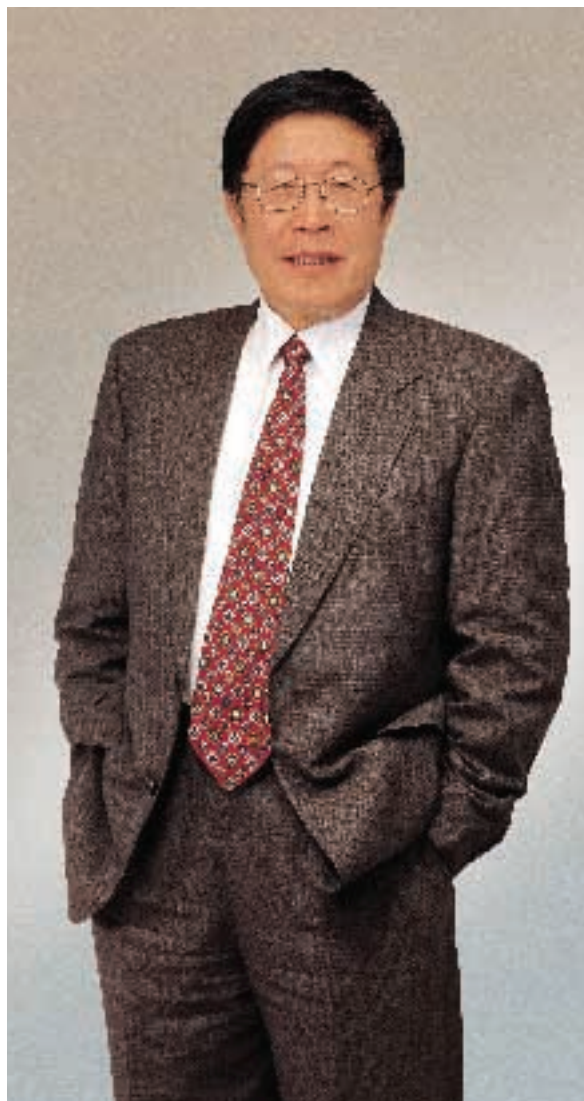


On behalf of the Board of Directors (the "Board") of Stone Group Holdings Limited (the "Company") and its subsidiaries (the "Group"), I am pleased to announce the audited turnover and profit attributable to shareholders of the Group for the year ended 31 December 2003 amounted to HK\$1.015 billion and HK\$801 million respectively, representing a growth of 1.94% and 2,086.28% respectively with an encouraging earnings per share of HK 66.66 cents. As a token of our gratitude towards the support of shareholders to the Group in previous years, the Board has recommended the distribution of a special dividend of HK 3 cents per share. The payment of it is subject to shareholders' approval in the forthcoming annual general meeting.

Striving to create values for shareholders has always the corporate mission and commitment of the Group. In the year of 2003, unforeseeable crises occurred successively, leading to a difficult operating and business environment. Against this backdrop, the management and staff from all levels of Stone fearlessly stuck to their own position and explored and even developed business opportunities. As a result, the turnover in 2003 not only remained unaffected but also increased when compared to 2002, particularly the notable growth of more than 25% in the sales of industrial controllers and gold tax products. Industrial controllers division which the Group controlled has been the leading agency in the PRC for various international well-known brands. The Group also implemented internal management and cost control measures through deployment of an ERP system, and the operating loss substantially decreased accordingly whereas the rate of gross profit margin increased by 9.5% over the corresponding period last year. In the year 2003, the values of investment assets held by the Company appreciated at an encouraging rate and the performance of shares of SINA Corporation was extraordinary, as a result of which, profit attributable to shareholders reached new height since its listing.



In view of the PRC's accession into the World Trade Organization, the inflow of foreign enterprises intensified market competition in the PRC, further squeezing the gross profit of sales of electronic products. Despite the increase in sales and significant decrease in the Group's operating was recorded, the operation of electronic products has not yet fully turned around in 2003. For the Group's stable development in the long run, the Group has been progressively identifying new business opportunities to form solid foundation for strengthening its future operating profits. As a result of our effort, the Group and Mr. Shi Yuzhu entered into a sale and purchase agreement for the acquisition of 75% equity interest of Shanghai GoldPartner Biotech Co., Ltd. at a total consideration of HK\$1.172 billion in December 2003 in order to enter into the healthcare products market with rapid growth rate and considerable growth potential through the established business. The Board is highly confident about the acquisition with full support from the shareholders. The acquired products "Naobaijin" and "GoldPartner" are among the bestselling healthcare products in the PRC. Leverage on its most extensive distribution network with comprehensive coverage, the Board expected the healthcare products will provide a stable source of profit and cash flow to the Group in the future.

Looking forward, the Board is confident about the business development of the Group. The Group will focus on the development of healthcare products business with the acquired product distribution network, personnel to explore new products and new markets. The business of manufacture and distribution of electronic products will also be developed in a progressive manner to resume profitability by the way of implementing measures on cost control. The Group will also closely monitor the identified investments and opportunities to bring along growing potentials in terms of operation and profits. At the same time, the Group will concentrate on the internal control and corporate governance to lay down a solid foundation for the enhancement of our shareholders' investment value.

Last but not least, on behalf of the Board, I would like to express my warmest gratitude to the independent non-executive directors for their contribution to the Group last year and the dedication of all our staff.

Duan Yongji

Chairman

Hong Kong, 26 April 2004