

Interim Results Announcement for FY2006/2007

Dec 15, 2006



STONE GROUP HOLDINGS LIMITED (Stock code:409)





Disclaimer

In addition to historical information, this presentation contains forward-looking statements with respect to the results of the operations and business of Stone. These forward-looking statements represent Stone's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Stone Group Holdings Limited



- **Review of FY2006/07 Interim Results**
- Ms. Zhu Yanlan, CFO
- **Future Development**
- Mr. Duan Yongji, Chairman
- **Q&A**





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Review of FY2006/07 Interim Results





Healthcare Products Business

- Industry consolidation influenced the market. However, the Group managed to outperform in the market.
- Launched new packaging of GoldPartner.

- Shanghai GoldPartner Biotech Co., Ltd. (75%)

IT Electronic & Media & Communication Business

- Business restructuring proved effective. Stable growth recorded in core products.
- Business turnaround with profits recorded

- Industrial controllers (61.67%)
- Sunnet Café (51%)

Major Investments (Media & Communication Business)

- Negative impact led by the new policy on SP business and adjustment of payment method.
- Safe driving notifier TanLu 303 was launched by MTY in July.

- Me To You Hldgs Ltd. (40%)
- China Cable Media Group Limited (36.9%)
- SINA shares (4.61%)



Turnover: HK\$ 929million (↑ 3.7%)
 Operating profits: HK\$ 0.94million (FY2005 interim: loss of HK\$6.49 million)
 Loss attributable to shareholders: HK\$ 53.91million (FY2005 interim: loss of HK\$ 68.83million)
 Loss per share: HK3.46 cent (improved by 24.3%)
 The Board of Directors did not recommend an interim dividend

Healthcare Products Business

Turnover
 HK\$327 million (↓15.1%)
 Accounted for 35.2% of Group's turnover

Gross Profit
 Accounted for 73.9% of Group's gross profit

Contributed operating profits of
 HK\$ 2.73million

IT Electronic & Media & Communication Business

IT Electronic Business

Turnover
 HK\$ 599 million (↑17.9%)
 Accounted for 64.5% of Group's turnover

Gross Profit
 Accounted for 25.4% of Group's gross profit

Contributed operating profits of
 HK\$ 12.32million

Sunnet Café

Turnover
 HK\$ 2.96 million (↓7.9%)
 Accounted for 0.3% of Group's turnover

Gross Profit
 Accounted for 0.7% of Group's gross profit

Contributed operating profits of
 HK\$ -2.1million

Major Investments (Media & Communication Business)

Aggregated loss
 HK\$ -45.95million
 ↓ -20.21million

including fluctuation of SINA market value:
 ↓ HK\$ 51.50million



Healthcare Products Business

- After a number of new government regulations were implemented, the market experienced an adaptation period and shrank.
- The new packaging of GoldPartner was successfully launched, and targets the efficacy market.
- Implemented ERP bar-code system, which enhanced promotion strategies and lowered inventory level.

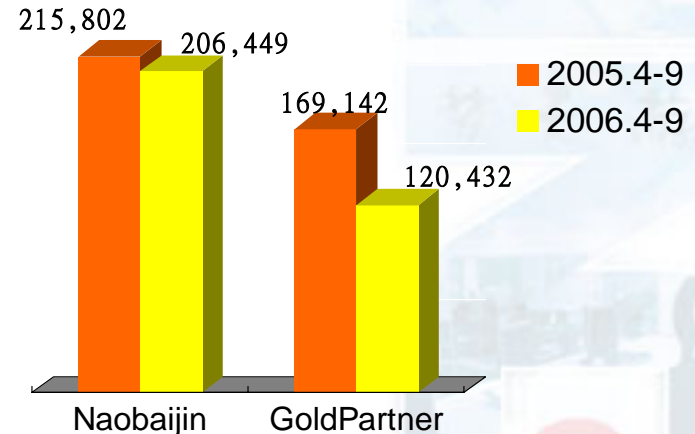
Old packaging of GoldPartner



New packaging of GoldPartner



Turnover (HK\$'000)



Gross Profit Margin	1H05/06: 58.3%	1H06/07: 54.6%
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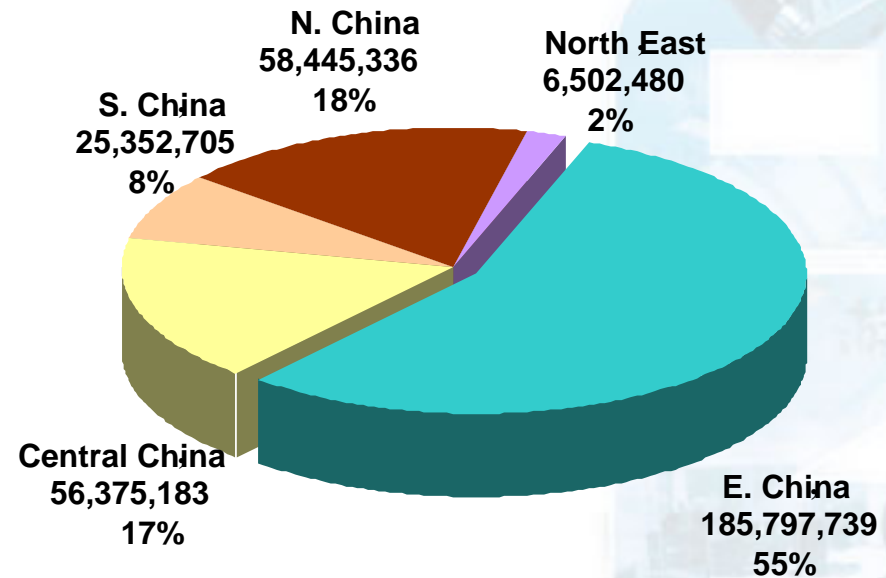
Healthcare Products Business

Nationwide Distribution Network



No. of distributors in brackets

Sales in five major districts across China



Unit: RMB



Electronic Products Business

- Stone printers were widely accepted with a market share of over 30%.
- Updated version of gold tax software stimulated sales and profits growth
- Business consolidation showed effects. The overall electronic products business recorded a turnover of HK\$ 599million, represented 18.0% increase from last interim period; operating profits was HK\$ 12.32million, compared to a loss of HK\$7.24 million of FY2005/06 interim period. Consolidated GPM was 10.2% (FY 2005/06 interim: 9.4%)

FY2006/07 Interim	Turnover (HK\$'000)	Turnover of Electronic Products Business (%)	Turnover in FY2005/06 interim (HK\$'000)	Gross Profit Margin (%)	Gross Profit Margin in FY2005/06 interim (%)
Industrial Controllers	292,245	48.8	329,236	6.7	6.5
Printers	97,492	16.3	87,045	15.6	15.2
Gold Tax Products	17,696	3.0	12,051	58.8	47.5
Digital Graphic Products & UPS	48,899	8.2	35,988	6.6	8.8
Other sales distribution	142,591	23.8	43,320	9.0	9.7



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Sunnet Café

- No. of directly operated and franchised shops: 37 (as at the end of Sept 2006)
- Shops mainly located in Guangzhou and Dongguan.
- Turnover: RMB 3million, ↓ 7.9%; Loss attributable to shareholders: RMB 1.08million, ↓39.7%

Revenue model:

Internet charges, management fees, technical service fees and advertisement.

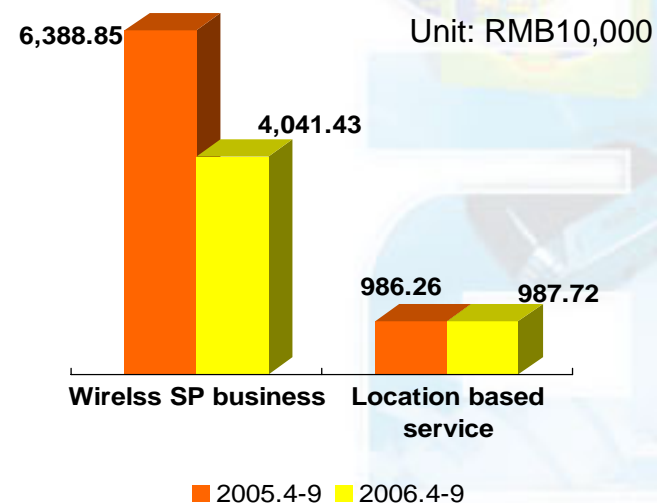




Major Investment - MTY

- Provides telecommunication and location based services (LBS) related value-added services (VAS) business
- Turnover: RMB 48.89million, ↓30%;
Profit: RMB 9.93million, ↓66%
- During the period, with the influence of new policy on SP business and payment flow, the turnover recorded from wireless SP business was RMB 41.26million, represented a decrease of 37% compared to last year interim period.
- Satisfactory results was recorded from the trial sales of GPS Safe Driving Voice Notifier (TanLu303), which was conducted in July 2006. The sales contributed 2.04million to the Group's turnover.
- In May 2006, the Group sold 20% equity interest in Beijing Stone Intelligent Transportation System Integration Co. Ltd. to MTY. The transaction provides traffic information for MTY's GPS business and creates synergy.

Turnover of MTY (by business)



Poster of TanLu 303



Major Investment - CCMG

- The Group owns 31.96% interest in China Cable Information Network Co., Ltd. via China Cable Media Group Limited (CCMG).
- In the first half of 2006, turnover of China Cable: RMB 304 million, ↑ 45%; net profit: RMB 37.59 million, ↑ 86%

From April to Sept 2006 Unit: RMB / month	2006.4-9	2005.4-9	%
Basic – Subscriber	2,484,304	1,702,541	46
Subscriber – Digital TV	151,354	60,770	149
Subscriber – Pay TV	30,832	10,672	189
Subscriber – Individual Internet User	15,063	8,626	75
Subscriber – Enterprise Internet User *	1,801	823	119
Overall ARPU	21.08	21	0
ARPU from Pay TV business	51.1	79.12	-35
ARPU from Individual Internet User	18.26	15.92	15
ARPU from Enterprise Internet User	979.33	1,824.24	-46

* Note: Including No. of broad band subscribers, specified data terminal and terminal rent out. No. of broad band subscribers was excluded from Enterprise Internet User in 2005.



Major investments – SINA and others

- As at Sept 30, 2006, the Group held about 4.6% (2.5 million shares) in SINA, which shares are traded in NASDAQ in the US. Market value: HK\$ 489million, compared to the value of HK\$ 543million, as at the end of FY2005/06. Loss recorded in face value: HK\$51.50million (calculated at US\$25.15/share).
- During and after the period, the Group subscribed
 - 7 million IPO shares of Bank of China Ltd. (subscription price: HK\$2.98/share)
 - 1 million IPO shares of Industrial and Commercial Bank of China Ltd. (subscription price: HK\$ 3.07 /share)



FY2006/07 Interim Results Highlights – Consolidated Profit and Loss Account

HK\$'000	For the six months ended 30 Sept 2006	For the six months ended 30 Sept 2005	Change
Turnover	928,824	895,796	3.68%
Gross profit	241,335	273,894	-11.89%
Distribution costs	(181,781)	(222,874)	-18.44%
Administrative expenses	(55,887)	(46,827)	19.30%
Profit from operations	939	(6,485)	N/A
Non-operating (cost) income	(64,960)	(78,078)	-16.80%
- Unrealized Income / (loss) from SINA	(51,504)	(72,373)	-28.84%
Share of profit (loss) of associates	5,758	6,343	9.22%
Profit (loss) from activities before taxation	(74,517)	(101,386)	-26.50%
Minority interests	(28,678)	(34,520)	-16.92%
Profit attributable to shareholders	(53,909)	(68,825)	-21.67%
Earnings (loss) per share (HK cent)			
– Basic	(3.46)	(4.57)	-24.29%
– Diluted	N/A	N/A	N/A



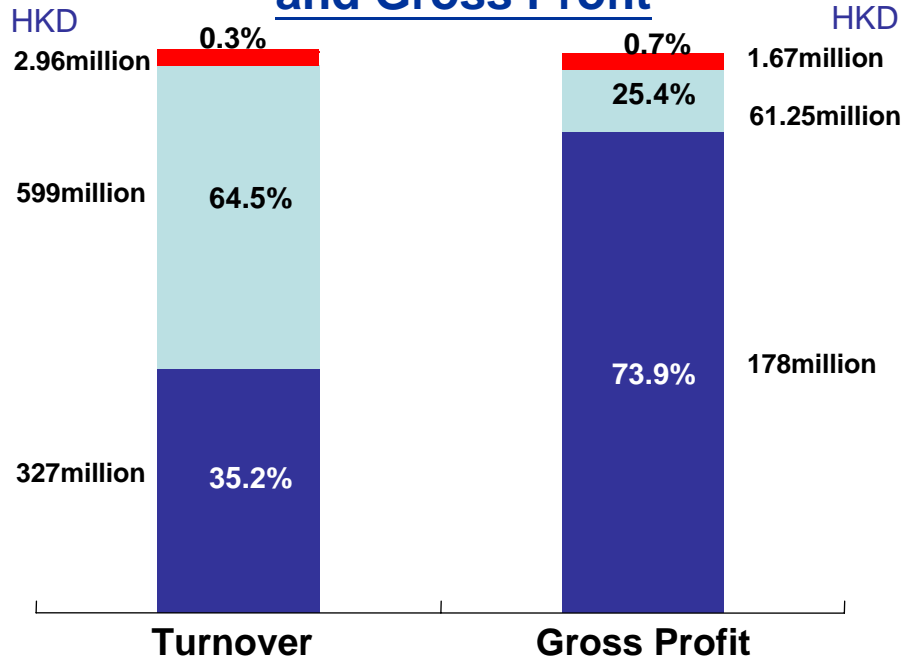
FY2006/07 Interim Results Highlights

- Non-operating cost: HK\$ -64.96million, including HK\$ -51.50million recorded from SINA shares
- Cash and cash equivalents: HK\$ 371million (FY2005/06 interim: HK\$365 million)
- During the period,
 - the Group disposed an aggregate 19.2million shares of China Construction Bank shares at the average selling price of HK\$ 3.53/share. Stone held 19.80million of CCB shares as at period end.
 - the Group repurchased an aggregate of 6.66million company shares. The average repurchasing price was HK\$ 0.421/ share for a consideration of HK\$ 2.80million.



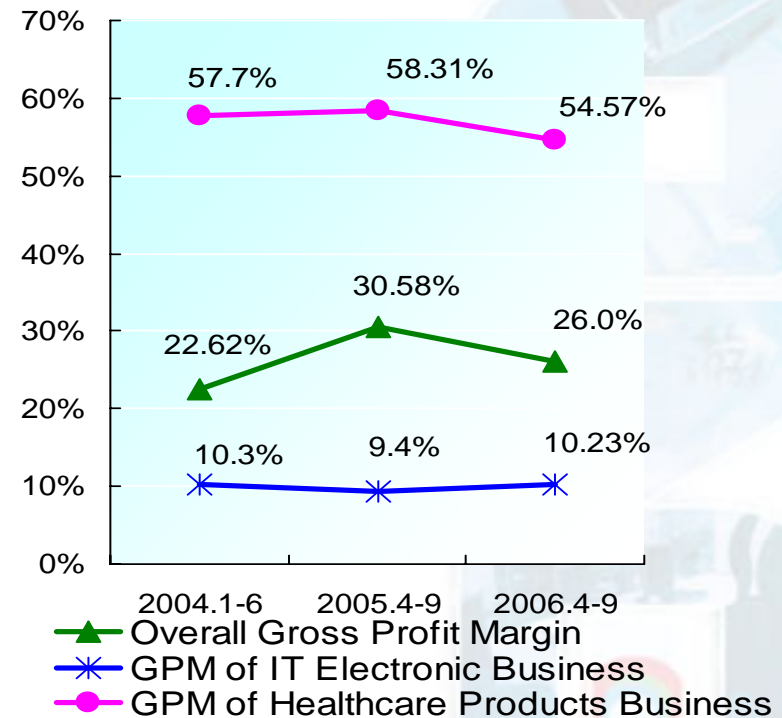
Turnover, Gross Profit Margin Distribution and Gross Profit Margin

Distribution of Turnover and Gross Profit



- Healthcare products business
- Electronic products business
- Media & communication business

Gross Profit Margin of the Group and by Business





FY2006/07 Interim Results Highlights – Consolidated Balance Sheet

HK'000	30 September 2006	30 September 2005
Tangible assets	200,036	188,755
Intangible assets	1,169,936	1,170,969
- Goodwill	1,136,614	1,136,614
Long-term investments	453,674	429,312
Short-term investments	583,676	534,908
Current assets	1,766,871	1,859,467
Current liabilities	542,555	529,230
Net current assets	1,224,316	1,330,237
Total assets less current liabilities	3,051,899	3,123,207
Minority interests	323,270	324,532
Total equity attributable to equity share holders of the company	2,175,182	2,063,929
Net assets per share (HK\$)	1.39	1.37



FY2006/07 Interim Results Highlights – Major Financial Figures

HK'000	30 September 2006	30 September 2005	Change
Cash reserves	370,994	364,851	1.68%
Bank and other debts	119,312	154,817	-22.93%
Convertible notes	552,593	734,206	-24.74%
Gearing ratio	30.9%	43.1%	-28.31%
Current ratio	3.26	3.51	-7.12%
Account receivables turnover (days)	74days	67days	10.45%
Inventory turnover (days)	44days	52days	15.38%



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Future Development





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Summary & Outlook

- Performance of STONE's core businesses
- Outlook of healthcare products business
- Outlook of IT & media communication business





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Q & A

