



**STONE GROUP HOLDINGS LIMITED**  
**四通控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 409)**

**FRAMEWORK AGREEMENT**

The Board is pleased to announce that on 11 July 2007, the Company entered into the Framework Agreement with Stone Resources, pursuant to which, Stone Resources undertakes to grant to the Company the First Right of Co-operation in relation to the mineral resources.

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

Reference is made to the announcement of the Company dated 18 June 2007 (“**Announcement**”) in respect of the Company’s entering into the Shareholders’ Agreement with, inter alia, Seasource and six other independent third parties for the purpose of regulating the operation and management of Stone Resources Limited (“**Stone Resources**”), a limited liability company incorporated in Hong Kong, to engage in mineral resources exploration in the Middle East region, Africa and other countries, and other ancillary business. Unless otherwise specified, capitalized terms used in this announcement shall have the same meaning as those defined in the Announcement.

**THE FRAMEWORK AGREEMENT**

In light of Stone Resources having obtained certain exploration licences, the Company entered into the framework agreement (“**Framework Agreement**”) with Stone Resources, pursuant to which, inter alia, Stone Resources undertakes to grant to the Company the First Right of Co-operation in relation to the mineral resources on 11 July 2007.

## **First right of co-operation**

In respect of all mineral resources (wherever located, whatever kinds of mineral resources and kinds of rights of exploration, exploitation, development, sale and investment, etc thereon) owned or to be owned by Stone Resources (collectively as “**Mining Rights**”), Stone Resources undertakes to grant the Company a first right of co-operation on exclusive context (“**First Right of Co-operation**”) as follows:

- (a) within a period (“**First Period**”) of 180 days after Stone Resources acquired the relevant Mining Rights, the Company shall have the first right to form a joint venture company (or other form of co-operation) with Stone Resources to develop and invest in the Mining Rights, with the Company holding majority shareholding or control (as applicable); and
- (b) in the event that the Company refuses to or does not come to agreement on the terms of such co-operation with Stone Resources upon expiry of the First Period, Stone Resources could negotiate and finalize with other third parties on possible co-operation (“**Project**”) in respect of the relevant Mining Rights. Yet, Stone Resources must first offer to the Company the right to co-operate in the Project on the same terms and could only co-operate with such third party in the Project after refusal of the Company to co-operate in the same.

Pursuant to the Framework Agreement, all terms of co-operation between Stone Resources and the Company should be negotiated on arm’s length, based on normal commercial terms and third party valuation of the Mining Rights.

## **Others**

The Framework Agreement will be effective for a period of 20 years from the date of the Framework Agreement.

## INFORMATION ON STONE RESOURCES

Stone Resources was incorporated on 8 March 2007 and is owned at the date of this announcement as to 16.67% by the Company, 20.00% by Seasource, a company wholly owned by Mr. Duan Yongji, who is the chairman and a Director of the Company, and the remaining 63.33% by six shareholders who are third parties independent of the Group and connected persons of the Group. The principal business of Stone Resources 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, Stone Resources has obtained a mineral exploration licence from the Geological Survey & Mineral Resources Board which represents Ministry of Oil and Minerals of the Republic of Yemen (the “**Yemen GSMR Board**”) which will give the Company an exclusive right to carry out exploration for zinc and lead in an area of approximately 1,000 square kilometres (“**km<sup>2</sup>**”) in Tabaq of Yemen for an initial term of two years (which can be extended for a further two years upon notice given by Stone Resources). If Stone Resources, during the course of exploration, discovers indications of substances other than zinc and lead, upon notice given by the Yemen GSMR Board the existing exploration license will be extended to such newly discovered minerals. The Yemen GSMR Board also undertakes to Stone Resources that it will ensure Stone Resources to be granted with an exploitation license with the sole and exclusive right to exploit minerals in the abovementioned area.

According to Stone Resources, Stone Resources is in the planning stage for the exploration of the abovementioned zinc and lead mine in Tabaq of Yemen. The exploration works in Tabaq of Yemen is expected to commence in the fourth quarter of 2007.

At the same time, Stone Resources has been granted the mineral exploration licenses in relation to the following mines in Yemen by the Yemen GSMR Board subject to the approval from relevant regulatory bodies of Yemen.

- a possible gold, copper and nickel mine in an area of around 1,883 km<sup>2</sup> in A1-Hamurah area, Taiz Governorate in west Yemen;
- a possible gold and copper mine in an area of around 560 km<sup>2</sup> in A1-Malagy Area, Abyan Governorate of south Yemen; and

- a possible lead and zinc ore mine in an area of around 110 km<sup>2</sup> in Rama Area, Belhaf Shabwah Governorate in mid-south part of Yemen.

Furthermore, Stone Resources also 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 Tanzania, Africa. Stone Resources was granted exclusivity to negotiate for operations relating to nickel mineral products and a right of first offer for options relating to mineral products other than nickel in Tanzania. According to Stone Resources, Stone Resources has sent a team of experts to Tanzania to commence the preliminary studies of the relevant mines. As at the date of this announcement, no definitive agreement has been entered into between Stone Resources and such US-listed Company.

## **REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT**

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.

Following the establishment of Stone Resource, the Company has broadened its business scope to include mineral resources exploration and other ancillary business. The Directors consider that the Framework Agreement represents an opportunity for the Company to be more directly involved in the mining business. The Directors are of the view that the Framework Agreement provides the Company with the right to invest in the exploration or exploitation rights owned or to be owned by Stone Resources, while at the same time the Company is not obliged to enter into any definitive agreement.

The Company will commence the study of all exploration right in Ataq of Yemen currently owned by Stone Resources and to assess the feasibility of such mine before committing to any investment into such mine. Save as disclosed above and in the Announcement, at the date of this announcement, no definitive agreement has been entered into between the Company and Stone Resources. Any formation of joint venture with Stone Resources in the future will be conducted in full compliance with the Listing Rules.

## **GENERAL**

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

*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.*

On behalf of the board of  
**Stone Group Holdings Limited**  
**DUAN Yongji**  
*Chairman*

Hong Kong, 11 July 2007