



Press Release

For immediate release

Stone Group Holdings Limited Announces FY2007/2008 Annual Results
Turnover Increased 25.8% To HK\$2,988 Million
Profit Attributable to Shareholders of HK\$16.5 Million Achieved
Core Businesses Recorded Steady Growth

Highlights of FY2007/2008 Annual Results

- Turnover increased by 25.8% to HK\$2,988million.
- Profit attributable to shareholders was HK\$16.5 million and basic earnings per share was HK\$0.92 cents. Gross profit margin was 35.5%.
- Solid financial position with cash on hand HK\$553 million, up 16% from that of last year.
- Turnover of the IT Electronic and Media-related Business improved by 19.4% to HK\$1,489 million.
- Sunnet Café, the Group's internet café chain, started to register profit since its operation in 2004, contributing operating profit of HK\$2.11million to the Group.
- In the wake of successful sales and marketing strategies, turnover of Healthcare Products Business rose 32.8% to HK\$1,499 million.
- “Naobaijin” (「腦白金」), “GoldPartner” (「黃金搭擋」) and “Huangjin Xuekang” (「黃金血康」) recorded satisfactory sales performance. Sales of the three products was up 23.7%, 46.8% and 123.8% respectively. The accumulative sales of Naobaijin in the past 10 years amounted over RMB10 billion. In order to expand product portfolio, the Group launched “GoldPartner for Men”. The trial launch of “Golden Wine” was well received by the market.
- SINA shares held by the Group contributed HK\$14.87 million to the net profit. The Group increased investment in China Cable Media Group Limited (“CCMG”) and introduced new strategic investor into the company.

(Hong Kong, 22 July 2008) – Stone Group Holdings Limited (SEHK: 409) (“Stone” or the “Group”) today announced its annual results for the 12 months ended 31 March 2008. The Group's audited turnover was HK\$2,988 million, representing an increase of 25.8% from the preceding financial year. Global stock market tumbled down at the end of the financial year as a result of subprime mortgage crisis in US, coupled with the PRC government's multiple inflation-fighting measures, these led to a significant drop in the unrealized gain of the stocks held by the Group. The Group recorded a non-operating income of HK\$102million, representing a decrease of 56.5% over last year. However, Stone still managed to achieve a profit attributable to shareholders of HK\$16.5 million and basic earnings per share of HK\$0.92 cents. Benefiting from PRC's buoyant economy and continued appreciation of Renminbi, the Group's core businesses were further enhanced.

IT Electronic & Media-related Business –

Stable Increase in Sales of Electronic Products, Effective Operating Strategies of Internet Café Chain

Attributable to the booming PRC economy and favorable operating environment, the turnover of the Group's IT Electronic & Media-related Business ("electronic & media business") rose by 19.4% to HK\$1,489 million, accounting for 49.8% of the Group's total turnover. The Group recorded a gross profit of HK\$126 million, up 4.1% as compared to the corresponding period of last year. However, due to the intensified market competition and increasing distribution cost, the gross profit margin decreased by 1.2 percentage points to 8.5%.

In order to cater to market demands and customers' needs, Stone continued its efforts to upgrade the self-produced voucher printers, and resulted in a relatively remarkable sales performance as compared to other products in this business segment. The total sales improved by 3.3% to HK\$214 million as compared to the same period of last year, with gross profit stood at a similar level of last year's same period. As a result of the government requirement on taxpayers to upgrade their computers from DOS platform to Windows platform, there was a significant increase in the demand for gold tax products in the corresponding period of last year. Sales of the products dropped by 27.3% to HK\$23.9 million as compared to the same period of last year. Yet there was a growth of 13.4 percentage points recorded in the gross profit margin of voucher printers.

Challenged by parallel import goods business, industrial controller products business is facing cut-throat competition. The Group was therefore under an unfavorable operating environment despite of its leading industry position. In a bid to enhance the Group's operating capability, the management started to upgrade its after-sales services from last year, expand its service network by establishing numerous representative offices and branches in various provinces. Coupled with operating strategy of low gross profit margin, there was a significant improvement in the sales of industrial controller products, and stimulated the growth in turnover to HK\$889 million, which represented an increase of 36.5% as compared to previous year.

In the wake of a change in the operating model of Sunnet Café, the Group's internet café chain, by the management from last year, Sunnet Café recorded remarkable improvement in business with a growth of 37.5% in turnover to HK\$8.12 million as compared to the same period of previous year. The gross profit margin grew by 18.4 percentage points to 88.6% and operating profit amounted to HK\$2.11 million. Sunnet Café operated 78 outlets in Guangzhou, Dongguan and Shenzhen.

"We have been fine-tuning our business strategies to address market changes. Specifically, we are now focusing on industrial controller products, printers, gold tax products, and computer software sales, so that our business can excel in these four market segments. In addition, our internet café chain business began to contribute profits to the Group from last year. The management is seriously thinking about expanding this business to increase market share and profitability," said Mr. Duan Yongji, Chairman of Stone.

Healthcare Products Business –

Proven Sales and Marketing Strategies Perked Up Gross Profit Significantly

The Group's healthcare products business recorded a growth of 32.8% in turnover to HK\$1,499 million, accounting for 50.2% of the Group's total turnover. The gross profit improved drastically by 50.2% to HK\$936 million. The gross profit margin of the business segment grew by 7.2 percentage points to 62.4%. The substantial surge in sales was mainly attributable to the robust PRC economy, growing purchasing power of Chinese citizens, and continuous improvement of such sales and marketing strategies as the launch of sales-stimulating equipment.

During the year under review, the sales of the Group's core healthcare product "Naobaijin" grew by 23.7% to HK\$865 million, with gross profit of HK\$512 million. Gross profit margin increased by 11.6percentage points. Three bottle gift packing of "Naobaijin" was rolled out to tap high-end market and provide customers with more choices. On the other hand, "GoldPartner" contributed to the Group a turnover of HK\$622 million, up 46.8% from preceding period of last year, and gross profit of HK\$416 million. The Group maintained a similar level of gross profit margin over previous year of 66.9%. Significant increase in sales was primarily attributable to the successful sales strategies, shifting of focus from gift market to emphasis on product efficacy, and expansion of product portfolio with the launch of "GoldPartner for Men". Through ongoing positioning of the Group's new product "Huangjin Xuekang" as "Young Blood" among consumers, the turnover of the product rose remarkably by 123.8% to HK\$11.27 million. The gross profit and gross profit margin was HK\$7.68 million and 68.1% respectively.

Mr. Duan continued, "Despite escalating competition in China's healthcare products market, the Group's healthcare products continue to top the market in terms of sales revenue. In China, "Naobaijin" has become the best-selling healthcare product for the seventh time and "GoldPartner" made its way to the top three best-selling healthcare product 5 years in a row. In April 2008, Shanghai GoldPartner Biotech Co. Ltd. and Wuliangye Group jointly trial launched a new product "Golden Wine" to make in road into health wine market. The new product was well-received by the market. We will continue to make best efforts in introducing new products, formulating new sales strategies to maintain our key leading market position."

Investment Business –

Proactively Captured Market Opportunities to Invest in High-Growth Industries

The Group's associated company, China Cable Media Group Limited ("CCMG"), is the largest single shareholder of China Cable Information Network Co., Ltd. ("CCN"), a cable television group company in PRC. The Group and its business partners introduced strategic investors into CCMG and increased their investment in CCMG by US\$29 million, of which the Group accounted for US\$7 million. The equity interest of Stone in CCMG was 36.12% after the increase in investment. During the year under review, the business of CCN, one of the PRC's largest cable television business operators, was favorable with subscribers base of over 3 million.

Me To You ("MTY"), another investment of the Group, is mainly engaged in mobile phone communication service and global positioning services for automobile in PRC. MTY worked hand in hand with multinational

company in launching automobile GPS service. Furthermore, self-developed GPS navigators by Beijing MTY have passed official mandatory product certification in China during the year under review and was launched in end of 2007. The Group is confident towards the prospects of MTY and increased its equity interest in the company to 49%.

As at 31 March 2008, Stone held 4.6% equity interest in SINA, equivalent to approximately 2.5 million shares at the amount of HK\$686 million. Compared to the market capitalization in end of last year, SINA contributed an unrealized gain of HK\$29.16 million and a net profit of HK\$14.87 million after deducting the minority interests.

Apart from SINA, the Group also holds A shares of China Railway Erju. As at 31 March 2008, the Group disposed a total of approximately 3 million A shares of China Railway Erju at an average price of RMB18.92 per share, and realized a net profit of HK\$22.67 million. As at the date of the results announcement, the Group held approximately 24.28 million A shares of China Railway Erju.

Financial position -

Cash Flow Continued to Improve

During the year under review, the Group had cash and cash equivalents of HK\$553 million, representing an increase of 16% over the same period of last year. The total equity attributable to equity shareholders of the Group at the end of the financial year was HK\$27.16 million compared to HK\$23.93 million at the beginning of the year. This demonstrated a solid and healthy financial position of Stone. The Group is committed to implementing various measures to improve its financial position and increase shareholders' return.

Conclusion

Mr. Duan said, "The steady growth of our core businesses and fruitful return of our investment projects justified the success of our dual development strategy in operation and investment. We focus on developing industrial control products, printers, gold tax products and computer software that with great market potential and investment return. The management is proactively expanding the scale of Sunnet Café in order to enhance our bargaining power for partnership with advertisers and online game developers. We strive to broaden the income source and enhance the overall profitability of Sunnet Café. Meanwhile, we will actively roll out new healthcare products and leverage our extensive and far-reaching nationwide sales network to maintain the satisfactory sales performance of our key products. The Group will on one hand concentrate efforts on core businesses development and will explore investment opportunities with high growth potential on another hand so as to strive for better return for shareholders."

"Looking ahead, we will continue to optimize and expand our existing businesses, and to monitor the opportunities emerging in the market. To sustain the growth momentum of our dual operation mode in operation and investment, Stone is moving forward to open up more income sources and reinforce its diversified business operation," concluded Mr. Duan.

###

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 Electronic 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, semiconductors, computers and Sunnet Café. Product coverage includes SIEMENS and FUJI and SAMSUNG etc. 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". In April 2008, Shanghai GoldPartner Biotech Co. Ltd. and Wuliangye Group jointly trial launched a new product "Golden Wine". Stone has also invested in Me To You, CCN and established a joint venture, which is engaged in mineral resources exploration in Middle East region and others, and ancillary business.

For further enquiries, please contact:

Josephine Leung / Fiona Tong

Stone Group Holdings Limited

Tel: 2579-1166 / 2115-6337

Fax: 2880-5573

Email: investor@stone.com.hk

Angela Hui

Ketchum Hong Kong

Tel: 3141-8091

Fax: 2510-8199

Email: angela.hui@knprhk.com