

Press Release

For immediate release

## Stone Group Holdings Limited Announces FY2007/2008 Interim Results

*Capitalized on the Core Businesses      Turnover Increased By 32.14% to HK\$1,227million*  
*Benefited from Investment Gains      Basic Earnings Per Share of HK 18.44 Cents Achieved*

### Summary

- The unaudited turnover and profit attributable to shareholders of the Group achieved HK\$1,227 million and HK\$318 million respectively. Gross profit margin was 26.76%.
- The Group enjoyed a healthy financial position. Its cash on hand amounted to HK\$384 million, representing an increase of 3.57% from 30 September 2006.
- The Board of Directors did not recommend an interim dividend. (FY2006/2007 interim: Nil)
- The turnover of IT Electronic & Media-related Business increased 24.1% to HK\$747 million. The equity interest of the Group in CCMG increased to 36.12%.
- The turnover of the Group's Healthcare Products Business improved by 46.98% to HK\$481 million. New package of Naobaijin and new products of GoldPartner were rolled out and securing the leading position of the products in the market.
- The booming stock market generated good return for the Group's investment. The Group reported a non-operating net income of HK\$656 million during the period.
- In April 2007, Stone Resources confirmed that it had obtained the mineral exploration rights of copper and zinc in Tabaq of Yemen. Stone Resources also established a subsidiary in Tanzania, and is currently in discussion with local mineral exploration companies for co-operation opportunities.

(17 December 2007 / Hong Kong) Stone Group Holdings Limited (SEHK: 409, "Stone" or the "Group") today announced its unaudited interim results for the six months ended 30 September 2007. During the period, the Group's consolidated turnover was HK\$1,227 million, representing an increase of 32.14% over the same period of last year. Due to the increase in the closing price of the Group's holding of other listed companies shares at the end of the period due to the booming stock market, the Group recorded a non-operating net income of HK\$656 million. During the period, the Group's profit attributable to shareholders increased to HK\$318 million, and basic earnings per share also improved to HK 18.44 cents.

The Board of Directors did not recommend an interim dividend during the period. (FY2006/2007 interim: nil)

### ***IT Electronic & Media-related Business – Stable Increase in Sales with Good Operating Performance***

Attributable to the booming PRC economy, the Group's IT Electronic & Media-related Business reported good operating performance. During the period, the turnover of this business segment increased by 24.08% from HK\$602 million in the corresponding period last year to HK\$747 million. However, due to the intensified market competition, the Group recorded a gross profit of approximately HK\$62.54 million, which was similar to the level of the same period of previous year. The gross profit margin decreased by 2.1 percentage points to 8.4%.

The Group continued its efforts to upgrade the self-produced ticket printers, and resulted in an increase of 15.5% in turnover to HK\$113 million. The increase in cost had reduced the gross profit margin by 2.6 percentage points to 13%. Due to the sudden surge in turnover of gold tax product in FY2006/07 interim period stimulated by the launch of an upgraded version, of which one machine can fit for the use of various

ticket types, the turnover of gold tax product decreased by 28.4% to HK\$12.67 million. The upgraded version of gold tax products launched last year, had returned to the usual sales level. The decrease in sales also prompted the drop of 21.3% in gross profit to HK\$8.18 million. The gross profit margin was increased by 5.8 percentage points to 64.6%. During the period, there was a significant improvement in the sales of industrial controller products, and stimulated the growth in turnover to HK\$417 million, which represented an increase of 42.8% compared to previous interim period. The total sales of graphics and UPS products also improved by 9.8% to HK\$53.69 million, with gross profit stood at a similar level of last year's interim period.

Finally, Sunnet Café, the Group's internet café chain, which is mainly operated in Guangzhou, Dongguan and Shenzhen expanded its business to 78 outlets. During the period, the turnover and gross profit of this business segment was HK\$4.22 million and HK\$3.78 million respectively.

"The robust PRC economy has led to the good operating performance of the Group's IT Electronic Business. In the second half of the financial year, we will continuously adopt different strategies, such as strengthening the training system and expanding the sales network of industrial controlled products, while actively launching new related services and seeking for cooperation with other software houses for the gold tax product business, so as to consolidate the leading market position of Stone." said Mr. Duan Yongji, Chairman of Stone Group Holdings Limited.

***Healthcare Products Business –  
Market Situation Showed Good Sign  
Successful Implementation of Product Sales Strategy***

During the period, the Group's Healthcare Products Business recorded a growth of 47.0% in turnover to HK\$481 million, whilst the gross profit improved by 49.0% to HK\$266 million. The gross profit margin of the business segment grew by 0.8 percentage points to 55.3%. The total sales of Naobaijin and GoldPartner, the two major products, accounted for 38.9% of the Group's total turnover. The two products also contributed an aggregate gross profit of HK\$264 million, and accounted for 80.3% of the Group's overall gross profit. The significant surge in sales was attributable to the growing PRC market economy, expansion of market size of gift market and successful implementation of product sales strategy. In addition, the launch of "GoldPartner – Men" and three bottle gift packing of Naobaijin provided more choices to consumers.

The sales of Naobaijin increased by 26.8% to HK\$262 million, and contributed to the Group a gross profit of HK\$125 million, an increase of 27.6% compared to last year's interim period. The gross profit margin of this product was 47.6%, which was similar to that in the corresponding period of the previous year. On the other hand, as a result of the successful market positioning, the sales of GoldPartner continued to improve and recorded an amount of HK\$216 million, representing an increase of 79.0%. The product also contributed HK\$139 million of gross profit to the Group, which was increased by 72.2% from the interim period of last year. However, the gross profit margin shrank by 2.5 percentage points to 64.5%. The turnover and gross profit of the Group's new product "Huang Jin Xue Kang" (「黃金血康」) was HK\$3.11 million and HK\$2.27 million respectively. As the management was still considering the market position of this product, therefore, Huang Jin Xue Kang (「黃金血康」) was promoted in a smaller target market area.

"The competition of PRC healthcare products market is intensifying and we have entered a phase which only the fittest will survive. Brands which have good-will and emphasize on efficacy will become more important. As the market position of our GoldPartner in the healthcare products market has been consolidating, together with the launch of new products in the second half of the financial year, we expect the overall performance of healthcare products in this financial year will be better than that in the period year." Mr. Duan continued.

***Main Investment Interests –  
Active Exploration of Business Opportunities***

The Group's associated company, China Cable Media Group Limited ("CCMG"), is the largest shareholder of China Cable Information Network Co., Ltd. ("CCN"). During the review period, CCN reported satisfactory

performance, with a subscription base of over 3 million and the ARPU reached RMB 21.17 million. The Company recorded a net profit of RMB 41.63 million during the period. With the continuous expansion of cable TV business in PRC and the confidence in the positive outlook of CCN, the Group increased its equity interest in CCMG to 36.12%

Me To You (“MTY”), another investment of the Group in the communication business segment, that provides telecommunication related value-added services (VAS) and location-based service (LBS) business in China, reported a turnover of RMB 23.74 million during the period. The VAS and LBS business each accounted for 85.6% and 14.4% of turnover respectively. On 18 June, 2007, MTY officially launched the product of “GPS Navigator-Tanluzhe303N”, and received good market response.

***Latest investment –  
Mineral Exploration Business***

To capture the new market opportunities and continue to create values for shareholders’ investments, the Group established Stone Resources Limited (“Stone Resources”) with six other independent investors and Mr. Duan Yongji in March 2007, and is principally engaged in mineral resources exploration in the Middle-East region, Africa and other countries, and other ancillary business. Stone invested HK\$10 million for 16.67% equity interest in Stone Resources.

Despite the relatively short period of development, Stone Resources reported progressive development. Following an obtaining of mineral exploration rights of copper and zinc in Tabaq of Yemen in April this year, Stone Resources formed a mineral professional committee in early October. After the due diligence by experts, Stone Resources found a mine covering 5,000 square kilometers Ta’izz of Yemen, and plans to negotiate to sign a formal exploration cooperation agreement with an independent entity. In addition, due to the massive capital required for exploration, Stone is currently in a tentative discussion with a well known bank in PRC for capital injection and share acquisition of Stone Resources.

***Other investments –  
Strategic investments created values for Stone***

As of 30 September 2007, the closing price of A shares of China Railway Erju, which the Group has held, was RMB 32.76, and led to an increase of HK\$395 million in the Group’s total asset values. At the end of the interim period, the Group mainly holds 2,500,000, 200,000 and 30,000 shares of China Construction Bank Corporation, China Coal Energy Co. Ltd and Zhaojin Mining Industry Co. Ltd. respectively. In addition, the Group disposed of an aggregate of 500,000 shares of China Construction Bank Corporation and 200,000 shares of China Merchants Bank Co. Ltd, at an average selling price of HK\$4.683 and HK\$18.035 respectively, and contributed a profit of HK\$562,000 to the Group.

At the end of the interim period, Stone held 2,502,274 shares of SINA shares, which accounted for 4.6% of SINA’s total issued shares. Calculated at the closing price of US\$47.85 per share, the face value of the Group’s SINA shares amounted to HK\$929 million, an increase of HK\$272 million compared to the beginning of the financial year.

***Financial position  
– Continuous improvement in cash flow and debt ratio***

At the end of the interim period, the Group had cash and cash equivalents of HK\$384 million, The total equity attributable to equity shareholders of the Company at the end of the financial period was HK\$2,889 million compared to HK\$2,393 million at the beginning of the year. This demonstrated a solid and healthy financial position of Stone. Compared to the interim period of FY2006, the ratio of net borrowings to the total equity attributable to equity shareholder of the Company was dropped by 1.0 percentage points from 13.8% to 12.8%. All these measures significantly improved the financial position and increased the shareholder’s return.

In September 2007, Mr. Shi Yuzhu, the Group's Executive Director, converted his convertible notes in the sum of HK\$42,000,000, held by Ready Finance Limited, which in turn is beneficially owned by him, into 55,263,157 shares of Stone at a conversion price of HK\$0.76 per share. As of 30 September 2007, the total number of shares issued by the Company increased to 1,839 million.

### **Conclusion**

"In the first half of FY2007, the core businesses of the Group maintained their healthy growth momentum, and our investment items generated good returns. These proved the effective deployment of Stone's resources. Looking ahead, the Group will seek for high return investment opportunities and continue to capitalize on its core businesses. Following the previous survey conducted, Stone will consider expanding the mineral exploration business when the timing is ripe. With the strategies adopted by the PRC government to cool down the overheated economy, we believe the economic growth in the second half of the financial year will be slower than that of the first half, and may bring certain impacts on the Group's business. Amidst the challenges brought by the market, Stone has already equipped itself, so as to maintain the sustainable development of each business." said Mr. Duan.

"With our continuous efforts to capitalize on Stone's core businesses and the active expansion of the mineral exploration, we believe the dual growth in operation and investment will be achieved. It is foreseeable that Stone will be able to create good returns for shareholders in the second half of the financial year." concluded Mr. Duan.

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### **About Stone Group Holdings Limited**

Stone Group Holdings Limited (Stock code: 409), is a company listed on the Hong Kong Stock Exchange. It is principally engaged in IT Electronics and Media-related business, and the distribution of consumer healthcare products and investment business.

The Group's IT Electronic and Media-related business includes the manufacture and distribution of traditional electronic products such as dot matrix printers and value-added tax control machines with patented intellectual property, and also as the agency and distributor of industrial controllers, uninterrupted power system equipment, digital graphics, semiconductors, computers, etc. Product coverage includes SIEMENS and FUJI; and Sunnet Café. Its healthcare products business mainly focuses on "Naobaijin" and "GoldPartner" products. In mid-2006, the Company has begun trial marketing of the new product "Huangjin Xuekang" (「黃金血康」). Stone has also invested in Me To You, CCN and some listed securities, and established a joint venture, which is engaged in mineral resources exploration in Middle East region and others, and ancillary business.

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