



**Duan Yongji**  
*Chairman of the Board*

“The development of electronic and Internet-related businesses is going to continue with promising value, and we will strive to explore new operations in other business areas so as to attain growth while rationalizing our traditional business operation.”

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 results of the Group for the year ended 31 March 2006. Turnover and profit attributable to shareholders amounted to HK\$2.035 billion and HK\$63.91 million, respectively, and earnings per share was HK4.24 cents. I am delighted to note that the Group reported operating profit for the second year in a row after sustaining operating losses for some years, more than repaying our diligent efforts made in the past two years. However, due to the change of financial year end date, there was a decrease in figures for the year 2005/06 as compared to the previous year. Turnover and profit attributable to shareholders

decreased by HK\$326 million and HK\$96.52 million, respectively, while earnings per share dropped by HK6.86 cents. Such decrease was primarily attributable to the recent change of the Group’s year end date from 31 December to 31 March, whereby comparative figures for the previous period reflected results of fifteen months while current-year figures reflected results of twelve months. Another factor contributing to the decrease was an unrealized loss of HK\$64.54 million sustained by SINA during the year, compared to profit in the previous fifteen-month period with a net realized and unrealized income of HK\$53.67 million. The Board will recommend the payment of a final dividend of HK0.8 cent per share at the forthcoming annual general meeting.

Following our restructuring exercise which had lasted for about two years, our Electronic Products Business had been significantly streamlined as it continued to cut losses, and turnaround to operating profit is expected for the coming year. As for our Healthcare Products Business, products under the brands of GoldPartner and Naobaijin remained top sellers in the market for healthcare products despite measures promulgated by the PRC government earlier in the year to regulate this market sector, due to persistent management efforts in trying various method of advertising and marketing in the latter half of the year. Nonetheless, profit contribution from our Healthcare Products Business was slightly lower compared to the year 2004/05, as the industry as a whole had experienced a sluggish year capped by a slight retrench in revenue. All in all, the original target of Healthcare Products Business has been achieved as the aggregated profit in the second and third year has exceeded the guaranteed profit amount of RMB340 million. In addition, the Group entered the wireless telecommunication and location-based value-added service market with the acquisition of a 40% equity interest in ME TO YOU HOLDINGS LTD. (hereinafter "Cayman MTY") at the beginning of the year. By the end of December 2005, Cayman MTY had achieved the guaranteed profit amount of US\$8.10 million stated in the original sales and purchase agreement. During the year under review, the Group introduced an international financial investor to invest in China Cable Media Group Limited (hereinafter "CCMG") which was 50%-owned by the Group. Following this transaction, the equity interest in China Cable Network Co., Ltd. (hereinafter "CCN") was increased from 17.38% to 31.96%. The Group is extremely confident in this investment and believes the introduction of an international financial investor will not only broaden the capital base of CCMG, but will also bring the benefit of international management skills to enhance systematic management at CCN and help to increase its profitability.

Other than engaging in its ordinary course of business development, the Group adopted various measures to enhance capital gains and reduce its indebtedness during the year. In October 2005, the Group was allotted 48 million new shares of China Construction Bank in the latter's global offering, resulting in better investment gains for the Group's unutilized funds. Meanwhile, we entered into an agreement with our Chief Executive Officer, Mr. Shi Yuzhu, in December 2005 to redeem convertible bonds with a par value of HK\$192 million held by him for a consideration of HK\$145 million, reducing the number of outstanding bonds issued by the Group while realizing an instant gain of HK\$24.93 million for our shareholders.

The Board believes that the Group's meticulous efforts in the aforesaid areas during the year under review have resulted in a stronger competitive position for each of our business segments. The effect of restructuring is effective for the Electronic Products Business, while a regulated market for healthcare products is set to result in domination by leading players such as the Group. In addition, the Group is also focused on the development of technology and Internet-related businesses with promising value. In view of the above, the Board is fully convinced that the Group will be providing shareholders with lucrative returns in due course. At the same time, Directors aware that there is large gap between the market price and net assets per share of the Company, they will adopt proactive strategies to improve the market price of the Company.

Finally, I would like to express profound gratitude to the Board, the management and all our staff for their contributions and dedication to the Group in the past year.

**DUAN Yongji**

*Chairman*

Hong Kong, 18 July 2006