



STONE GROUP HOLDINGS LIMITED

Second Interim Report 2004



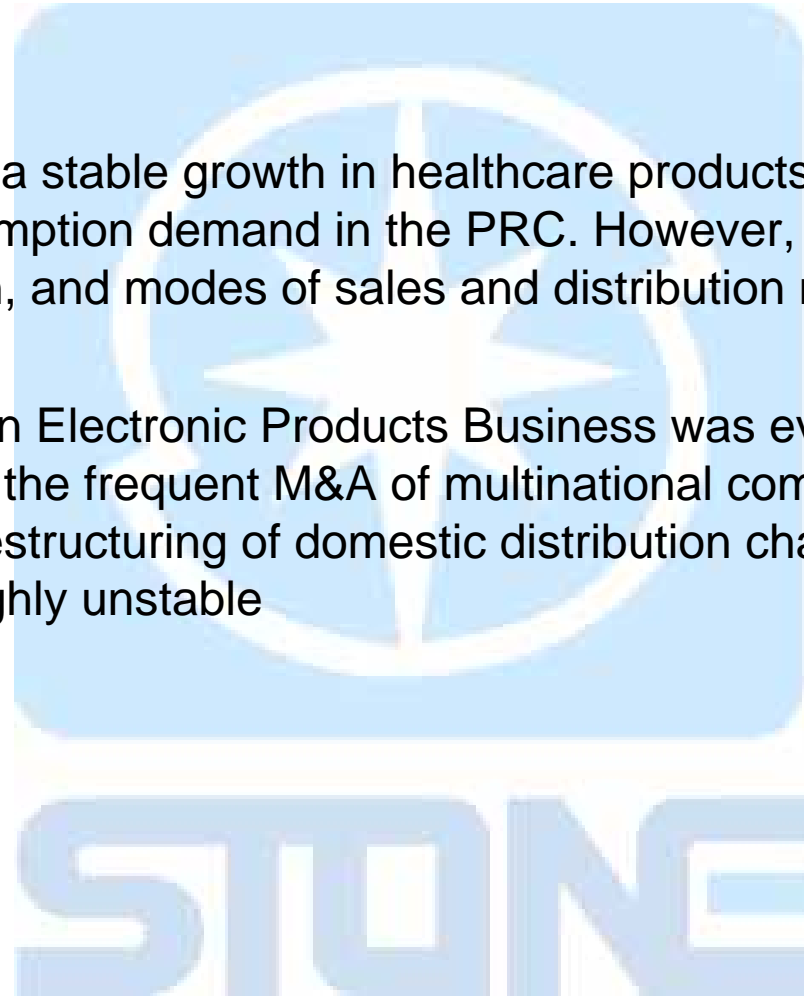
Second Interim Report 2004



Operation Review

Market Review

- YR2004 saw a stable growth in healthcare products market reflecting strong consumption demand in the PRC. However, competition has become keen, and modes of sales and distribution more diversified
- Competition in Electronic Products Business was even more intense in 2004. Due to the frequent M&A of multinational companies and continuous restructuring of domestic distribution channel, the market place was highly unstable

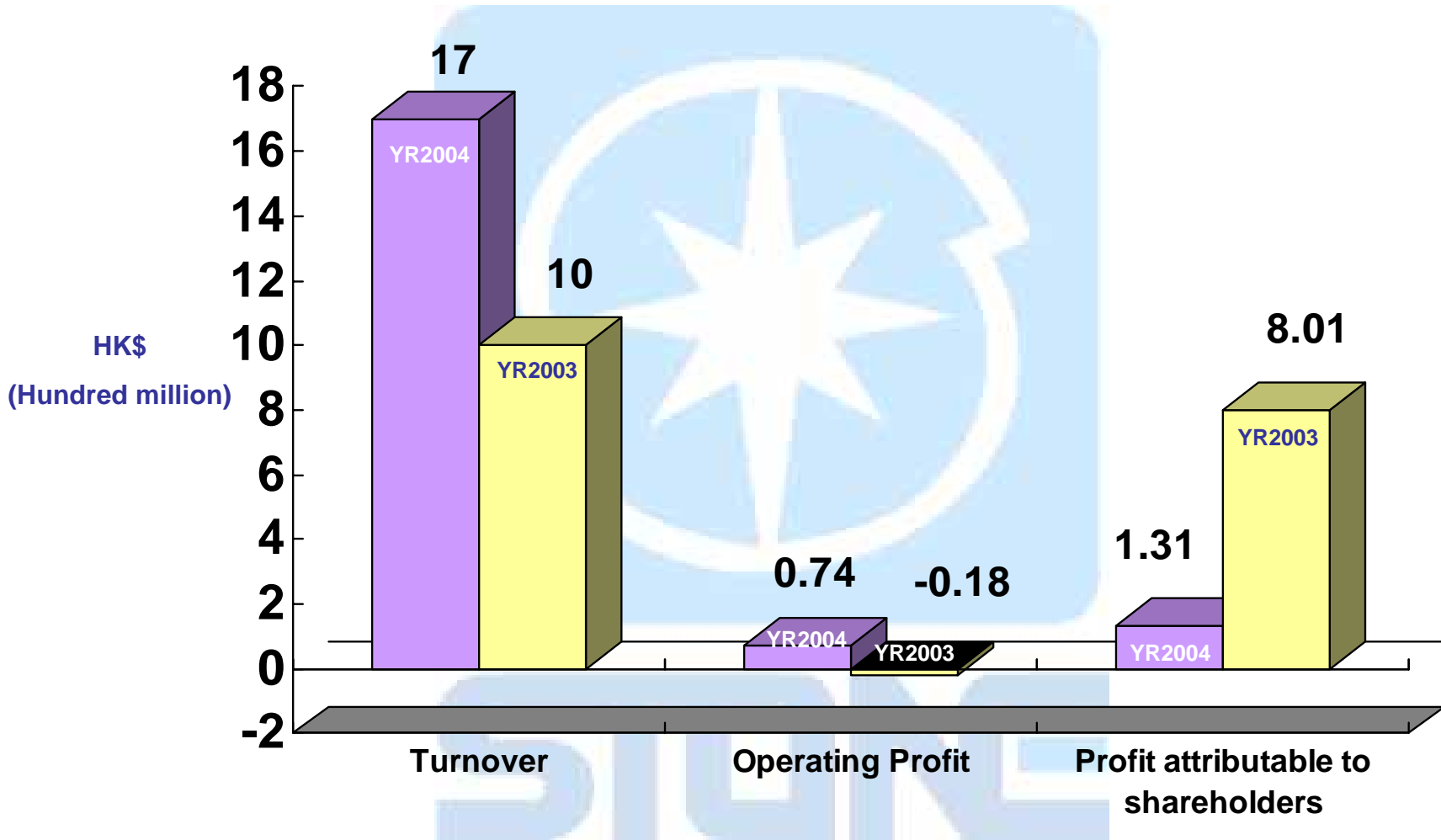


Business Review

- 2004 marked a year of expansion for Stone Group Holdings, with its acquisition of healthcare products business, thereby providing a stable growth in sales and profit for the Group
- The Group's turnover increased to HK\$1,701m, remarkably by 67.5% compared to the same period last year
- Profit from operations turned around and realized HK\$74.22m
- Restructuring in Electronic Products Business started with profit-making and market positioning
- SINA shares were sold at a good price , realizing investment profit of HK\$71.34m



Performance Overview



Business Development

Business Development 1: Completing the acquisition of Healthcare Products Business

- In early March 2004, the Group successfully acquired a 75 % equity interest in Shanghai GoldPartner Biotech Co. Ltd, which becomes the major profit driver of the Group
- Major products like “Naobaijin” and “GoldPartner” was ranked first and second in sales among healthcare products in the PRC in 2003, but also remained top selling items in 2004
- “Service marketing” approach has been launched to broden the client base and to increase the no. of loyal customer
- New product “Huangjinxuekang” was introduced to the market. The test-sale is being performed in 8 cities

Business Development



Naobaijin

Major Components	Main Function	Market Position	Competitive Edge
Melatonin and Oligosaccharide	Improve sleeping quality and digestive system	Adults especially the aged group , gift	The only 1+1 product in the market that can improve sleeping quality and digestive systems at the same time



GoldPartner

Major Components	Main Function	Market Position	Competitive Edge
Composed by various vitamins and minerals	Fully supplement vitamins and minerals	Given the different nutritional requirements of consumers on different ages, genders and physical conditions, GoldPartner comes in three different formulas designed for children and youngsters, women and the middle-aged/ elderly, gift	Developed and endorsed by the China Nutrition Society, the product is tailored for the diet habits and physique of Chinese to match with their physical needs in conformity of DRI standard



Huangjinxuekang

Major Components	Main Function	Market Position	Competitive Edge
Natural statines, ginkgo biloba and red ginseng	Significant benefit in blood lipid regulation	Adults especially the aged group , gift	The data shows that 97% of the users experienced a significant decrease in blood lipid level, and no single case of toxic side effect was reported



Business Development

Business Development 2 : Commencing restructuring in Electronic Products Business

- Major distribution business grew steadily. Sales of industrial controllers increased slightly by 12.7%
- Profit and loss analysis of the traditional electronic products was conducted. To devise and implement the restructure, three associated companies were closed and transferred.
- As the distribution right of digital graphic products were not yet confirmed, turnover decreased by 7.5%



Business Development

Business development 3 :Steady development in major investments

- Increased the shareholdings of a national cable TV operator,China Cable to 13.77% by US\$10mn
- Decreased the shareholdings of SINA to 2,502,274 shares, shareholding ratios from last year's 13.30% to 4.96% as at December 31, and, the company cashed in HK\$574m
- Project Sunnet Café progresses smoothly with 2 directly operated shops, 4 franchised shops and owning 1,000 computers/servers by the end of December





Financial Review

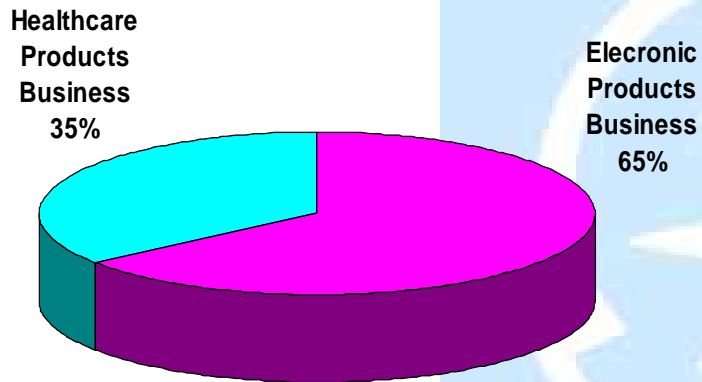
Consolidated Profit and Loss Account

	For the 12 months ended 31 December 2004 (\$'000)	For the 12 months ended 31 December 2003 (\$'000)	Change (%)
Turnover	1,700,671	1,015,277	67.51
Gross profit	452,634	128,993	250.90
Distribution costs	(288,981)	(56,839)	408.42
Profit/(loss)from operations	74,222	(18,512)	N/A
Non-operating income	149,188	1,745,555	(91.45)
- Realized income from selling SINA	103,217	495,033	(79.15)
- Unrealized income from SINA	(31,874)	1,354,004	N/A
Financing costs	(12,497)	(4,577)	173.04
Share of profit (loss) of associates	(12,100)	(15,182)	(20.30)
Profit from activities before taxation	198,813	1,707,284	(88.36)
Taxation	(1,216)	(584)	108.32
Minority interests	(66,860)	(905,514)	(92.62)
Profit attributable to shareholders	130,737	801,186	(83.68)
Earnings per share – Basic	9.09 cents	66.66 cents	(86.36)
– Diluted	5.47 cents	59.90 cents	(90.87)



Turnover & Gross Profit – by Business Segment

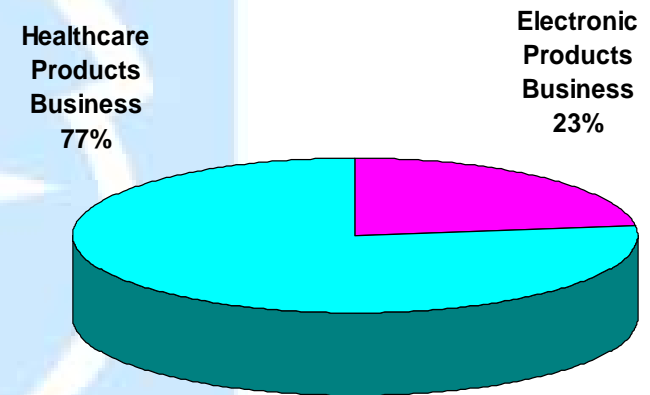
Turnover Contribution



For turnover contribution, Electronic Products Business accounted for HK\$1098mn, while Healthcare Products Business accounted for HK\$603mn

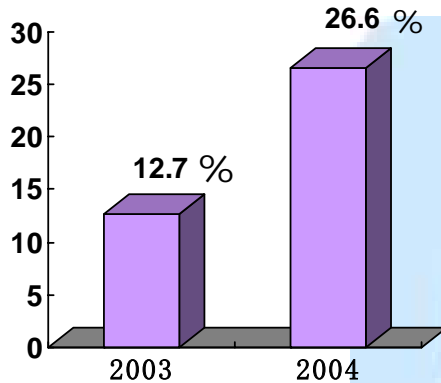
*Ten months figures from March to December of healthcare products business

Gross Profit Contribution

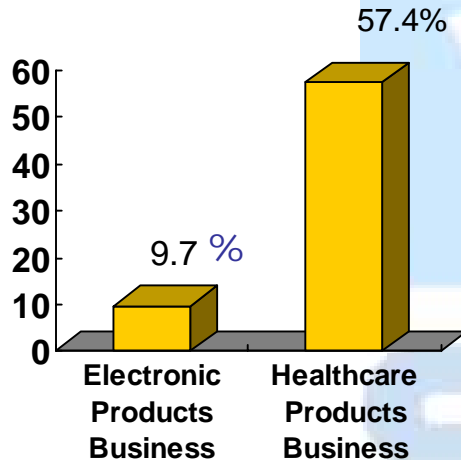


For gross profit contribution, electronic products business reached HK\$100mn, while healthcare products business amounted to HK\$346mn

Analysis for Gross Profit Margin



■ Consolidated Gross Profit Margin



■ Gross Profit Margin for Electronic/ Healthcare Products Business

- Consolidated gross profit margin amounted to 26.6%, representing an increase of 13.9 percentage points when compared to the same period last year's 12.7%

	2004 (\$'000)	2003 (\$'000)	Change
Electronic Products			
Business			
Manufacture	17.3%	22.3%	(22.4)
Distribution	7.3%	9.2%	(20.6)
Media-related	17.0%	-	-
Healthcare Products			
Business			
Naobaijin	43.5%	-	-
GoldPartner	70.3%	-	-

- Gross profit margin for Healthcare Products Business reached 57.4% while that of Electronic Products Business stood at 9.7%



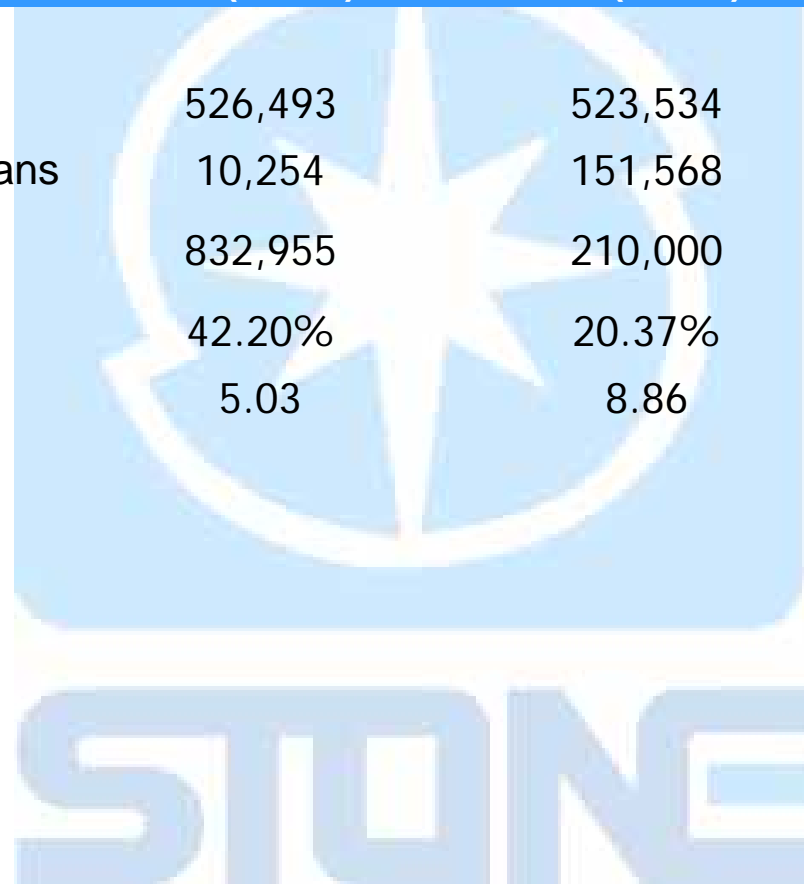
Consolidated Balance Sheet

	2004 (\$'000)	2003 (\$'000)
Tangible assets	2,434,990	3,140,980
Intangible assets	1,176,694	1,984
-Goodwill	1,136,614	1,984
Long term investment & Interest	404,013	218,239
Short term investment	625,133	1,680,690
Current assets	1,856,012	2,785,324
Current liabilities	369,330	314,543
Net current assets	1,486,682	2,470,781
Total assets less current liabilities	3,244,113	2,871,604
Minority interest	413,190	882,984
Net assets	1,997,968	1,774,620
Net assets per share	\$1.36	\$1.46



Major Financial Data

	2004 HK(\$'000)	2003 HK(\$'000)	Change
Cash reserves	526,493	523,534	2,959
Bank and other loans	10,254	151,568	(141.314)
Convertible notes	832,955	210,000	622,955
Gearing ratio	42.20%	20.37%	107.17%
Current ratio	5.03	8.86	(43.20%)





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Thank you