

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this announcement.*



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

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 409)**

**POSSIBLE MAJOR TRANSACTION**  
**DISPOSAL OF A SHARES IN CHINA RAILWAY ERJU CO. LTD**  
**AND**  
**APPOINTMENT OF CHIEF OPERATION OFFICER**

The Board announces that the Group has during the month of February 2008 made the Current Disposal on the market of SSE to independent third parties. Prior to the Current Disposal, the Group held an aggregate of 18,173,915 A Shares, representing approximately 1.99% of the issued share capital of China Railway Erju. Under the Current Disposal, the Group has disposed of 3,001,692 A Shares at an average price of RMB18.9 per A Share, resulting in total gross proceeds of approximately RMB56.7 million (approximately HK\$59.5 million) (before commission, expenses and tax) for the Group.

Since the relevant percentage ratio under the Listing Rules is less than 5%, the Current Disposal does not constitute a discloseable transaction for the Company.

The closing price of A Share as quoted on the market of SSE on 3 March 2008 is RMB19.36 per A Share.

The Group proposes, when appropriate, to continue to dispose on the market of SSE of all or part of the remaining 15,172,223 A Shares held by it after the Current Disposal to independent third parties on the market of SSE and it is possible that the Future Disposals when aggregated with the Current Disposal may constitute a discloseable transaction or a major transaction for the Company under the Listing Rules depending on the size of the transactions effected and the closing prices of Shares at the relevant time. If all of the remaining A Shares held by the Group are to be disposed of at the price of RMB19.36 per A Share, the total gross proceeds for the Group arising from the Future Disposals in the sum of approximately RMB293.7 million (approximately HK\$308.4 million) (before commission, expenses and tax) would, when aggregated with the gross proceeds of the Current Disposal, amount to approximately RMB350.4 million (approximately HK\$367.9 million) (before commission, expenses and tax).

In order to give the Directors the flexibility of disposing of all or part of the remaining A Shares held by the Group after the Current Disposal at the appropriate time and price so as to maximize the benefits to the Group, the Directors propose to seek Shareholders' advance approval at an extraordinary general meeting of the Company of such possible Future Disposals for a 12-month period from the passing of relevant resolution at the extraordinary general meeting of the Company. So far as the Company is aware, no Shareholder is required to abstain from voting on the resolution regarding the possible Future Disposals at the extraordinary general meeting of the Company.

A circular containing, among other things, details of the Current Disposal and the possible Future Disposals, together with a notice convening an extraordinary general meeting of the Company, will be sent to Shareholders as soon as possible.

The Board also announces that Mr. ZHANG Disheng, an existing Executive Director, has been appointed as Chief Operation Officer with effect from 1 March 2008.

## **CURRENT DISPOSAL**

On 24 January 2007, the Group through Shanghai Jianjiu, being a non-wholly owned subsidiary of the Group, subscribed for 18,173,915 A Shares in China Railway Erju for a total consideration of approximately RMB91.8 million (approximately HK\$96.4 million). After the expiry of the relevant lock-up period of A Shares and the obtaining of approval by China Railway Erju from the relevant PRC authorities, 18,173,915 A Shares held by the Group can be disposed of by the Group on the market of SSE from 28 January 2008 onwards.

The Group has during the month of February 2008 made the Current Disposal on the market of SSE to independent third parties who are, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, unrelated to any directors, chief executive or substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates. Prior to the Current Disposal, the Group held an aggregate of 18,173,915 A Shares, representing approximately 1.99% of the issued share capital of China Railway Erju.

Under the Current Disposal, the Group has disposed of 3,001,692 A Shares at an average price of RMB18.9 per A Share. The gross proceeds for the Group arising from the Current Disposal amounted to approximately RMB56.7 million (approximately HK\$59.5 million) (before commission, expenses and tax), this has resulted in a profit of approximately RMB21.3 million (approximately HK\$22.4 million) (before commission, expenses and tax), as the net book value of A Shares under the Current Disposal reflected in the Group's audited consolidated financial statements for the year ended 31 March 2007 is in the sum of approximately RMB35.4 million (approximately HK\$37.2 million) (before commission, expenses and tax)

Since the relevant percentage ratio under the Listing Rules is less than 5%, the Current Disposal does not constitute a discloseable transaction for the Company.

## **POSSIBLE FUTURE DISPOSALS**

As at the date of this announcement, the Group beneficially owns 15,172,223 A Shares, representing approximately 1.66% of the issued share capital of China Railway Erju. The closing price of A Share as quoted on the market of SSE on 3 March 2008 is RMB19.36.

The Group proposes, when appropriate, to continue to dispose on the market of SSE of all or part of the remaining A Shares held by it after the Current Disposal to independent third parties and it is possible that the Future Disposals when aggregated with the Current Disposal, on an aggregated basis, may constitute a discloseable transaction or a major transaction for the Company under the Listing Rules depending on the size of the transactions effected and the closing prices of the Shares at the relevant time. The Group will implement a procedure to ensure that prior to an extraordinary general meeting of the Company to be convened for seeking advance Shareholders' approval, possible Future Disposals when aggregated with the Current Disposal will not result in any applicable percentage ratios under Chapter 14 of the Listing Rules reaching 25% and that after having obtained the advance Shareholders' approval at the extraordinary general meeting of the Company, possible Future Disposals when aggregated with the Current Disposal will not result in any applicable percentage ratios under Chapter 14 of the Listing Rules reaching 75% and that the A Shares would be sold via third party brokers to independent third parties who are not connected to any directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates. The Group will not knowingly sell the A Shares to a connected person of the Company or any of its subsidiaries. In the event that the A Shares are, or will be, disposed of to the connected person of the Company or any of its subsidiaries, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules, if applicable.

The aggregate gross proceeds receivable by the Group if all of its remaining 15,172,223 A Shares immediately following the Current Disposal are to be disposed of at the price of RMB19.36 per A Share in the sum of approximately RMB293.7 million (approximately HK\$308.4 million) (before commission, expenses and tax) would, when aggregated with the gross proceeds from the Current Disposal, amount to approximately RMB350.4 million (approximately HK\$367.9 million) (before commission, expenses and tax). The actual amount of the total gross proceeds for the Group from the possible Future Disposals may or may not equate such amount on the market of SSE, which would in turn depend on the actual price on the market of SSE at which the possible Future Disposals are made.

In order to give the Directors the flexibility of disposing of all or part of the remaining 15,172,223 A Shares held by the Group after the Current Disposal so as to maximize the benefits to the Group at the appropriate time and price provided that (i) such price will be the price of A Shares on the market of SSE at the relevant times which will not be below RMB11.8, being the net book value per A Share as reflected in the Group's audited consolidated financial statements for the financial year ended 31 March 2007 and the closing price of A Share as quoted on the market of SSE on 31 March 2007; (ii) possible Future Disposals will take place in the open market of SSE through its trading system; and (iii) the advance Shareholders' approval of the possible Future Disposals is for a 12-month period from the passing of the relevant resolution at the extraordinary general meeting of the Company, the Directors propose to seek the advance approval from the Shareholders at an extraordinary general meeting of the Company to be convened for the purpose of such possible Future Disposals. There is no assurance that the Group will dispose of all the remaining 15,172,223 A Shares on the market of SSE before the expiry of the said period, as this depends on a number of factors, including without limitation, the market conditions and business performance of China Railway Erju in the future.

At any time prior to the extraordinary general meeting of the Company, the Group may dispose of the remaining 15,172,223 A Share on the market of the SSE provided that such possible Future Disposals will not result in any of the applicable ratios under Chapter 14 of the Listing Rules reaching 25%. In the event that the Group disposes of any A Shares prior to the extraordinary general meeting of the Company, the number of remaining A Shares which will be the subject of the possible Future Disposals for approval by the Shareholders at the extraordinary general meeting of the Company will be equal to the difference between the remaining 15,172,223 A Shares and the number of A Shares actually disposed of by the Group prior to the extraordinary general meeting of the Company (if any) (other than the Current Disposal).

The net profits attributable to 18,173,915 A Shares held by the Group before taxation and extraordinary items for the two financial years ended 31 December 2006 were profits of approximately RMB1.9 million (approximately HK\$2.0 million) and profits of approximately RMB2.5 million (approximately HK\$2.6 million), respectively, representing the net profits of China Railway Erju for the relevant years multiplied by 1.99%.

The net profits attributable to 18,173,915 A Shares held by the Group after taxation and extraordinary items for the two financial years ended 31 December 2006 were profits of approximately RMB1.5 million (approximately HK\$1.6 million) and profits of approximately RMB2.0 million (approximately HK\$2.1 million), respectively, representing the net profits of China Railway Erju for the relevant years multiplied by 1.99%.

## **USE OF PROCEEDS**

The Directors intend to apply the net proceeds after deduction of commission, expenses and tax from the Current Disposal and the possible Future Disposals for general working capital purpose.

## **REASONS FOR THE CURRENT DISPOSAL AND THE POSSIBLE FUTURE DISPOSALS**

In light of the recent relatively volatile market conditions, the Company considered that it would be an appropriate time to realise its investment in China Railways Erju after the expiry of the relevant lock up period of A Shares and the obtaining of the approval by China Railway Erju from the relevant PRC authorities, the Group made the Current Disposal and also therefore proposed to when appropriate, to continue to dispose on the market of SSE of all or part of the remaining 15,172,223 A Shares held by it in the future, as the Group deemed appropriate.

As disclosed in its 2006/2007 annual report, the Company's investment in A Shares is treated as a short-term investment in the form of trading securities.

If the Group is to dispose of all of the remaining 15,172,223 A Shares held by it immediately following the Current Disposal at the price of RMB19.36 per A Share, the possible Future Disposals, when aggregated with the Current Disposal, may constitute a major transaction for the Company under the Listing Rules which is subject to the relevant requirements of applicable Listing Rules, including the obtaining of Shareholders' approval. Given the volatile fluctuation in market prices of A Shares as listed on the market of SSE, obtaining of the Shareholders' advance approval for any possible Future Disposals would give the Directors flexibility in making timely decisions and enable the Directors to capture opportunities for disposal of A Shares at favourable prices if and when favourable market conditions for such possible Future Disposals may arise. It is expected that the Group will benefit from the possible Future Disposals if advance approval of the possible Future Disposals is obtained from the Shareholders.

The Directors (including the independent non-executive Directors) consider that the Current Disposal and the possible Future Disposals are in the interest of the Company and the Shareholders as a whole and ensure that the terms of the transactions as contemplated by the Future Disposals are fair and reasonable.

## INFORMATION ON THE GROUP

The principal activity of the Company is investment holding. The Group and its subsidiaries are principally engaged in manufacturing, distribution and sale of healthcare products, electronic and electrical products, office equipment and provision of related services, and media-related business.

## INFORMATION ON CHINA RAILWAY ERJU

China Railway Erju is a company established in the PRC, the A Shares of which are listed on SSE. It is principally engaged in various industrial, energy, transportation and civil engineering construction projects and leasing of machineries.

The following tables show a summary of consolidated financial information of China Railway Erju as disclosed on the website of SSE:

	<b>For the year ended 31 December 2005 (audited) <i>RMB million</i></b>	<b>For the year ended 31 December 2006 (audited) <i>RMB million</i></b>	<b>For the year ended 30 September 2007 (unaudited) <i>RMB million</i></b>
Net profit before tax	92.85	123.41	294.24
Net profit after tax	78.21	101.11	245.77
Net assets value	1,806.21	1,845.82	3,573.34

## **GENERAL**

As it is expected that the Company may make on-market disposals, as and when favourable market conditions arise, it would be impractical for the Company to comply with the relevant requirements of applicable Listing Rules, including the obtaining of Shareholders' approval for a major transaction, when A Shares are to be disposed of. The Directors therefore propose to seek the Shareholders' advance approval of the possible Future Disposals. An extraordinary general meeting of the Company will be convened as soon as possible for the purpose of considering and, if thought fit by the Shareholders, approving that the Directors be unconditionally authorized to sell or otherwise dispose of any remaining A Shares held by the Group on the market of SSE at such time and price and subject to such other terms and conditions as the Directors may deem fit provided that (i) such price will be the price of A Shares on the market of SSE at the relevant times which will not be below RMB11.8, being the net book value per A Share as reflected in the Group's audited consolidated financial statements for the financial year ended 31 March 2007 and the closing price of A Share as quoted on the market of SSE on 31 March 2007; and (ii) the possible Future Disposals will take place in the open market of SSE through its trading system; and (iii) the advance Shareholders' approval of the possible Future Disposals is for a 12-month period from the passing of the relevant resolution at the extraordinary general meeting of the Company. The Group will comply with the relevant requirements of applicable Listing Rules if the Group disposes of the A Shares held by it by other method(s) or arrangement(s).

A circular containing, among other things, details of the Current Disposal and the possible Future Disposals, together with a notice containing an extraordinary general meeting of the Company to consider a resolution to approve the possible Future Disposals which may constitute a major transaction under the Listing Rules, will be despatched to the Shareholders as soon as possible. So far as the Company is aware, no Shareholder is required to abstain from voting on the resolution regarding the possible Future Disposals at the extraordinary general meeting of the Company.



## **APPOINTMENT OF CHIEF OPERATION OFFICER**

The Board announces that Mr. ZHANG Disheng (“Mr. Zhang”), an existing executive Director, has been appointed as the chief operation officer (the “COO”) of the Group with effect from 1 March 2008.

The duties of Mr. Zhang as the COO include: (i) assisting the chief executive officer of the Company (“CEO”) to handle resources organization and utilization for the Group; (ii) managing and monitoring daily operations of the Group, including the businesses of information technology products and healthcare products of the Group, and report to the CEO; (iii) executing strategic short term operation management of the Group, including development, design, operation and improvement of the existing systems of the Group; (iv) formulating and implementing relevant strategies of the Group to achieve its sales and profit targets; (v) cross-examining business needs of the Group from time to time for meeting market and investors’ demand; and (vi) identifying, recommending and implementing potential investment projects of the Group.

Mr. Zhang, aged 52, is also the President of Beijing Stone New Technology Industrial Company Limited, a wholly-owned subsidiary of the Group. He is also the President of Beijing Stone Investment Company Limited, being a substantial shareholder of the Company. Mr. Zhang graduated from Beijing Economics College and obtained a Master degree from Ryulsu Kaizai University, Japan. Mr. Zhang held a senior position in Beijing Economics College Economic Technology Development Company prior to joining the Group.

Taking this opportunity, the Board would like to extend its warmest welcome to Mr. Zhang for his new position with the Group.

## DEFINITIONS

“A Share(s)”	A share(s) of RMB1.00 each in the capital of China Railway Erju
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	board of the directors of the Company
“China Railway Erju”	China Railway Erju Co., Ltd., a company established in the PRC, the A Shares of which are listed on SSE on 28 May 2001 (stock code: 600528)
“Company”	Stone Group Holdings Limited, a company incorporated in Hong Kong with limited liability, shares of which are listed on the Stock Exchange ( stock code: 409)
“Current Disposal”	the on-market disposals made during the month of February 2008 by the Group of a cumulative total of 3,001,692 A Shares
“Directors”	the directors of the Company
“Future Disposals”	any on-market disposals of up to a cumulative maximum of remaining 15,172,223 A Shares by the Group during the period commencing at any time prior to the extraordinary general meeting of the Company and ending on the date which falls 12-months period from the passing of relevant resolution of the said meeting to independent third parties who are to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, unrelated to any directors, chief executive or substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates
“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
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Jianjiu”	上海健久生物科技有限公司 (Shanghai Jianjiu Biotech Co, Ltd.), a company established under the PRC with limited liability, which is a non-wholly owned subsidiary of the Group
“Shareholders”	holders of Shares
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“SSE”	Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

*Conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 = HK\$1.05*

By Order of the Board  
**Stone Group Holdings Limited**  
**Duan Yongji**  
*Chairman*

Hong Kong, 7 March 2008

As at the date of this announcement, the Board comprises:

*Executive Directors:*

Mr. DUAN Yongji

Mr. SHI Yuzhu

Mr. SHEN Guojun

Mr. CHEN Xiaotao

Mr. ZHANG Disheng

Ms. LIU Wei

*Non-Executive Director:*

Mr. CHENG Fumin

*Independent Non-Executive Directors:*

Mr. NG Ming Wah, Charles

Mr. Andrew Y. YAN

Mr. LIU Ji

Mr. LIU Jipeng