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STONE GROUP HOLDINGS LIMITED

四通控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 409)

CONNECTED TRANSACTION:

FORMATION OF JOINT VENTURE COMPANY

On 18 June 2007, the Company entered into the Shareholders' Agreement with, inter alios, Seasource and six other independent third parties for the purpose of regulating the operation and management of the JV Co. to engage in mineral resources exploration in the Middle East region, Africa and other countries, and other ancillary business.

As Seasource is a connected person of the Company, entering into the Shareholders' Agreement constitutes a connected transaction of the Company and is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Rule 14A.32 of the Listing Rules. The transaction is also subject to the reporting requirements set out in Rule 14A.45 of the Listing Rules.

THE SHAREHOLDERS' AGREEMENT

Date: 18 June 2007

Parties: Party A: the Company
Party B: Seasource
Party C: China Oceanwide Industries Holdings Limited
Party D: Asia Communications Network Limited
Party E: Mr. Lau Kan Kan
Party F: Pak Yu Investments Limited
Party G: Verbier International Inc.
Party H: Wealth Spectrum Limited
Party I: JV Co.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Parties C, D, F, G, H (and their respective ultimate beneficial owners) and Party E are third parties independent of the Group and connected persons (as defined under the Listing Rules) of the Group.

Party B is wholly owned by Mr. DUAN Yongji, the chairman of the Company.

The principal business activities of Parties B, C, D, F, G and H are all investment holding.

Pursuant to the Shareholders' Agreement, the JV Parties have agreed to enter into certain commitments and to regulate their rights in relation to the JV Co. for the purpose of assuring an orderly and harmonious relationship between them and to promote the successful operation and management of the JV Co.

The capital structure and funding of the JV Co.

The total issued share capital of the JV Co. is HK\$60,000,000 divided into 60,000,000 shares of HK\$1 each, of which 60,000,000 shares of HK\$1 each were allotted and issued to the JV Parties as follows:

Shareholders	No. of shares (% of shareholding)	
The Company	10,000,000	(16.67%)
Seasource	12,000,000	(20.00%)
China Oceanwide Industries Holdings Limited	10,000,000	(16.67%)
Asia Communications Network Limited	5,000,000	(8.33%)
Mr. Lau Kan Kan	2,000,000	(3.34%)
Pak Yu Investments Limited	11,000,000	(18.33%)
Verbier International Inc.	5,000,000	(8.33%)
Wealth Spectrum Limited	5,000,000	(8.33%)

The total issued share capital in the JV Co. subscribed for by the Company amounted to HK\$10,000,000 for a 16.67% interest in the JV Co. and has been paid by the Company and was financed by internal resources of the Group. The subscription amount of HK\$10,000,000 by the Company was calculated upon the Company's proportional interests of 16.67% in the JV Co., with the total issued share capital of the JV Co. being HK\$60,000,000. As at the date of this announcement, all issued share capital of the JV Co. has been paid up.

There is no further commitment to make further capital contribution to the JV Co. other than to the capital subscribed for the shares mentioned above. It is the present intention of the JV Parties that they will use their best endeavours to procure the JV Co. to raise further financings from banks or other financial institutions for its business operation and development.

Business and operation of the JV Co.

The JV Co. was incorporated on 8 March 2007 with a paid-up capital of HK\$100. The principal business of the JV Co. is to engage in mineral resources exploration in the Middle-East region, Africa and other countries, and other ancillary business. As at the date of this announcement, the JV Co. has obtained an exclusive exploration right in relation to zinc and lead, covering an area of approximately 1,000 square kilometres in Tabaq of Yemen for an initial term of two years (which can be extended for a further two years upon notice given by the JV Co.) and is in negotiations for other mines in the Middle-East region.

To pursue the aforesaid principal business, the JV Co. entered into a letter of intent with a US-listed company in May 2007 for the grant of option regarding exploration, development and production of mineral products from properties held by such company in Africa. The JV Co. was granted exclusivity to negotiate for options relating to nickel mineral products and a right of first offer for options relating to mineral products other than nickel. As at the date of this announcement, no definitive agreement has been entered into between the JV Co. and such US-listed company.

As at the date of this announcement, the JV Co. does not own any assets except for the paid-up capital of HK\$60,000,000. The JV Co. would be accounted for as a long-term investment of the Group.

Management of the JV Co.

The overall management of the JV Co. shall be managed by the board of directors of the JV Co. The board of directors of the JV Co. shall consist of five directors, of whom each of the Company, Seasource, China Oceanwide Industries Holdings Limited, Asia Communications Network Limited and Pak Yu Investments Limited shall be entitled to nominate one director to the board.

The chairman of the board of directors of the JV Co. shall be nominated by Seasource and the initial chairman is Mr. DUAN Yongji, who is also the chairman of the Company.

Pursuant to the Shareholders' Agreement, the JV Parties agreed that conditional upon the following conditions have been satisfied on or before 31 December 2017:

- (a) the government of Yemen having approved the exploration of mineral resources by the JV Co. in Yemen; and
- (b) the China Geology Survey Department (中國地質調查局) having completed valuation and analysis reports stating the land subject to approval in subparagraph (a) above having resources of iron ore or non-ferrous metal

the JV Parties will designate 20% of their respective shareholding in the JV Co. (the “**Incentive Shares**”) for an incentive share scheme for the benefit of the management of the JV Co. Pursuant to such incentive share scheme, the Incentive Shares will be transferred to such management personnel and in such proportion as approved by the board of directors of the JV Co. at a total nominal consideration of RMB1.00.

REASONS FOR, AND BENEFITS OF, ESTABLISHMENT OF THE JV CO.

The principal business of the Company is investment holding, with its subsidiaries engaged in manufacture, distribution and sale of electronic and electrical products, office equipment, healthcare products as well as engaged in media-related business. It has been the Group’s long term strategy to progressively identify new business opportunities with a view to forming a solid foundation for strengthening the Group’s future business development, future operating profits and as a result, enhancing the earning base and investment value of the Group.

The establishment of JV Co. will help, and is a strategic move of, the Company to broaden its business scope to include mineral resources exploration and other ancillary business. The search for natural resources amongst nations is a global phenomenon and the Company’s growth momentum will also be maintained by diversifying into the natural resource area.

The Directors (including the independent non-executive Directors), consider that the terms of the Shareholders’ Agreement, including the capital contribution by the Company, are fair and reasonable and in the interests of the Company and its shareholders as a whole and are entered into on an arm’s length basis, on normal commercial terms and on terms no more favourable to other JV Parties (in particular, Seasource).

LISTING RULES IMPLICATIONS

Seasource is wholly owned by Mr. DUAN Yongji and thus a connected person (within the meaning ascribed thereto in the Listing Rules) of the Company. Therefore, entering into the Shareholders’ Agreement constitutes a connected transaction of the Company.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules on the aggregate contribution by means of subscription for the share capital in the JV Co. by the Company are below 2.5%, entering into the Shareholders’ Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders’ approval requirement under Rule 14A.32 of the Listing Rules. The transaction is also subject to the reporting requirements set out in Rule 14A.45 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Board”	the board of Directors
“Company”	Stone Group Holdings Limited, the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Co.”	Stone Resources Limited, a limited liability company incorporated in Hong Kong
“JV Parties”	collectively, the Company, Seasource, China Oceanwide Industries Holdings Limited, Asia Communications Network Limited, Lau Kan Kan, Pak Yu Investments Limited, Verbier International Inc., Wealth Spectrum Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Seasource”	Seasource Holdings Limited, a limited liability company incorporated in the British Virgin Islands and wholly owned by Mr. DUAN Yongji, the chairman of the Company
“Shareholders’ Agreement”	the shareholders’ agreement dated 18 June 2007 entered into by the JV Parties and the JV Co. for regulating the JV Parties’ rights in relation to the JV Co.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Yemen”

The Republic of Yemen

On behalf of the Board
Stone Group Holdings Limited
DUAN Yongji
Chairman

Hong Kong, 18 June 2007

As at the date of this announcement, the Board comprises ten Directors, of whom Messrs. DUAN Yongji, SHI Yuzhu, SHEN Guojun, CHEN Xiaotao, ZHANG Disheng and Ms. LIU Wei are executive Directors and Messrs. NG Ming Wah, Charles, Andrew Y. YAN, LIU Ji and LIU Jipeng are independent non-executive Directors.

Please also refer to the published version of this announcement in South China Morning Post.