

CHAIRMAN'S STATEMENT

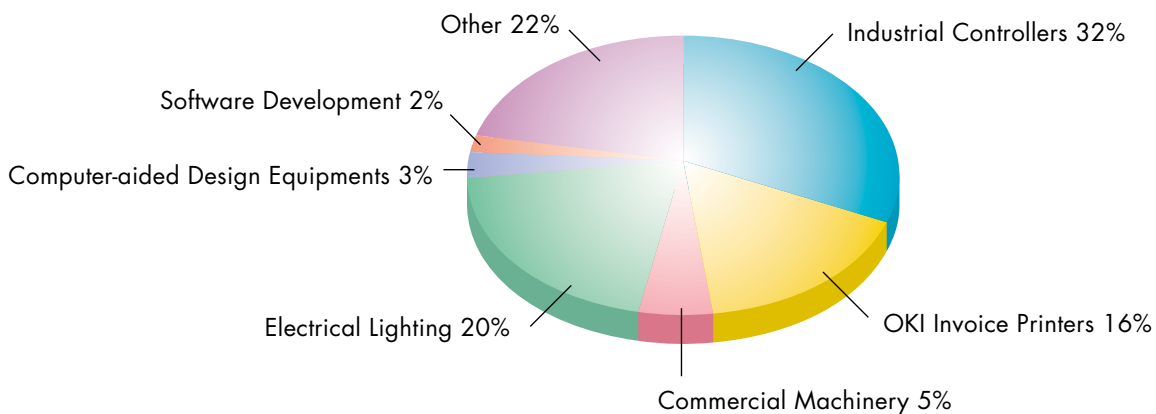
RESULTS

The Board of Directors (the "Directors") of Stone Electronic Technology Limited (the "Company") hereby announces that the turnover of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2000 is HK\$1,136,507,000, representing an increase of 14% over the previous year.

BUSINESS REVIEW

The Group continued to pursue its business consolidation during 2000. Despite the intense competition in mainland China, the Group managed to achieve a better operating results through effective allocation of resources in expanding its operation for the distribution of electronic and electrical products in view of the gradual rising national economy. Its core businesses benefited from achieving greater economies of scale. As such, turnover for 2000 grew 14% over last year. Meanwhile, this year's profit from operations before deducting various provisions amounted to HK\$19,530,000, a substantial increase over the previous year. During the year, the Company acquired 71% equity interests in Shanghai Stone-MTI Computer System Engineering Company Limited ("SMTI"), which engages in software development and system integration, and 25% equity interests in Mitsubishi Stone Semiconductor Company Ltd. ("MSSC"). These acquisitions strengthened the Group's capability in developing value-added businesses. Furthermore, the Group continued its strategy in business consolidation by disposing of non-core businesses. A conditional agreement was signed to dispose of 35% equity interests in Beijing Stone Matsushita Electric Works, Ltd. ("Stone Matsushita"), which engages in the manufacturing of electrical products, for a consideration of US\$17,350,000. The Group intends to make use of such proceeds to develop internet-related value-added businesses, which believe to have a strong growth potential.

Turnover analysis by major products



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Following the bursting of the technology stock bubbles around worldwide markets, Sina.com, our NASDAQ listed investment, also suffered from a plunge in its share price at the end of 2000. A substantial amount of provision for the unrealized loss has been charged to profit and loss account to reflect its fair value. Meanwhile, the Group also determined to provide fully for those bad and doubtful debts, obsolete inventory and impairment loss of fixed assets that have been in existence for years. Thus, profit from operations for the year was reverted to a loss after deducting such provisions.

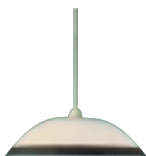
Distribution of Electronic and Electrical Products



- Sales of industrial controller products for 2000 were satisfactory, with turnover increased by 42% from last year to HK\$361,700,000. A sales company was established during the year to grasp the opportunities brought by the trend of modernization of machinery in various industries in the mainland. Based on the market demands, the Group has restructured and repositioned its portfolio of industrial controller products. In addition to Fuji frequency converters as the core product, Siemens frequency converters, which are more suitable to the China market, were included in the product portfolio to provide a complete range and diversity of such products offered by the Group. Sales of industrial controller products are expected to have remarkable growth in the coming year.



- Great efforts were made in expanding the business of Stone OKI invoice printers during 2000. The Group was able not only to maintain stable sales from the financial institutions, but also gain new income stream from various sectors including telecommunications, mobile communications and postal services. The Group was also dedicated to reorganizing its sales channels and formulating new sales strategies. Turnover for the year was in line with expectation and reached HK\$184,500,000, representing a rise of 15% over last year.



- Beijing Stone Electrical Marketing Co. Ltd., 75% owned subsidiary of the Group, was established in March, 2000 which helped to improve the Group's management over its sales channels and enhance its marketing planning. Owing to the high quality lighting and wiring products of Stone Matsushita and the strong demand for high-end electrical products by the consumers, turnover from this business amounted to HK\$199,440,000 for 2000.

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- A new policy was laid down under the “Gold Tax Project” (金税工程) during the year. Subject to the policy promulgated by the State Taxation Bureau of the PRC in October 2000, all business entities with each of the invoice valued over RMB10,000 are required to use value-added tax (“VAT”) invoice processors to issue VAT invoice. In order to grasp the opportunities arising from such policy, the Group put great efforts in boosting the turnover of sales tax electronic cash registers and VAT invoice processors in Beijing, Shenzhen and Jiangsu. Up to date, the Group has already provided user training to over 10,000 business entities. Turnover for the year is more than two times that of last year. As the Chinese government steps up its efforts in implementing the ‘Gold Tax Project’, this business is expected to have enormous room for development.

Technology-enabled Value-added Business

- The Group’s acquisition of the 71% equity interests in SMTI was completed in early September 2000. SMTI is primarily engaged in the provision of comprehensive solutions based on Geographical Information System (“GIS”). Turnover from this business amounted to HK\$30,532,000 for the year. In 2000, the Group successfully bid the project on sewage control system in Shanghai, thereby establishing its reputation in the GIS market in China. Indeed, the increasing widespread application of GIS is expected to bring a bright future for SMTI.
- The Group’s acquisition of the 25% equity interests in MSSC was completed in April 2001. MSSC is primarily engaged in the packaging and testing of semiconductor integrated circuits. In view of the expected growth in global demand for semiconductor integrated circuits, it is believed that MSSC will also have satisfactory growth.

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STRATEGY AND OUTLOOK

Looking ahead, the Group continues to consolidate its existing distribution of electronic and electrical products business and technology-enabled value-added business in 2001. New businesses will also be explored to capture the development trend of the information technology sector. The Group intends to extend its operation to the provision of internet and broadband network related value-added services and the related technical support, and the provision of logistic services on integrated supply-chain management. By so doing, the Group is able to provide technical supports to enterprises for their development of e-business.

The major plans for future development are as follows:

1. **Virtual Private Network:** Capitalizing on the internet technology, the Group intends to develop the business of Virtual Private Network, which enables the efficient transfer of data through private network. Such facility will help enhance enterprises' capability in using computer technology for information transfer, thereby enabling them to cut cost in data transfer and improving operation efficiency.
2. **Broadband Network Services:** The Group will develop internet and broadband network related value-added services. Such services include the provision of broadband-enabled information communication services and the related technical support, and the provision of wireless information services and the related technical support.
3. **e-Marketplace:** The Group intends to become a provider of integrated supply-chain management solutions, with the focus on logistic control, linking all the way from consumer products manufacturers and distributors to retailers. It will be devoted to the development of the logistics trading market and will introduce online transaction services. Along with this, the Group will help enterprises set up their e-business platform so as to cater for their overall business needs, business model planning, and system maintenance. By so doing, the Group is dedicated to help enterprises achieve maximum returns.

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4. WebPOS: Based on its existing business of manufacturing and sales of Point of Sale ("POS") equipment and related products, the Group will increase the technology-content of its products and the efficiency of its distribution network. For example, the Group will introduce more web-based POS or wireless POS equipment to cater for the needs of enterprises in developing e-business and to sharpen their products' competitive edge.

I am fully confident that the above plans for the development of internet-related value-added businesses will bring forth brilliant results for the Group in the years ahead.

Lastly, I would like to express my warmest gratitude to the fellow directors for their counsel and guidance. I also thank the dedication and contribution of our staff to the Group in attending its goals and our shareholders for their continuous support of the Group.

Shen Guojun

Chairman

Hong Kong, 20th April, 2001