广有线
CHINA CABLE

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 2009, the total investment of CCMG in CCN was RMB502 million. It holds 33.3% shareholding stake in CCN. As at 31 March 2009, CCN has over 3.22 million subscribers. CCMG is also currently co-operating with some PRC broadcasting group companies in the area of television contents.

MTY

Established in 2003 and headquartered in Beijing, the principal activities of Beijing Me-To-You Information Technology Limited and Beijing Me-To-You System Integration Limited (collectively "Beijing MTY") 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, providing the users with non-stop online artificial-intelligent voice navigation service and the automobile service will have a market opportunity. It also provides the users with non-stop online artificial-intelligent voice navigation service. Beijing MTY has launched some terminal products for consumers, e.g GPS Safe Driving Voice Notifier (Tanlu 303) and GPS Navigators (Tanlu303N), Communication Navigators (MTY-95190G and MTY-95190C) etc..

Chairman's Statement

DUAN Yongji
Chairman and Chief Executive Officer

On behalf of the Board of Directors of the Group, I hereby announce the audited results of the Group for the year ended 31 March 2009. The Group recorded turnover of HK$3,404 million and loss attributable to shareholders of HK$142 million, while loss per share was HK7.13 cents. As compared with that of last year, though turnover increased by HK$416 million, loss attributable to shareholders of HK$142 million was recorded (2008: profit attributable to shareholders of HK$16.5 million), while loss per share amounted to HK7.13 cents (2008: earnings per share of HK0.92 cent). The Board of Directors does not recommend the payment of a final dividend.

BUSINESS REVIEW

Vast changes in economic conditions were seen throughout the financial year 2008/09. Getting through the downturns since the fourth quarter last year, such as the subprime mortgage crisis in the U.S., macro economic control by the Chinese government and the hazardous snow storm during the lunar new year in China, the economic environment gradually improved in the first quarter of year 2008/09 and the Hang Seng Index hiked over 26,000 in May last year. Owing to the rumors that went around about the outburst of the subprime mortgage bubble in the U.S. as well as the suspension of business activities during the Beijing Olympics, the overall economic performance in China and Hong Kong began to dwindle in the second quarter. In the wake of the global financial tsunami in mid-September, there was an increasing tide of enterprise bankruptcy. In comparison to European and American countries, China performed well and maintained strong domestic sales. However, in respect of exports, many factories closed down due to the lower consumption power of European and American countries, which made a lot of inland labours lose their jobs and return home to find new jobs. The Group also suffered from a hard blow, with its main businesses recording an operating loss of HK$6.19 million as compared with the operating profit in the previous year. Loss attributable to shareholders of HK$142 million also occurred due to the share of huge losses of associates, though the disposal of all the SINA shares held during the year, maintained a non-operating income comparable to that of last year.

During the year, IT business suffered from a harder blow with plummeting sales of printers, industrial controller products and computer application software. Only gold tax products reported a sales rise. Not only did the Beijing Olympics bring no business opportunities to the Group's IT business, but the interference in business activities brought by the special policies implemented during the Olympics caused a drop in sales. Together with the close-down of several loss-making divisions during the year, turnover from IT business decreased by HK$228 million as compared to last year while operating loss improved to HK$1.60 million.

Healthcare products business suffered lesser but also reported a large decline in operating profit. In response to the economic conditions in the first half year and for the pre-launch preparation of a new product, Golden Wine, in mid-October last year, the advertising expenses of the Group increased substantially in the first half year. After all, the increase in turnover from healthcare products business for the year was 43% as compared with last year, amounted to HK$645 million, in which HK$488 million was attributable to Golden Wine. However, distribution costs increased by 81.4%, or HK$583 million. The advertising expenses incurred did not generate the expected results in turnover, thus leading to a drop of 77.8% in operating profit.

For the investment business, in view of the rumors that went around about the outburst of the subprime mortgage bubble in the U.S., the Group disposed of all the SINA shares, which are listed on the NASDAQ, at an average price of approximately US$45 per share during the year, thereby realising a profit of HK$178 million. Given that the global financial tsunami put a damper on the China stock markets, the Group eventually disposed of all the China Railway Erju A share in batches at an average price of approximately RMB8.86 per share during the rebound of the China stock market at the end of last year, thereby incurring a loss of HK$19 million. The operation of CCMG remained stable. During the year, a stable growth of profit was maintained without any merger and acquisition of new cable TV operators. In view of the consistently disappointing performance of Cayman MTY, a company engaging in mobile communication network, and the delays in the launch of its automobile navigation services under the hit of the financial tsunami, the Company has, after business valuation, made a full provision for the carrying value of the investment in Cayman MTY to reflect the value of such investment to the Group. In addition, the bio-chemical company in which the Group invested in the previous year has not yet yielded the Group's target return on its investment due to tumbling oil prices. In regard to the Shandong property project, onerous legal procedures caused the first phase construction to lag behind the schedule and thus the project failed to be completed this year. However, it is believed that, after due processes, the construction will be able to resume at the end of the year once bank facilities are available. As for the mineral resources business, negotiations have not yet been finalised due to various reasons.

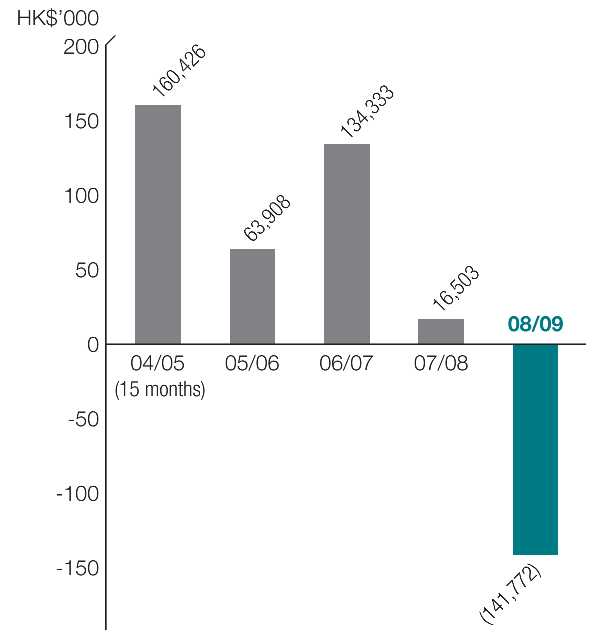
BUSINESS PROSPECTS

In view of the shrinking operating profit from IT business, the Group's foundation business, the management has been exploring investment opportunities in the past few years in order to enhance earnings and competitiveness of the Group. The Group completed a merger and acquisition activity of healthcare products business in 2004, invested in Cayman MTY, a company engaging in mobile communication network in 2005, and increased its investment in CCN and made a small-scale investment in mineral resources business in 2007. From our review of the Group's businesses, it is noted that there is no synergy among our diversified businesses and the return periods of certain investments are relatively long. On the whole, it is difficult for the Group to receive recognition from the market with such hybrid operational structure with low synergies. As a result, the stock price of the Company has been low and no significant return has been brought to shareholders. The better performed healthcare products business did not generate sufficient operating profit in the past three years to reach the level of the profits guaranteed at the time of the acquisition in spite of a considerable growth in average annual sales. Coupled with the hit by the financial tsunami, it is anticipated that earnings from the businesses in the next two to three years may be very limited and thus a meaningful return to shareholders may not likely to be generated. As such, the Board of Directors, after discussion, is of the view that it will not be a win-win situation for the Group and our shareholders to maintain the listing status of the hybrid operations of the Company. It also decided to privatise the Company in order to reduce the Group's operating costs and return the shareholders the capital attributable to them, enabling the shareholders to reallocate their capital to other investments with better returns under the weak stock market. If the privatisation of the Company is completed as planned, the management will maintain the original businesses and further reduce the operating costs of the Group, not to the exclusion of realignment or disposal of non-profit making items, so as to turn the Group from deficit to more profitable as soon as practicable.

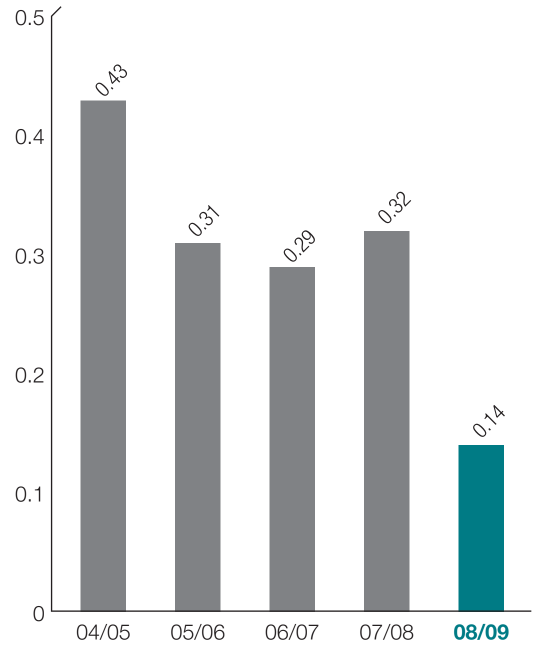
Financial Highlight

For the year ended 31 March 2009

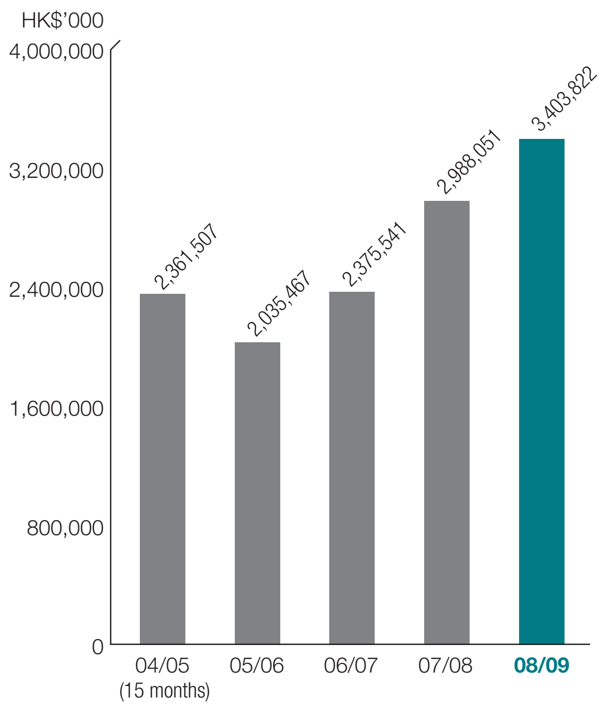
NET (LOSS)/PROFIT



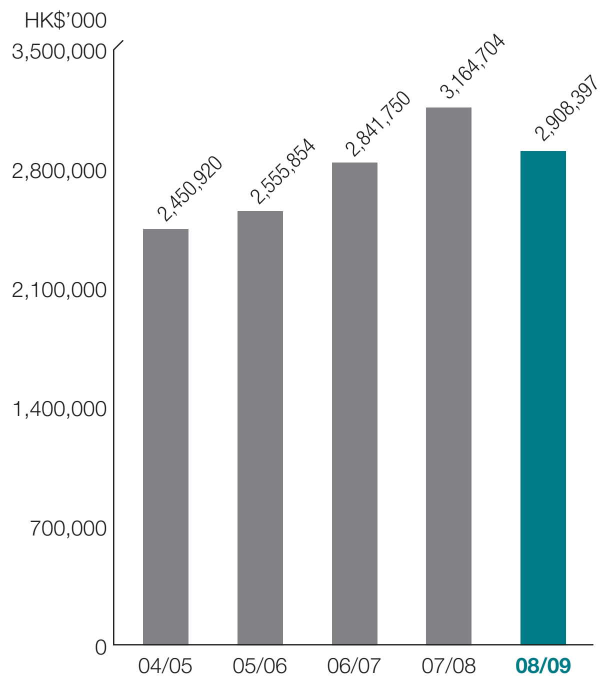
GEARING RATIO



TURNOVER



TOTAL EQUITY



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 expanded 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$1.60 million for the year, which was an 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 field 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 field 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% from 66.9% in 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 deferment 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. While CCN's business has been stable and profitable in the past few years, CCN's capital expenditure requirements have been significant. 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 borrowings to total equity attributable to shareholders of the Company decreased to 13.7%.

As at 31 March 2009, the Group had available banking facilities of HK$77.67 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 charges 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 past few years, 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 field 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 increase its number of subscribers through mergers and acquisitions of other cable TV operators in other regions, which requires considerable funding. In view of this, the management believes that CCN may be required to raise funds from its shareholders in the coming few years. In the event that the Group fails to inject new capital into CCMG, the Group's shareholdings may 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. Given that the mineral resources business is still at a preliminary stage, it is unlikely to generate substantial profits for the Group in the near term.

On the whole, the management anticipates that in light of the unlikeliness of improvement in the general economic conditions in the near future, the principal 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.

Report of the Directors

The directors of Stone Group Holdings Limited (the "Company") and its subsidiaries (the "Group") submit herewith their annual report together with the audited financial statements for the year ended 31 March 2009 ("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 42 to 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 provision of related services, and 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 14 to 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 55% (2008: 62%) and 42% (2008: 23%) 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 2009 are set out in the financial statements on pages 43 to 128.

No interim dividend was paid during the Year (2008: Nil). The Directors do not recommend the payment of a final dividend for the Year (2008: Nil).

SHARE CAPITAL

Details of the Company's share capital are set out in note 31 to the financial statements.

TRANSFER TO RESERVES

Loss attributable to equity shareholders of the Company HK$141,772,000 (2008: profit HK$16,503,000) has been transferred to reserves. Other movements in reserves are set out in note 32 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the Year are set out in note 16 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 March 2009 are set out in notes 26 and 27 to 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 129.

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 2009 set out in note 29 to the financial statements, the Company had no other outstanding options, convertible securities, warrants or other similar rights as at 31 March 2009 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 (Resigned on 21 August 2008)
LIU Zuowei (Appointed on 21 August 2008)

Non-executive director

CHENG Fumin

Independent non-executive directors

NG Ming Wah, Charles
Andrew Y. YAN
LIU Ji (Resigned on 21 August 2008)
LIU Jipeng

In accordance with article 101 of the Company's articles of association, Messrs. SHEN Guojun, SHI Yuzhu, Andrew Y. YAN and LIU Jipeng will retire by rotation from the board at the forthcoming annual general meeting and being eligible 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 directors' 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 agreements at 6 months' written notice. Mr. ZHANG Disheng, the Chief Operating Officer entered into directors' service contract with the Company on 1 March 2008, for a term of 3 years and will continue thereafter until terminated by either party to the agreement at 2 months' written notice.

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

Messrs. NG Ming Wah, Charles, Andrew Y. YAN and LIU Jipeng, the Independent Non-Executive Directors, entered into directors' 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 agreements at 1 month's 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 2009 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 options	Aggregate interests		Approximate shareholding percentage (Note 3)
DUAN Yongji	Personal (Note 1)	140,896,306	15,000,000	155,896,306	(L)	7.76%
SHEN Guojun	Personal (Note 1)	–	4,000,000	4,000,000	(L)	0.19%
CHEN Xiaotao	Personal (Note 1)	–	4,000,000	4,000,000	(L)	0.19%
ZHANG Disheng	Personal (Note 1)	–	6,000,000	6,000,000	(L)	0.29%
SHI Yuzhu	Corporate (Note 2)	55,263,157	5,000,000	60,263,157	(L)	3.00%
NG Ming Wah, Charles	Personal	1,000,000	2,000,000	3,000,000	(L)	0.14%
Andrew Y. YAN	Personal	–	2,000,000	2,000,000	(L)	0.09%
LIU Jipeng	Personal	–	2,000,000	2,000,000	(L)	0.09%
CHENG Fumin	Personal	–	1,000,000	1,000,000	(L)	0.04%

(L) denotes Long Position

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

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.

(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 2009 ("31 March 2009 Issued Share Capital") is 2,007,149,121 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 Shares and Underlying Shares", to the knowledge of the Company, none of the Directors and the chief executives of the Company had any interests or short positions in 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 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 other 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 associates as absolutely determined by the Directors.

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 2009 was 88,050,000 shares of the Company, which represented 4.38% of the issued share capital of the Company at 31 March 2009.

SHARE OPTION SCHEME *(Continued)*

At 31 March 2009, 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 this Company:

		Number of options										
		Outstanding at 1.4.2008	Granted during the Year	Exercised during the Year	Lapsed during the Year	Outstanding at 31.3.2009	Date of grant	Exercisable Period	Exercise price HK$	Closing price immediately preceding the date of grant HK$	Weighted average closing price of shares immediately before exercise date HK$	% of the total issued (Note c)
DUAN Yongji	(Note a)	15,000,000	–	–	–	15,000,000	21-8-2007	21-8-2007 to 20-8-2012	0.714	0.71	N/A	0.74
SHEN Guojun	(Note a)	4,000,000	–	–	–	4,000,000	21-8-2007	21-8-2007 to 20-8-2012	0.714	0.71	N/A	0.19
CHEN Xiaotao	(Note a)	4,000,000	–	–	–	4,000,000	21-8-2007	21-8-2007 to 20-8-2012	0.714	0.71	N/A	0.19
ZHANG Disheng	(Note a)	6,000,000	–	–	–	6,000,000	21-8-2007	21-8-2007 to 20-8-2012	0.714	0.71	N/A	0.29
SHI Yuzhu	(Note a)	5,000,000	–	–	–	5,000,000	21-8-2007	21-8-2007 to 20-8-2012	0.714	0.71	N/A	0.24
LIU Wei	(Note a)	3,000,000	–	–	3,000,000	–	21-8-2007	21-8-2007 to 20-8-2012	0.714	0.71	N/A	–
CHENG Fumin	(Note b)	1,000,000	–	–	–	1,000,000	16-11-2007	16-11-2007 to 15-11-2012	0.852	0.84	N/A	0.04
NG Ming Wah, Charles	(Note b)	2,000,000	–	–	–	2,000,000	16-11-2007	16-11-2007 to 15-11-2012	0.852	0.84	N/A	0.09
Andrew Y. YAN	(Note b)	2,000,000	–	–	–	2,000,000	16-11-2007	16-11-2007 to 15-11-2012	0.852	0.84	N/A	0.09
LIU Ji	(Note b)	2,000,000	–	–	2,000,000	–	16-11-2007	16-11-2007 to 15-11-2012	0.852	0.84	N/A	–
LIU Jipeng	(Note b)	2,000,000	–	–	–	2,000,000	16-11-2007	16-11-2007 to 15-11-2012	0.852	0.84	N/A	0.09
Contracted employees	(Note a)	78,200,000	–	–	1,800,000	76,400,000	21-8-2007	21-8-2007 to 20-8-2012	0.714	0.71	N/A	3.80

SHARE OPTION SCHEME *(Continued)*

Notes:

(a) 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 August 2007 to 20 August 2008;
- (ii) Not more than 75% of options granted exercisable from 21 August 2008 to 20 August 2009; and
- (iii) Free to exercise from 21 August 2009 to 20 August 2012.

(b) 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 November 2007 to 15 November 2008;
- (ii) Not more than 75% of options granted exercisable from 16 November 2008 to 15 November 2009;
- (iii) Free to exercise from 16 November 2009 to 15 November 2012.

(c) 31 March 2009 Issued Share Capital is applied to calculate the relevant percentage.

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

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%

SHARE OPTION SCHEME *(Continued)*

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. The aforesaid agreement was expired on 22 July 2008 and not renewed thereafter.

Save as disclosed in the section entitled "Connected Transactions" below and other related party transactions during the year as set out in note 37 to the financial statements, no other 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 SHARES AND UNDERLYING SHARES

As at 31 March 2009, to the best knowledge of the Directors, the following parties who have interests or short positions in shares or underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO:

Interests in shares and underlying shares of the Company:

Name	Nature of interests	Interest in shares	Interest in underlying shares of equity derivatives of the Company pursuant to shares options	Aggregate interests		Approximate shareholding percentage (Note 5)
Beijing Stone Investment Company Limited	Corporate (Note 1)	407,110,053	–	407,110,053	(L)	20.28
Beijing Stone Investment Company Limited Employees' Shareholding Society	Corporate (Note 2)	407,110,053	–	407,110,053	(L)	20.28
Stone Jiu Guang New Technology Development (Holdings) Co. Ltd.	Corporate (Note 2)	407,110,053	–	407,110,053	(L)	20.28
Shenyang Heguang Group Co. Ltd.	Corporate (Note 2)	407,110,053	–	407,110,053	(L)	20.28
SGC	Corporate (Note 2)	500,546,466	–	500,546,466	(L)	24.93
深圳發展銀行深圳人民橋支行	Corporate (Note 3)	310,000,000	–	310,000,000	(L)	15.44
DUAN Yongji	Personal (Note 4)	140,896,306	15,000,000	155,896,306	(L)	7.76

(L) denotes Long Position

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN 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 DUAN Yongji is held by him as beneficial owner. Please also refer to Note 1 on page 22.

5. 31 March 2009 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 2009.

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

The Service Agreement was expired on 22 July 2008 and not renewed thereafter.

CONNECTED TRANSACTIONS *(Continued)*

(c) On 18 June 2007, the Shareholders' Agreement was entered into among, inter alia, 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. 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 37 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 have advised the following:

(a) the Transactions had been approved by the Directors;

(b) nothing came to attention of the auditors of the Company that caused them to believe that the Transactions were not entered into in accordance with the terms of the each of the I/E Agreement and the Service Agreement; and

(c) the relevant cap amounts, where applicable, have not been exceeded during the financial year ended 31 March 2009.

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 31 to 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 130 of the annual report.

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in note 13 to 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 three Independent Non-executive Directors, namely, Messrs. NG Ming Wah, Charles, Andrew Y. YAN 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.

POST BALANCE SHEET EVENTS

Details are set out in note 41 to the financial statements.

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, 16 June 2009

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. DUAN Yongji, aged 63, 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（"SINA"）, a company listed on NASDAQ, United States of America.

Mr. SHI Yuzhu, aged 47, 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 74, 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.

EXECUTIVE DIRECTORS *(Continued)*

Mr. ZHANG Disheng, aged 53, 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.

Mr. CHEN Xiaotao, aged 51, 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 the National Association of Securities Dealers Automated Quotation in the United States of America.

Mr. LIU Zuowei, aged 41, appointed in August 2008, is the Executive Director of the Company. He is also the General Manager of Shanghai GoldPartner Biotech Co. Ltd. ("Shanghai GoldPartner"), 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.

NON-EXECUTIVE DIRECTOR

Mr. CHENG Fumin, aged 64, 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 and he is an independent director of Hunan Chenzhou Mining Group Co., Ltd, a company listed on Shenzhen Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. NG Ming Wah, Charles, aged 59, 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 Electronic and Electrical 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. He is a director of Somerley Limited, the principal business of which is the provision of corporate financial advisory services. Mr. NG has over 30 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.

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 SAIF Partners (SAIF). Mr. YAN received a Master's 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's 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. Mr. YAN was voted by the China Venture Capital Association as "The Venture Investor of the Year" in both 2004 and 2007. He was also selected as one of the "Fifty Finest Private Equity Investors in the World" by the Private Equity International in 2007 and "No.1 Venture Capitalist of the Year" by Forbes (China) in 2008. 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. It was voted as "VC Firm of the Year" in 2004 and 2007. It was also named as "The Best Performing Fund in Asia" by Private Equity International in 2005, 2006 and 2008. Currently, Mr. YAN is an Independent Non-executive Director of China Resources Land Limited (Stock Code: 1109) and Fosun International Limited (Stock Code: 656). He is the Non-executive Director of Digital China Holdings Ltd (Stock Code: 861). All 3 companies are listed on The Stock Exchange of Hong Kong Limited. He is also the Director of Acorn International Inc., Giant Interactive Group Inc. (both are listed on The New York Stock Exchange), ATA Inc. (listed on the NASDAQ, USA) and Eternal Asia Supply Chain Management Ltd (listed on the Shenzhen Stock Exchange).

Mr. LIU Jipeng, aged 53, 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 58, 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 51, 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 50, 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.

Ms. CHENG Chen, aged 34, is the Deputy General Manager of the Business Department of Shanghai GoldPartner. Ms. CHENG graduated from International Relations Institute of the People's Liberation Army, majoring in English, and obtained 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, GoldPartner and Golden Wine, three of the principal products of Shanghai GoldPartner.

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 2009, 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 of the Company ("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.

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 10 Directors, including 6 Executive Directors (including Mr. DUAN Yongji ("Mr. DUAN") who is the Chairman of the Board); 1 Non-Executive Director ("NED"); and 3 Independent Non-Executive Directors ("INEDs"). The NED and all INEDs 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") and LIU Jipeng, confirming their independence pursuant to Rule 3.13 of the Listing Rules.

BOARD OF DIRECTORS *(Continued)*

For the year ended 31 March 2009, other than resolutions passed by means of resolutions in writing of all Directors, five (5) 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 2009 respectively:

	Number of meetings attended/ Number of meetings held for the year ended 31 March 2009			
Designation and name	**Full Board**	**Audit Committee**	**Remuneration Committee**	**Investment Committee**
Executive Director and Chairman and Chief Executive Officer				
DUAN Yongji	4/5	N/A*	N/A*	1/1
Executive Directors				
SHI Yuzhu	2/5	N/A*	N/A*	0/1
SHEN Guojun	5/5	N/A*	N/A*	N/A*
ZHANG Disheng	5/5	N/A*	0/0	1/1
CHEN Xiaotao	4/5	N/A*	N/A*	1/1
LIU Wei (Resigned on 21 August 2008)	2/5	N/A*	0/0	N/A*
LIU Zuowei (Appointed on 21 August 2008)	3/5	N/A*	N/A*	N/A*
Non-Executive Director				
Cheng Fumin	4/5	N/A*	N/A*	N/A*
Independent Non-executive Directors				
NG Ming Wah, Charles	5/5	3/3	0/0	N/A*
Andrew Y. YAN	2/5	1/3	0/0	0/1
LIU Ji (Resigned on 21 August 2008)	0/5	0/3	N/A*	N/A*
LIU Jipeng	5/5	3/3	N/A*	N/A*

* "N/A": Not applicable

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. The Board has 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.

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. However, if the Board does find a suitable candidate for the position of CEO, the above roles will be separately discharged by different persons at that time.

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 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 2009 are as follows:

a. reviewed and submitted the consolidated financial statements of the Group for the year ended 31 March 2009 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 2008 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 and Mr. ZHANG Disheng ("Mr. ZHANG"). Mr. YAN is the Chairman of the Remuneration Committee.

During the year ended 31 March 2009, 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 over HK$30 million.

The Investment Committee currently comprises Mr. DUAN, Mr. SHI, Mr. YAN, Mr. ZHANG and Mr. CHEN Xiaotao. Mr. DUAN is the Chairman of the Investment Committee. During the year ended 31 March 2009, 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.

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 2009, 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 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

The fees in relation to the audit and non-audit services for the year ended 31 March 2009 provided by KPMG, the external auditors of the Company, amounted to approximately HK$2,967,000 (2008: HK$3,220,000) and HK$545,000 (2008: HK$550,000) respectively.

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 2009 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, if necessary, the Company will arrange to 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

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 43 to 128, which comprise the consolidated and company balance sheets as at 31 March 2009, 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 2009 and of the Group's loss 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

16 June 2009

Consolidated Income Statement

for the year ended 31 March 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Turnover	2 & 14	**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	3	**41,809**	27,589
Other net (loss)/income	4	**(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	15	**1,042**	14,462
Non-operating income	5	**117,606**	102,159
Finance costs	6(a)	**(31,610)**	(34,462)
Share of profits less losses of associates		**(128,564)**	(14,696)
(Loss)/profit before taxation	6	**(47,716)**	143,615
Income tax	7(a)	**(12,269)**	(80,821)
(Loss)/profit for the year		**(59,985)**	62,794
Attributable to:			
Equity shareholders of the Company	10 & 32(a)	**(141,772)**	16,503
Minority interests	32(a)	**81,787**	46,291
(Loss)/profit for the year	32(a)	**(59,985)**	62,794
Dividends payable to equity shareholders of the Company attributable to the year:	11(a)		
Final dividend proposed after the balance sheet date		**–**	–
(Loss)/earnings per share	12		
Basic		**(7.13) cents**	0.92 cent
Diluted		**(7.13) cents**	0.87 cent

The notes on pages 53 to 128 form part of these financial statements.

Consolidated Balance Sheet

as at 31 March 2009
(Expressed in Hong Kong dollars)

		2009		2008	
	Note	**$'000**	**$'000**	$'000	$'000
Non-current assets					
Fixed assets					
– Investment properties	15		**93,039**		112,341
– Property, plant and equipment	16(a)		**227,753**		162,101
			320,792		274,442
Goodwill	17		**1,136,614**		1,136,614
Other intangible assets	18		**32,850**		34,294
Interest in associates	20		**439,403**		585,159
Other financial assets	21		**52,986**		55,590
Deferred tax assets	33(a)		**124,041**		14,647
			2,106,686		2,100,746
Current assets					
Trading securities	22	**3,299**		958,448	
Available-for-sale investments	21	**22,114**		–	
Inventories	23	**185,891**		190,905	
Trade and other receivables	24	**745,621**		753,566	
Cash and cash equivalents	25	**1,019,105**		553,022	
		1,976,030		2,455,941	
Current liabilities					
Bank loans	26	**54,434**		151,238	
Other loan	27	**252,000**		311,240	
Trade and other payables	28	**599,538**		376,351	
Convertible notes	29	**56,963**		318,184	
Current taxation	7(b)	**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

as at 31 March 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2009 $'000	2008 $'000	2008 $'000
Non-current liabilities					
Bank loans	26		**–**		1,875
Convertible notes	29		**–**		86,095
Deferred tax liabilities	33(a)		**7,979**		3,820
			7,979		91,790
NET ASSETS			**2,908,397**		3,164,704
CAPITAL AND RESERVES	32(a)				
Share capital	31		**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

Approved and authorised for issue by the board of directors on 16 June 2009.

DUAN Yongji
Director

ZHANG Disheng
Director

The notes on pages 53 to 128 form part of these financial statements.

Balance Sheet

as at 31 March 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2009 $'000	2008 $'000	2008 $'000
Non-current assets					
Fixed assets					
– Investment properties	15		**5,200**		5,170
– Property, plant and equipment	16(b)		**2,655**		531
			7,855		5,701
Interest in subsidiaries	19		**2,317,437**		2,220,639
Interest in associates	20		**102,227**		102,227
Other financial assets	21		**51,879**		51,769
			2,479,398		2,380,336
Current assets					
Trading securities	22	**2,930**		14,181	
Inventories	23	**15,470**		15,470	
Trade and other receivables	24	**20,448**		18,713	
Cash and cash equivalents	25	**191,463**		56,216	
		230,311		104,580	
Current liabilities					
Other loan	27	**252,000**		–	
Trade and other payables	28	**8,196**		13,072	
Convertible notes	29	**56,963**		318,184	
		317,159		331,256	
Net current liabilities			**(86,848)**		(226,676)
Total assets less current liabilities			**2,392,550**		2,153,660

as at 31 March 2009
(Expressed in Hong Kong dollars)

		2009		2008	
	Note	$'000	$'000	$'000	$'000
Non-current liability					
Convertible notes	29		–		86,095
NET ASSETS			**2,392,550**		2,067,565
CAPITAL AND RESERVES	32(b)				
Share capital	31		**200,715**		190,929
Reserves			**2,191,835**		1,876,636
TOTAL EQUITY			**2,392,550**		2,067,565

Approved and authorised for issue by the board of directors on 16 June 2009.

DUAN Yongji
Director

ZHANG Disheng
Director

The notes on pages 53 to 128 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2009 $'000	2008 $'000	2008 $'000
Total equity at 1 April 2008/2007			**3,164,704**		2,841,750
Net income recognised directly in equity:					
Exchange differences on translation of the financial statements of foreign entities	32(a)		**25,855**		105,739
Capital reserve on shares repurchased	32(a)		**1,175**		80
Changes in fair value of available-for-sale securities	32(a)		**(791)**		(120)
Surplus on revaluation of land and buildings held for own use, net of deferred tax	32(a)		**5,541**		–
Release from capital reserve on lapse of share options	32(a)		**2,033**		–
Release from other reserve on transfer/redemption of convertible notes upon maturity	32(a)		**62,473**		–
Net income directly recognised in equity			**96,286**		105,699
Transfer from equity:					
Transfer to profit or loss on impairment of available-for-sale securities	32(a)		**791**		52
			97,077		105,751
Net (loss)/profit for the year	32(a)		**(59,985)**		62,794
Total recognised income and expense for the year			**37,092**		168,545
Attributable to:					
– Equity shareholders of the Company		**(54,788)**		111,457	
– Minority interests		**91,880**		57,088	
		37,092		168,545	

	Note	**2009** $'000	**2009** $'000	2008 $'000	2008 $'000
Dividend approved and paid during the year	32(a)		**–**		(23,192)
Dividends paid to minority shareholders	32(a)		**(310,353)**		(57,162)
Lapse of share options	32(a)		**(2,033)**		–
Transfer/redemption of convertible notes upon maturity	32(a)		**(62,473)**		–
Movements in equity arising from capital transactions:					
Movements in share capital and share premium					
– shares issued upon conversion of convertible notes	32(a)	**56,647**		168,299	
– shares issued under share option scheme	32(a)	**–**		39,905	
– equity settled share-based transactions	32(a)	**8,807**		27,984	
– shares repurchased					
– par value	31	**(1,175)**		(80)	
– premium paid	32(a)	**(2,438)**		(597)	
		61,841		235,511	
Share of minority interest in additional interests in a subsidiary	32(a)	**–**		(748)	
Share of minority interest on acquisition of a subsidiary	32(a)	**19,619**		–	
			81,460		234,763
Total equity at 31 March			**2,908,397**		3,164,704

The notes on pages 53 to 128 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 March 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2009 $'000	2008 $'000	2008 $'000
Operating activities					
(Loss)/profit before taxation			**(47,716)**		143,615
Adjustments for:					
– Interest charges			**29,176**		32,137
– Interest income			**(7,499)**		(5,818)
– Dividend income			**(411)**		(650)
– Share of profits less losses of associates			**128,564**		14,696
– Amortisation and depreciation			**22,018**		18,162
– Loss on deemed disposal of interest in an associate			**–**		11,373
– Excess of interest in fair values of the acquiree's identifiable net assets over cost of acquisition			**–**		(1,915)
– Gain on disposal of fixed assets			**(55)**		(2,592)
– Net valuation gains on investment properties			**(1,042)**		(14,462)
– Net realised/unrealised gain on trading securities			**(135,201)**		(114,683)
– Impairment loss on available-for-sale securities			**791**		52
– Reversal of impairment loss on properties			**–**		(8,301)
– Provision for impairment losses on other receivables			**16,259**		11,312
– Equity settled share-based payment expenses			**8,807**		27,984
– Foreign exchange (gain)/loss			**(2,271)**		2,032
Operating profit before changes in working capital			**11,420**		112,942
Decrease in amounts due from/to associates (net)		**29,027**		11,243	
Decrease in inventories		**35,148**		18,287	
Increase in debtors, prepayments and other receivables		**(12,980)**		(286,557)	
Decrease in gross amount due from customers for contract work		**–**		1,271	
(Increase)/decrease in amounts due from related companies		**(703)**		8,552	
Increase in creditors, accruals and other payables		**189,370**		71,042	
Increase/(decrease) in amounts due to related companies		**285**		(5,796)	
			240,147		(181,958)
Cash generated from/(used in) operations			**251,567**		(69,016)

	Note	2009 $'000	2009 $'000	2008 $'000	2008 $'000
PRC tax paid		**(62,292)**		(49,653)	
Interest received		**7,499**		5,818	
			(54,793)		(43,835)
Net cash generated from/(used in) operating activities			**196,774**		(112,851)
Investing activities					
Purchase of fixed assets		**(53,373)**		(25,348)	
Proceeds from sale of fixed assets		**146**		11,659	
Purchase of investments		**(22,400)**		(54,824)	
Proceeds from disposal of investments		**1,117,920**		78,045	
Acquisition of additional equity interest in associates		**(1,098)**		(119,287)	
Acquisition of a subsidiary	(a)	**7,753**		–	
Dividends received		**411**		650	
Net cash generated from/(used in) investing activities			**1,049,359**		(109,105)
Financing activities					
Interest paid		**(19,799)**		(19,825)	
Dividends paid		**–**		(23,192)	
Dividends paid to minority shareholders		**(310,353)**		(57,162)	
Expenses paid in connection with shares issued under share option scheme and conversion of convertible notes		**(37)**		(176)	
Redemption of convertible notes at maturity		**(48,008)**		–	
Shares repurchased		**(2,438)**		(597)	
Proceeds from shares issued under share option scheme		**–**		39,905	
New other loan		**–**		194,525	
New bank loans		**402,961**		243,122	
Repayment of other loan		**(311,240)**		–	
Repayment of bank loans		**(501,640)**		(111,545)	
Net cash (used in)/generated from financing activities			**(790,554)**		265,055
Net increase in cash and cash equivalents			**455,579**		43,099
Effect on foreign exchange rate changes			**10,504**		32,721
Cash and cash equivalents at 1 April 2008/2007			**553,022**		477,202
Cash and cash equivalents at 31 March	25		**1,019,105**		553,022

Notes to the consolidated cash flow statement

(a) Acquisition of a subsidiary

During the year ended 31 March 2009, the Group acquired an additional 4.29% and 2.70% equity interest in China Huaxu Golden Card Company Limited ("China Huaxu Golden Card") at consideration of $1,098,000 and $548,000 respectively. The Group's equity interest in China Huaxu Golden Card increased from 44.41% at 31 March 2008 to 51.4% at 31 March 2009.

	2009	2008
	$'000	$'000
Net assets acquired		
Property, plant and equipment	**980**	–
Inventories	**37,089**	–
Trade and other receivables	**9,987**	–
Cash and cash equivalents	**8,301**	–
Trade and other payables	**(15,990)**	–
Minority shareholders' interests	**(19,619)**	–
	20,748	–
Satisfied by:		
Interest in associates	**20,200**	–
Cash consideration	**548**	–
	20,748	–

Analysis of the net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary

	2009	2008
	$'000	$'000
Cash consideration paid	**(548)**	–
Cash and cash equivalents acquired	**8,301**	–
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	**7,753**	–

The notes on pages 53 to 128 form part of these financial statements.

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 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 (see note 40).

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2009 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 39.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 meet 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).

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

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 arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination 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 and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 1(k)).

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.

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

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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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: 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.

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 investments in associates recognised using the equity method (see note 1(d)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 1(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(k)(ii).

- 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

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

– For available-for-sale securities, the cumulative loss that has been recognised in the investment revaluation reserve is reclassified to 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.

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

– goodwill.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

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 fair value less costs to sell 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.

– *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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 resulting 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).

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 the relevant amounts of tax are recognised directly 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. 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.

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 relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

Borrowing costs that 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 are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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;

(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 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 42 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:

	2009	2008
	$'000	$'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

3 OTHER REVENUE

	2009	2008
	$'000	$'000
Government subsidies (note)	**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

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

4 OTHER NET (LOSS)/INCOME

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

5 NON-OPERATING INCOME

	2009 $'000	2008 $'000
Net realised/unrealised gain on trading securities	**135,201**	114,683
Impairment loss on available-for-sale securities	**(791)**	(52)
Loss on deemed disposal of interest in an associate (note 20(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
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

6 (LOSS)/PROFIT BEFORE TAXATION

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

	2009 $'000	2008 $'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
(b) Other items:		
Cost of inventories	**1,856,763**	1,925,395
Staff costs (including retirement costs of $8,053,000 (2008: $6,122,000) and equity settled share-based payment expenses of $8,807,000 (2008: $27,984,000))	**334,839**	256,147
Amortisation of other intangible assets	**2,203**	2,155
Research and development costs	**1,706**	3,106
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)
Auditors' remuneration		
– audit services	**2,967**	3,220
– other services	**545**	550
Operating lease charges: minimum lease payments for land and buildings	**135,227**	83,977

7 INCOME TAX

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

	2009 $'000	2008 $'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 (note 33(a))	(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.

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 corporate 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.

7 INCOME TAX *(Continued)*

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

Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2009 $'000	2008 $'000
(Loss)/profit before taxation	(47,716)	143,615
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	(18,628)	40,371
Tax effect of non-deductible expenses	50,971	37,764
Tax effect of non-taxable revenue	(30,649)	(20,397)
Tax effect of unused tax losses not recognised	10,575	18,693
Effect of change in tax rate on deferred tax balances	–	4,390
Actual tax expense	12,269	80,821

(b) Current taxation in the balance sheets represents:

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Provision for PRC corporate income tax	203,405	143,180	–	–

8 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	2009 Total $'000
Executive directors						
Duan Yongji	–	1,985	–	1,985	1,037	3,022
Shi Yuzhu	–	480	–	480	345	825
Shen Guojun	–	881	–	881	276	1,157
Zhang Disheng	–	1,133	27	1,160	416	1,576
Chen Xiaotao	–	–	–	–	276	276
Liu Wei (Resigned on 21 August 2008)	–	187	–	187	–	187
Liu Zuowei (Appointed on 21 August 2008)	–	2,477	11	2,488	–	2,488
Non-executive director						
Cheng Fumin	250	–	–	250	94	344
Independent non-executive directors						
Ng Ming Wah, Charles	280	–	–	280	188	468
Andrew Y Yan	280	–	–	280	188	468
Liu Ji (Resigned on 21 August 2008)	98	–	–	98	–	98
Liu Jipeng	250	–	–	250	188	438
	1,158	7,143	38	8,339	3,008	11,347

8 DIRECTORS' REMUNERATION *(Continued)*

	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

During the year ended 31 March 2009, two directors agreed to waive part of their emoluments totalling $16,258,000 (2008: $11,477,000) 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 30.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals with the highest emoluments comprise three (2008: five) directors whose emoluments are disclosed in note 8 and two (2008: nil) employees. Details of the emoluments in respect of these employees are as follows:

	2009 $'000	2008 $'000
Salary, housing and other emoluments	1,530	–
Discretionary bonuses	1,036	–
Share-based payments	318	–
Retirement scheme contributions	33	–
	2,917	–

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

	2009 Number of employees	2008 Number of employees
$0 – $1,000,000	–	–
$1,000,001 – $1,500,000	1	–
$1,500,001 – $2,000,000	1	–

10 (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss for the year attributable to equity shareholders of the Company includes a profit of $261,969,000 (2008: $35,888,000) which has been dealt with in the financial statements of the Company.

11 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

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

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2009	2008
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of $Nil per share (2008: 1.3 cents per share)	**–**	23,192

12 (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 $141,772,000 (2008: profit of $16,503,000) and the weighted average number of ordinary shares of approximately 1,989,024,000 shares (2008: 1,802,662,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2009 Number of shares '000	2008 Number of shares '000
Issued ordinary shares at 1 April 2008/2007	**1,909,281**	1,559,930
Effect of conversion of convertible notes	**84,590**	211,728
Effect of exercise of share options	**–**	31,186
Effect of repurchase of own shares	**(4,847)**	(182)
Weighted average number of ordinary shares at 31 March	**1,989,024**	1,802,662

(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 is based on the profit attributable to the equity shareholders of the Company of $16,503,000 and the weighted average number of ordinary shares of approximately 1,889,663,000 shares calculated as follows:

Weighted average number of ordinary shares (diluted)

	2009 Number of shares '000	2008 Number of shares '000
Weighted average number of ordinary shares at 31 March	**1,989,024**	1,802,662
Effect of conversion of convertible notes	**25,126**	56,296
Effect of exercise of share options	**–**	30,705
Weighted average number of ordinary shares (diluted) at 31 March	**2,014,150**	1,889,663

13 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 (2008: $201,000).

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 $7,852,000 (2008: $5,921,000).

14 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.

14 SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

	Healthcare		Electronics		Media-related business		Unallocated		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'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

14 SEGMENT REPORTING *(Continued)*

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 PRC and less than 10 per cent of the Group's turnover and results were derived from activities conducted outside the PRC.

15 INVESTMENT PROPERTIES

	Group		Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Valuation:				
At 1 April 2008/2007	**112,341**	96,295	**5,170**	4,500
Exchange adjustments	**1,445**	5,058	**–**	–
Disposal during the year	**–**	(3,474)	**–**	–
Surplus on revaluation	**8,430**	14,462	**30**	670
Transfer from fixed assets (note 16(a))	**9,823**	–	**–**	–
Transfer to fixed assets (note 16(a))	**(39,000)**	–	**–**	–
At 31 March	**93,039**	112,341	**5,200**	5,170

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

	Group		Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Held in Hong Kong under long-term leases	**2,500**	2,900	**–**	–
Held outside Hong Kong in the PRC under medium-term leases	**90,539**	109,441	**5,200**	5,170
	93,039	112,341	**5,200**	5,170

15 INVESTMENT PROPERTIES *(Continued)*

(b) The investment properties held in Hong Kong and outside Hong Kong in the PRC were revalued at 31 March 2009 on a market value basis in their existing states by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net 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) During the year, land and buildings held for own use of $9,823,000 were transferred to investment properties. Upon the transfer, an increase in fair value of $7,388,000 was recorded and dealt with in the property revaluation reserve.

(d) The gross carrying amounts of investment properties of the Group held for use in operating leases were $93,039,000 (2008: $112,341,000).

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.

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

	Group		Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Within 1 year	**5,584**	3,613	**362**	490
After 1 year but within 5 years	**7,269**	481	**12**	365
After 5 years	**3,175**	–	**–**	–
	16,028	4,094	**374**	855

16 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	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 2007	17,407	135,662	12,884	37,614	38,408	241,975
Additions	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
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

16 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 2008	27,292	134,780	17,172	37,313	43,564	260,121
Transfer from investment properties (note 15)	–	39,000	–	–	–	39,000
Additions through acquisition of a subsidiary	–	–	–	3,238	–	3,238
Other additions	12,561	1,714	16,935	11,200	10,963	53,373
Transfer to investment properties (note 15)	–	(24,952)	–	–	–	(24,952)
Disposals	–	(90)	–	(172)	(2,000)	(2,262)
Exchange adjustments	604	1,262	213	771	890	3,740
At 31 March 2009	40,457	151,714	34,320	52,350	53,417	332,258
Representing:						
Cost	40,457	151,021	34,320	52,350	53,417	331,565
Valuation in 1992	–	693	–	–	–	693
	40,457	151,714	34,320	52,350	53,417	332,258

16 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 2008	–	42,053	7,808	19,318	28,841	98,020
Charge for the year	–	3,884	3,696	5,823	6,412	19,815
Transfer to investment properties (note 15)	–	(15,129)	–	–	–	(15,129)
Additions through acquisition of a subsidiary		–	–	2,258	–	2,258
Written back on disposals	–	(50)	–	(121)	(2,000)	(2,171)
Exchange adjustments	–	664	106	378	564	1,712
At 31 March 2009	–	31,422	11,610	27,656	33,817	104,505
Net book value:						
At 31 March 2009	40,457	120,292	22,710	24,694	19,600	227,753

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 31 March 2008 and $8,301,000 of the recognised impairment loss was reversed in last year (included in "Non-operating income"). The estimates of recoverable amount were determined on a 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.

16 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(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

16 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) Company *(Continued)*

	Furniture, fixtures and fittings $'000	Motor vehicles $'000	Total $'000
Cost or valuation:			
At 1 April 2008	3,534	3,321	6,855
Additions	2,410	–	2,410
At 31 March 2009	5,944	3,321	9,265
Accumulated amortisation and depreciation:			
At 1 April 2008	3,003	3,321	6,324
Charge for the year	286	–	286
At 31 March 2009	3,289	3,321	6,610
Net book value:			
At 31 March 2009	2,655	–	2,655

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

	Group 2009 $'000	2008 $'000
Held in Hong Kong under long-term leases	**47,084**	47,084
Held outside Hong Kong in the PRC under medium-term leases	**140,140**	110,061
Held outside Hong Kong in the PRC under short-term leases	**4,947**	4,927
	192,171	162,072

16 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(d) Land and buildings held by a subsidiary with carrying value of $36,913,000 was pledged as security for banking facilities amounting to $38,000,000, which were utilised to the extent of $22,686,000 at 31 March 2008 (note 26). No land and buildings were pledged as security for banking facility at 31 March 2009.

17 GOODWILL

	Group
	$'000
Cost:	
At 1 April 2007/2008 and 31 March 2008/2009	1,140,132
Accumulated impairment losses:	
At 1 April 2007/2008 and 31 March 2008/2009 (Note)	3,518
Carrying amount:	
At 31 March 2008 and 2009	1,136,614

Note:

Impairment test for cash-generating unit containing goodwill

Goodwill at the balance sheet date primarily related to the distribution network of "Naobaijin", "Golden Wine" 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 2009 and approved budget for the year ending 31 March 2010. In view of the introduction of "Golden Wine" during the year, turnover for the years ending 31 March 2011, 2012, 2013 and 2014 are extrapolated using 31 per cent, 5 per cent, 6 per cent and 6 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 rates of 16.73 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.

18 OTHER INTANGIBLE ASSETS

Trademark and patent rights

	Group	
	2009	2008
	$'000	$'000
Cost:		
At 1 April 2008/2007	**43,091**	39,401
Exchange adjustments	**953**	3,690
At 31 March	**44,044**	43,091
Accumulated amortisation and impairment losses:		
At 1 April 2008/2007	**8,797**	6,073
Amortisation for the year	**2,203**	2,155
Exchange adjustments	**194**	569
At 31 March	**11,194**	8,797
Carrying amount:		
At 31 March	**32,850**	34,294

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

19 INTEREST IN SUBSIDIARIES

	Company	
	2009	2008
	$'000	$'000
Unlisted investments, at cost	**288,424**	287,137
Amounts due from subsidiaries (Note)	**2,234,768**	2,207,304
Amounts due to subsidiaries (Note)	**(2,257)**	(70,304)
	2,520,935	2,424,137
Less: Impairment loss	**(203,498)**	(203,498)
	2,317,437	2,220,639

Note: All the amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayments except for an amount of $2,043,000 due to a subsidiary at 31 March 2008 which was interest-bearing at London Interbank Offered Rate ("LIBOR") plus 1% per annum.

Details of the principal subsidiaries are set out in note 42 to the financial statements.

20 INTEREST IN ASSOCIATES

	Group		Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Unlisted investments, at cost	**–**	–	**102,227**	102,227
Share of net assets	**448,734**	527,444	**–**	–
Goodwill (Note (b))	**63,132**	63,132	**–**	–
	511,866	590,576	**102,227**	102,227
Less: Impairment loss	**(72,463)**	(5,417)	**–**	–
	439,403	585,159	**102,227**	102,227

20 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 prior year accordingly (note 5).

(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 $75,653,000. The goodwill was reduced to $63,132,000 as at 31 March 2008 after receipt of a compensation from the vendor for Cayman MTY's failure in achieving certain predetermined guaranteed profit pursuant to the sale and purchase agreement.

Due to the recent financial turmoil, the market of Cayman MTY's high value consumer products such as GPS navigators, mobile communication service and telematics service shrank was adversely affected, the operating results of Cayman MTY and its subsidiaries ("MTY Group") for the year were significantly below that of the approved budget. In this connection, after consideration of the market demands and financial viability of the MTY Group's business in the foreseeable future, the management has assessed the recoverable amount of the interest in MTY Group and considered that the Group's interest in MTY Group of $67,046,000 is fully impaired. Accordingly, an impairment of the same amount has been recognised and included in "Share of profits less losses of associates" in the consolidated income statement for the year.

(c) Details of the principal associates are set out in note 43 to the financial statements.

20 INTEREST IN ASSOCIATES *(Continued)*

(d) Summary of financial information on associates:

	Assets $'000	Liabilities $'000	Equity $'000	Revenue $'000	Loss $'000
2009					
100 percent	**1,460,065**	**(285,206)**	**1,174,859**	**139,956**	**(261,300)**
Group's effective interest	**578,469**	**(129,735)**	**448,734**	**55,909**	**(128,564)**
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)

21 OTHER FINANCIAL ASSETS

	Group		Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Available-for-sale investments				
Listed in Hong Kong	**844**	1,635	**844**	1,635
Unlisted	**74,256**	53,955	**51,035**	50,134
	75,100	55,590	**51,879**	51,769
Analysis				
Current	**22,114**	–	**–**	–
Non-current	**52,986**	55,590	**51,879**	51,769
	75,100	55,590	**51,879**	51,769
Market value of listed investments	**844**	1,635	**844**	1,635
Fair value of individually impaired available-for-sale investments	**844**	1,635	**844**	1,635

21 OTHER FINANCIAL ASSETS *(Continued)*

As at 31 March 2009, the Group's and the Company's listed available-for-sale investments 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 5).

22 TRADING SECURITIES

	Group		Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Equity securities, at market value				
Listed in Hong Kong	**3,299**	14,736	**2,930**	14,181
Listed outside Hong Kong	**–**	943,712	**–**	–
	3,299	958,448	**2,930**	14,181

During the year, the Group has disposed of approximately 2,500,000 ordinary shares of SINA Corporation with a total sales proceed of $864 million. The disposed shares had a total carrying value of $686 million as at 31 March 2008.

23 INVENTORIES

	Group		Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Trading and manufacturing				
Raw materials	**14,785**	14,141	**–**	–
Work in progress	**6,511**	1,861	**–**	–
Finished goods	**149,125**	159,433	**–**	–
	170,421	175,435	**–**	–
Property development				
Properties held for sale	**15,470**	15,470	**15,470**	15,470
	185,891	190,905	**15,470**	15,470

The amount of trading and manufacturing inventories carried at net realisable value is $36,029,000 (2008: $23,909,000).

24 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Debtors, prepayments and other receivables	**659,017**	685,384	**4,508**	6,440
Amounts due from associates	**72,944**	58,874	**–**	–
Amounts due from related companies	**10,218**	9,308	**12,498**	12,273
Derivative financial instruments	**3,442**	–	**3,442**	–
	745,621	753,566	**20,448**	18,713

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 34(a).

24 TRADE AND OTHER RECEIVABLES *(Continued)*

(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	
	2009	2008
	$'000	$'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

(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 losses is written off against trade debtors and bills receivable directly (see note 1(k)(i)).

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

	Group		Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
At 1 April 2008/2007	**110,982**	107,370	**–**	–
Exchange adjustments	**2,052**	8,538	**–**	–
Impairment loss recognised	**5,448**	9,170	**–**	–
Uncollectible amounts written off	**–**	(14,096)	**–**	–
At 31 March	**118,482**	110,982	**–**	–

At 31 March 2009, the Group's and the Company's trade debtors and bills receivable of $131,987,000 (2008: $124,028,000) and $Nil (2008: $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 $118,482,000 (2008: $110,982,000) and $Nil (2008: $Nil) respectively were recognised. The Group does not hold any collateral over these balances.

24 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	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Neither past due nor impaired	**274,088**	434,046	**–**	–
Due within 6 months	**146,307**	39,431	**–**	–
Due over 6 months but within 12 months	**9,517**	12,293	**–**	–
Due over 12 months but within 24 months	**20,809**	22,411	**–**	–
	176,633	74,135	**–**	–
	450,721	508,181	**–**	–

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.

25 CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Deposits with banks and other financial institutions	**173,122**	85,177	**125,067**	17,497
Cash at bank and in hand	**845,983**	467,845	**66,396**	38,719
Cash and cash equivalents in the balance sheets and consolidated cash flow statement	**1,019,105**	553,022	**191,463**	56,216

26 BANK LOANS

At 31 March 2008 and 2009, the bank loans were repayable as follows:

	Group	
	2009	2008
	$'000	$'000
Within 1 year	**54,434**	151,238
After 1 year but within 2 years	**–**	1,875
	54,434	153,113

At 31 March 2008, the banking facilities of certain subsidiaries of the Group were secured by mortgages over land and buildings with an aggregate carrying value of $36,913,000 (note 16(d)). At 31 March 2008, such banking facilities amounting to $38,000,000, were utilised to the extent of $22,686,000.

27 OTHER LOAN

	Group		Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Balance at 31 March	**252,000**	311,240	**252,000**	–

At 31 March 2009, the other loan is reclassified from "Convertible notes" upon expiry of the attached option (note 29(f)). On 17 May 2009, the Company entered into an Exchange Agreement with the original convertible note holder, Ready Finance Limited. Upon signing the Exchange Agreement, this loan was changed to an interest-bearing loan at a rate of Hong Kong Interbank Offered Rate ("HIBOR") plus 2.5% per annum and will mature on 16 February 2010.

At 31 March 2008, the other loan was 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). This loan was interest-bearing at a rate of LIBOR plus 0.5% per annum and was fully repaid during the year.

28 TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Creditors, accruals and other payables	**595,104**	372,292	**8,097**	12,973
Amounts due to related companies	**4,434**	4,059	**99**	99
	599,538	376,351	**8,196**	13,072

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:

	Group	
	2009	2008
	$'000	$'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

29 CONVERTIBLE NOTES

	Group and Company	
	2009	2008
	$'000	$'000
Balance at 1 April 2008/2007	**404,279**	560,431
Conversion during the year	**(56,685)**	(168,464)
Effective interest for the year	**9,377**	12,312
Redemption at maturity	**(48,008)**	–
Transfer to other loan at maturity	**(252,000)**	–
Balance at 31 March	**56,963**	404,279

29 CONVERTIBLE NOTES *(Continued)*

At 31 March 2008 and 2009, convertible notes were repayable as follows:

	Group and Company	
	2009	2008
	$'000	$'000
Within 1 year	**56,963**	318,184
After 1 year but within 2 years	**–**	86,095
	56,963	404,279

(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.

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.

29 CONVERTIBLE NOTES *(Continued)*

(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 matured 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 2008, $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 31).

(e) During the year, $57 million of the Original Notes were converted into 109,615,383 ordinary shares of the Company (note 31).

(f) On 3 March 2009, $252 million of the remaining outstanding Notes held by Ready Finance Limited matured. The Company did not redeem the said matured Notes by 31 March 2009. Upon expiry of the attached option, the remaining outstanding Notes were reclassified from "Convertible notes" to "Other loan" in the balance sheets as at 31 March 2009 (note 27).

(g) The effective interest rate of the Original Notes and the Notes for the year ended 31 March 2009 is 4% (2008: 4%).

(Expressed in Hong Kong dollars)

30 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.

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

	2009		2008	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at 1 April 2008/2007	**$0.724**	**124,200,000**	$0.625	158,212,000
Lapsed	**$0.755**	**(6,800,000)**	$0.792	(74,356,000)
Exercised	**–**	**–**	$0.476	(83,856,000)
Granted	**–**	**–**	$0.724	124,200,000
At 31 March	**$0.722**	**117,400,000**	$0.724	124,200,000

As 31 March 2009, 88,050,000 share options are exercisable (2008: 124,200,000).

(Expressed in Hong Kong dollars)

30 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	2009 Number	2008 Number
Options granted to directors and contracted employees				
21 August 2007	21 August 2007 to 20 August 2012	$0.714	**55,200,000**	57,600,000
21 August 2007	21 August 2008 to 20 August 2012	$0.714	**27,600,000**	28,800,000
21 August 2007	21 August 2009 to 20 August 2012	$0.714	**27,600,000**	28,800,000
16 November 2007	16 November 2007 to 15 November 2012	$0.852	**3,500,000**	4,500,000
16 November 2007	16 November 2008 to 15 November 2012	$0.852	**1,750,000**	2,250,000
16 November 2007	16 November 2009 to 15 November 2012	$0.852	**1,750,000**	2,250,000
			117,400,000	124,200,000

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

(c) Details of share options granted during the year

Exercise period	Exercise price	2009 Number	2008 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

31 SHARE CAPITAL

	2009 Number of shares '000	2009 Amount $'000	2008 Number of shares '000	2008 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 2008/2007	1,909,281	190,929	1,559,930	155,993
Shares issued upon conversion of convertible notes (note 29)	109,615	10,961	266,295	26,630
Shares issued under share option scheme	–	–	83,856	8,386
Repurchase of own shares (note (a))	(11,748)	(1,175)	(800)	(80)
At 31 March	2,007,148	200,715	1,909,281	190,929

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.

31 SHARE CAPITAL *(Continued)*

(a) Repurchase 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
23 October 2008	554,000	0.210	0.150	114
24 October 2008	1,000,000	0.196	0.190	194
27 October 2008	2,000,000	0.190	0.180	378
28 October 2008	3,000,000	0.200	0.180	577
29 October 2008	540,000	0.199	0.195	107
7 November 2008	1,350,000	0.220	0.193	279
10 November 2008	1,150,000	0.240	0.231	273
11 November 2008	1,244,000	0.240	0.238	298
12 November 2008	380,000	0.240	0.239	91
13 November 2008	530,000	0.240	0.240	127
	11,748,000			2,438

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 $1,174,800 (2008: $80,000) was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of $1,263,000 (2008: $517,000) 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.

31 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 Group has net cash position at 31 March 2009. The net borrowings to total equity ratio at 31 March 2008 was 11.6%. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

32 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 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 11(b))	–	–	–	–	–	–	–	(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 31)	26,630	150,204	–	–	(8,535)	–	–	–	168,299	–	168,299
Shares repurchased (note 31)	(80)	–	80	–	–	–	–	(597)	(597)	–	(597)
Share of minority interest in additional interests in a subsidiary	–	–	–	–	–	–	–	–	–	(748)	(748)
Equity settled share-based transactions (note 30)	–	–	–	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

32 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	Property revaluation reserve $'000	Exchange fluctuation reserve $'000	Retained profits $'000	Sub-total $'000	Minority interests $'000	Total equity $'000
At 1 April 2008	190,929	1,361,785	1,101	42,161	67,725	–	–	162,530	890,098	2,716,329	448,375	3,164,704
Minority interest's share of dividend	–	–	–	–	–	–	–	–	–	–	(310,353)	(310,353)
Share premium on issue of shares upon conversion of convertible notes (note 31)	10,961	46,000	–	–	(314)	–	–	–	–	56,647	–	56,647
Transfer/redemption of convertible notes upon maturity	–	–	–	–	(62,473)	–	–	–	62,473	–	–	–
Shares repurchased (note 31)	(1,175)	–	1,175	–	–	–	–	–	(2,438)	(2,438)	–	(2,438)
Share of minority interest on acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	19,619	19,619
Lapse of share options (note 30)	–	–	–	(2,033)	–	–	–	–	2,033	–	–	–
Equity settled share-based transactions (note 30)	–	–	–	8,807	–	–	–	–	–	8,807	–	8,807
Exchange differences arising on consolidation	–	–	–	–	–	–	–	15,762	–	15,762	10,093	25,855
Available-for-sale securities:												
– changes in fair value	–	–	–	–	–	(791)	–	–	–	(791)	–	(791)
– transfer to profit or loss on impairment	–	–	–	–	–	791	–	–	–	791	–	791
Surplus on revaluation of land and buildings held for own use, net of deferred tax	–	–	–	–	–	–	5,541	–	–	5,541	–	5,541
(Loss)/profit for the year	–	–	–	–	–	–	–	–	(141,772)	(141,772)	81,787	(59,985)
At 31 March 2009	200,715	1,407,785	2,276	48,935	4,938	–	5,541	178,292	810,394	2,658,876	249,521	2,908,397

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 is 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 is dealt with in accordance with the accounting policies adopted for the foreign currency transaction in note 1(v).

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).

32 CAPITAL AND RESERVES *(Continued)*

(a) Group *(Continued)*

The investment revaluation reserve has been set up and is 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).

Property revaluation reserve relates to surplus on revaluation upon transfer of property from land and buildings held for own use to investment property. Where land and buildings held for own use is reclassified to investment property, the increase in fair value at the date of reclassification is included in the property revaluation reserve, and will be transferred to retained profits upon the retirement or disposal of the relevant property.

(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 2007	155,993	1,180,062	1,021	–	76,260	68	405,942	1,819,346
Dividend approved and paid during the year (note 11(b))	–	–	–	–	–	–	(23,192)	(23,192)
Shares issued under share option scheme	8,386	31,519	–	–	–	–	–	39,905
Share premium on issue of shares upon conversion of convertible notes (note 31)	26,630	150,204	–	–	(8,535)	–	–	168,299
Shares repurchased (note 31)	(80)	–	80	–	–	–	(597)	(597)
Equity settled share-based transactions (note 30)	–	–	–	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

32 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 2008	190,929	1,361,785	1,101	27,984	67,725	–	418,041	2,067,565
Share premium on issue of shares upon conversion of convertible notes (note 31)	10,961	46,000	–	–	(314)	–	–	56,647
Transfer/redemption of convertible notes upon maturity	–	–	–	–	(62,473)	–	62,473	–
Shares repurchased (note 31)	(1,175)	–	1,175	–	–	–	(2,438)	(2,438)
Lapse of share options (note 30)	–	–	–	(2,033)	–	–	2,033	–
Equity settled share-based transactions (note 30)	–	–	–	8,807	–	–	–	8,807
Available-for-sale securities:								
– changes in fair value	–	–	–	–	–	(791)	–	(791)
– transfer to profit or loss on impairment	–	–	–	–	–	791	–	791
Profit for the year	–	–	–	–	–	–	261,969	261,969
At 31 March 2009	200,715	1,407,785	2,276	34,758	4,938	–	742,078	2,392,550

At 31 March 2009, the amount of distributable reserves of the Company amounted to $741,833,000 (2008: $418,041,000).

33 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	Revaluation of properties	Deferred revenue	Provision for obsolete inventories	Impairment loss for doubtful debts	Reversal of overprovision and accruals	Deferred expenses	Fair value changes on trading securities	Tax losses	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax arising from:										
At 1 April 2007	694	681	(988)	(4,249)	(2,492)	137	(30,845)	31,113	(273)	(6,222)
Charged/(credited) to consolidated income statement	1,279	1,644	(379)	(3,925)	(438)	21	(19,087)	11,981	(91)	(8,995)
Effect of change in tax rate on deferred tax balances	(39)	(90)	(658)	(746)	(1,661)	91	7,478	–	15	4,390
At 31 March 2008	1,934	2,235	(2,025)	(8,920)	(4,591)	249	(42,454)	43,094	(349)	(10,827)
At 1 April 2008	1,934	2,235	(2,025)	(8,920)	(4,591)	249	(42,454)	43,094	(349)	(10,827)
Charged/(credited) to consolidated income statement	98	2,113	61	(3,038)	(3,395)	6	(59,934)	(43,094)	101	(107,082)
Charged to reserves	–	1,847	–	–	–	–	–	–	–	1,847
At 31 March 2009	2,032	6,195	(1,964)	(11,958)	(7,986)	255	(102,388)	–	(248)	(116,062)

33 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 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)	–
At 1 April 2008	108	(108)	–
Charged/(credited) to income statement	12	(12)	–
At 31 March 2009	120	(120)	–

(iii) Reconciliation to the balance sheets

	Group		Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Net deferred tax assets recognised on the balance sheets	**(124,041)**	(14,647)	**–**	–
Net deferred tax liabilities recognised on the balance sheets	**7,979**	3,820	**–**	–
	(116,062)	(10,827)	**–**	–

33 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 $48,602,000 (2008: $35,359,000) and deductible temporary differences of $40,226,000 (2008: $40,248,000) 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.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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 and listed debt investments. 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.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(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.

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

	2009						2008					
	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	56,963	58,710	58,710	–	–	–	404,279	421,470	331,860	89,610	–	–
Bank loans	54,434	55,008	55,008	–	–	–	153,113	160,079	158,088	1,991	–	–
Other loan	252,000	252,000	252,000	–	–	–	311,240	311,240	311,240	–	–	–
Trade and other payables	599,538	599,538	599,538	–	–	–	376,351	376,351	376,351	–	–	–
	962,935	965,256	965,256	–	–	–	1,244,983	1,269,140	1,177,539	91,601	–	–

Company

	2009						2008					
	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	56,963	58,710	58,710	–	–	–	404,279	421,470	331,860	89,610	–	–
Other loan	252,000	252,000	252,000	–	–	–	–	–	–	–	–	–
Trade and other payables	8,196	8,196	8,196	–	–	–	13,072	13,072	13,072	–	–	–
	317,159	318,906	318,906	–	–	–	417,351	434,542	344,932	89,610	–	–

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(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 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.

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			
	2009		2008		**2009**		2008	
	Effective interest rate %	**$'000**	Effective interest rate %	$'000	**Effective interest rate %**	**$'000**	Effective interest rate %	$'000
Net fixed rate borrowings:								
Bank loans	**7.1**	**54,434**	7.8	110,951	**–**	**–**	–	–
Convertible notes	**4.0**	**56,963**	4.0	404,279	**4.0**	**56,963**	4.0	404,279
		111,397		515,230		**56,963**		404,279
Variable rate borrowings:								
Bank loans	**–**	**–**	5.6	42,162	**–**	**–**	–	–
Other loan	**–**	**–**	5.0	311,240	**–**	**–**	–	–
		–		353,402		**–**		–
Non-interest bearing borrowings:								
Other loan	**–**	**252,000**	–	–	**–**	**252,000**	–	–
Total net borrowings		**363,397**		868,632		**308,963**		404,279
Net fixed rate borrowings as a percentage of total net borrowings		**31%**		59%		**18%**		100%

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(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

	2009 United States dollars $'000	2008 United States dollars $'000
Trading securities	**–**	88,205
Trade and other receivables	**9,641**	10,179
Cash and cash equivalents	**21,675**	2,240
Bank loans	**–**	(4,856)
Other loan	**–**	(40,000)
Trade and other payables	**(1,141)**	(1,576)
Gross exposure arising from recognised assets and liabilities	**30,175**	54,192

(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 result and total equity is not expected to be material in response to possible changes in United States dollars to which the Group is exposed.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 22) and available-for-sale equity securities (see note 21). 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 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.

	2009			2008		
	Increase/ (decrease) in the relevant risk variable	**Effect on loss 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	**N/A**	**–**	**–**	1%	2,633	–
	N/A	**–**	**–**	(1)%	(2,633)	–
NASDAQ Composite Index	**N/A**	**–**	**–**	1%	9,396	–
	N/A	**–**	**–**	(1)%	(9,396)	–

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(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 Group's major listed investments were disposed in the current year. No material listed investments were held by the Group as at 31 March 2009.

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2009 and 2008 except as follows:

(i) Group and Company

	2009		2008	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$'000	**$'000**	$'000	$'000
Convertible notes	**56,963**	**56,856**	404,279	402,568

(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 $52,142,000 (2008: $53,955,000) and of the Company of $51,035,000 (2008: $50,134,000) 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.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(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 34(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.

35 COMMITMENTS

(a) Capital commitments

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

	Group		Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Contracted for	**404**	2,237	**–**	–
Authorised but not contracted for	**38,755**	38,905	**–**	–
	39,159	41,142	**–**	–

35 COMMITMENTS *(Continued)*

(b) Operating lease commitments

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

	Group		Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Within 1 year	**16,339**	11,717	**1,137**	1,335
After 1 year but within 5 years	**11,837**	15,209	**–**	–
	28,176	26,926	**1,137**	1,335

36 CONTINGENT LIABILITIES

	Group		Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Guarantee given to banks to secure banking facilities of subsidiaries	**–**	–	**28,000**	63,000

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.

37 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:

		2009 $'000	2008 $'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	**10**	265
	Purchase of traded products and component parts	**166**	1,742
	Management fees (based on actual cost incurred) paid in relation to training, secretarial and general administrative services (note (i))	**1,220**	3,297
	Rental paid for staff quarters	**972**	981
	Rental income on properties (note (ii))	**919**	847
	Handling fee (note (iii))	**–**	27
(b)	Transactions with associates of the Group:		
	– Sales of traded products	**36**	2,820
	– Purchases of traded products and component parts	**6,309**	2,243

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and the five highest paid employees are disclosed in note 8 and note 9.

37 MATERIAL RELATED PARTY TRANSACTIONS *(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. Such management contract was expired on 22 July 2008.

(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 2009 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.

38 PARENT AND ULTIMATE CONTROLLING PARTY

At 31 March 2009, the directors consider the parent and ultimate controlling party of the Group to be Beijing Stone Investment Company Limited ("BJ Stone Investment") 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.

39 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Key sources of estimation uncertainty

Notes 17, 20 and 34 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.

39 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Key sources of estimation uncertainty *(Continued)*

– ***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)

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2009

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and Interpretations which are not yet effective for the year ended 31 March 2009 and which have not been adopted in these financial statements.

In addition, the following developments may result in new or amended disclosures in the financial statements including possible restatement of comparative amounts in the first period of adoption:

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

The Group is in the process of making an assessment of what the impact of these amendments 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 Group's results of operations and financial position.

(Expressed in Hong Kong dollars)

41 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 $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 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 $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 $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.

42 SUBSIDIARIES

Details of the principal subsidiaries, which materially affected the results or assets of the Group at 31 March 2009, 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

(Expressed in Hong Kong dollars)

42 SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid capital/ registered capital	Attributable interest	Principal activities
iv Shanghai GoldPartner Biotech Co., Ltd.*	PRC	$100,000,000	75%	Manufacture, sale and distribution of healthcare products
iii Beijing Stone Electronic Technology Co., Ltd.	PRC	US$21,300,000	100%	Investment holding
i 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
i Beijing Stone Industrial Control Technology Company Limited*	PRC	RMB30,000,000	61.67%	Sale of industrial controllers products
ii 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
iv Tianjin Stone Computer Equipment Corporation Limited*	PRC	US$800,000	75%	Manufacture and sale of fluorescent electronic ballasts
i Stone Online Sci & Tech Co., Ltd. (Beijing)*	PRC	RMB22,500,000	80%	Investment holding

(Expressed in Hong Kong dollars)

42 SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid capital/ registered capital	Attributable interest	Principal activities
i Shanghai Stone Hu Guang Technology Shareholding Company Limited*	PRC	RMB14,000,000	^51%	Sale of mobile phones and industrial paper products
ii Guangdong Sunnet Cafe Development Co., Ltd	PRC	RMB20,200,000	60%	Operation of internet cafe chains
i China Huaxu Golden Card Company Limited*	PRC	RMB56,018,552	@26.21%	Development, manufacture and distribution of smart card

* 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.

@ This subsidiary is 51.4% owned by Beijing Stone Computer in which the Company has 26.21% indirect interest.

i This subsidiary is registered as a limited liability company under PRC law.

ii This subsidiary is registered as a sino-foreign joint venture company under PRC Law.

iii This subsidiary is registered as a wholly foreign owned enterprise under PRC law.

iv This subsidiary is registered as a foreign owned enterprise under PRC law.

(Expressed in Hong Kong dollars)

43 ASSOCIATES

Details of the principal associates, which materially affected the results or assets of the Group at 31 March 2009, 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$47,327,457	36.12%	Investment holding
Censoft Company Limited*	PRC	RMB30,000,000	30%	Development and distribution of application software
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)

	2004/05 (restated) $'000	2005/06 $'000	2006/07 $'000	2007/08 $'000	**2008/09 $'000**
Results					
Turnover	2,361,507	2,035,467	2,375,541	2,988,051	**3,403,822**
Operating profit	259,017	78,093	311,045	158,311	**80,848**
Share of profits less losses of associates	(16,391)	5,547	(12,463)	(14,696)	**(128,564)**
Share of loss of a jointly controlled entity	(1,420)	(5,101)	–	–	**–**
(Loss)/profit before taxation	241,206	78,539	298,582	143,615	**(47,716)**
Income tax	(3,126)	(18,522)	(65,343)	(80,821)	**(12,269)**
(Loss)/profit for the year/period	238,080	60,017	233,239	62,794	**(59,985)**
Attributable to:					
Equity shareholders of the Company	160,426	63,908	134,333	16,503	**(141,772)**
Minority interests	77,654	(3,891)	98,906	46,291	**81,787**
(Loss)/profit for the year/period	238,080	60,017	233,239	62,794	**(59,985)**
Assets and Liabilities					
Investment properties, property, plant and equipment, goodwill, other intangible assets, and deferred tax assets	1,365,438	1,376,864	1,416,147	1,459,997	**1,614,297**
Interest in associates	53,465	388,468	388,142	585,159	**439,403**
Interest in a jointly controlled entity	185,296	–	–	–	**–**
Other financial assets	157,165	44,046	44,294	55,590	**52,986**
Net current assets	1,523,018	1,321,329	1,558,992	1,155,748	**809,690**
	3,284,382	3,130,707	3,407,575	3,256,494	**2,916,376**
Long term liabilities	(832,955)	(574,001)	(564,806)	(87,970)	**–**
Deferred tax liabilities	(507)	(852)	(1,019)	(3,820)	**(7,979)**
	2,450,920	2,555,854	2,841,750	3,164,704	**2,908,397**

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

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%