

Chairman's Statement



Duan Yongji
Chairman of the Board

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 fifteen months ended 31 March 2005 amounted to HK\$2,362 million and HK\$160 million respectively, earnings per share was HK11.10 cents. Due to the acquisition of Shanghai GoldPartner Biotech Co. Ltd. ("Shanghai GoldPartner") at the beginning of the period and the change of accounting year end date from 31 December to 31 March, turnover for the fifteen months increased by 132.6% when compared with last year (the increase would be 98.9% if the fifteen months turnover was trimmed to twelve months on a pro-rated basis). The significant increase in income also turned around the Group from operating losses to an operating profit. As most of the unrealized gain from SINA shares has been recorded in the 2003 financial statements, the investment profit for the period was only HK\$27.37 million. Compared with the net profit attributable to shareholders of HK\$943 million earned from the investment in SINA shares last year, the profit attributable to shareholder for the period dropped by 79.98%. The Board has recommended the distribution of a final dividend of HK1.3 cents per share. The payment of it is subject to shareholders' approval in the forthcoming annual general meeting.

The year 2004 is very important and special for the Group. Stone has just reached its 20th anniversary in that year since its birth. As a well-known corporation in electronic and high technology industry in the PRC, the miles stone of Stone represents the set up and the continuous development of private-owned enterprises. Marching to 20th anniversary, there are significant changes in Stone. Business operations and strategies were reformed drastically. In March 2004, the Group completed the acquisition of 75% equity interest of Shanghai GoldPartner and entered into the business of manufacturing and distribution and sale of healthcare products. Actually, the results of this new business proved that the acquisition was very successful. According to the 2004 national statistics conducted by the National Bureau of Statistics for healthcare products, the products "GoldPartner" and "Naobaijin" sold by Shanghai GoldPartner were ranked as the first and second respectively in single product group. This showed that

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the Group has established two core business operations. On the other hand, the Group has begun to restructure its business of manufacturing and distribution of electronic products from September 2004. Certain loss making and non-performing companies of electronic business were restructured by closing, reduction of shareholdings and readjustment in the form of investment. In April 2005, the Group has acquired 40% equity interest in Beijing Metoyou Information Technology Limited, successfully entering into the wireless telecommunication and location-based valued-added service market. By means of the foregoing changes and restructuring, the Group has reinstated from sustained loss making positions back to an operating profit position.

The Board envisaged that the Group has commenced its second golden era in 2004. The remaining companies of electronic business will no longer be the burden to the Group. With the expanded investment in media-related business, the Board believes that it will make positive contribution to the Group. In addition, as the standard of living in the PRC becomes higher, people pay more attention to their health nowadays. They are more concerned about their health condition even in certain minor areas. More and more expenses and investment are incurred in medical and healthcare related products. The Board believes that the operation of the manufacture, distribution and sale of healthcare products will keep on growing and contributes abundant profit to the Group in the coming years. As for electronic business, we will also be actively striving for the transformation from traditional electronic business towards the value-added high-tech and internet business. Healthcare product business and media-related business will be the supernormal growth businesses in the PRC and will also be the most profitable businesses in the long run. These are the businesses the Group has already got a very good position and privileges. The Board is full of confidence in the prospect of these two businesses and also full of confidence in our outstanding management team of these two specialized areas. The result of last fifteen months was only an inception. The Board believes that more convincing performances will be resulted and favorable returns will be awarded to the investors in near future.

Finally, I would like to express my warmest gratitude to the Board, the management and all our staff for their contribution and dedication to the Group in the last fifteen months.

DUAN Yongji

Chairman

Hong Kong, 19 July 2005