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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)

ANNOUNCEMENT

**PROPOSED PRIVATISATION OF
STONE GROUP HOLDINGS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 166 OF THE COMPANIES ORDINANCE
AND
WITHDRAWAL OF LISTING
RESUMPTION OF TRADING IN SHARES OF
STONE GROUP HOLDINGS LIMITED**

Financial Adviser to Stone Group Holdings Limited



Macquarie Capital (Hong Kong) Limited

The Board announces that the Company intends to put forward a proposal to privatise the Company by way of a scheme of arrangement under Section 166 of the Companies Ordinance. The proposal was initiated by BJ Stone Investment, a substantial Shareholder, for the Board to consider.

Pursuant to the Scheme, all Scheme Shares will be cancelled in exchange for the Cancellation Consideration of HK\$0.48 in cash for each Scheme Share.

Under the Option Offer, the Company will offer to purchase Outstanding Options, for cancellation in exchange for HK\$0.001 in cash for each Outstanding Option, subject to and conditional upon the Scheme becoming effective. Further information on the Option Offer will be set out in the Scheme Document.

As at the Latest Practicable Date, there were 2,007,149,121 Shares in issue out of which the Independent Shareholders were interested in 1,152,192,732 Shares, representing approximately 57.4% of the issued share capital of the Company, and 117,400,000 Outstanding Options.

Save and except for the Outstanding Options, there were no outstanding options, warrants, derivatives, convertible securities or other securities issued by the Company that carried a right to subscribe for or which were convertible into Shares as at the Latest Practicable Date.

Based on the number of Shares in issue and the number of Options granted as at the Latest Practicable Date, the maximum amount of cash required to effect the Proposal is approximately HK\$553 million. The Company intends to fund the cash required to effect the Proposal from bank borrowings, the Management Loans and its own resources. Macquarie is satisfied that sufficient financial resources are available to the Company for the implementation of the Proposal.

Upon the Proposal becoming effective, the listing of the Shares on the Stock Exchange will be withdrawn. The Proposal is conditional upon the fulfilment or waiver, as applicable, of the conditions described in the section entitled “Conditions of the Proposal” below.

An Independent Board Committee, comprising the non-executive Director and all three independent non-executive Directors, has been appointed to advise the Independent Shareholders on the Proposal. The recommendation of the Independent Board Committee as to whether the Proposal is or is not fair and reasonable, and as to voting by the Independent Shareholders at the Court Meeting, will be set out in the Scheme Document.

As approved by the Independent Board Committee, Anglo Chinese Corporate Finance, Limited has been appointed to act as the independent financial adviser to advise the Independent Board Committee in respect of the Proposal.

The Scheme Document will be despatched to the Shareholders in due course and in compliance with the requirements of the Takeovers Code. The Scheme Document will include, among other things, further details of the Proposal, the expected timetable, the recommendations of the Independent Board Committee in respect of the Proposal, a letter of advice from the independent financial adviser to the Independent Board Committee, an explanatory statement as required under the Companies Ordinance, and notices of the Court Meeting and the Extraordinary General Meeting.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:37 a.m. on 18 May 2009 pending the issue of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 26 May 2009.

Shareholders, holders of other securities and/or potential investors should be aware that the implementation of the Proposal is subject to the conditions described in the section entitled “Conditions of the Proposal” below being fulfilled or waived, as applicable, and thus may or may not become effective. Shareholders, holders of other securities and potential investors are advised to exercise caution when dealing in the Shares or other securities of the Company.

INTRODUCTION

The Board announces that the Company intends to put forward a proposal to privatise the Company by way of a scheme of arrangement under Section 166 of the Companies Ordinance. The proposal was initiated by BJ Stone Investment, a substantial Shareholder, for the Board to consider.

As at the Latest Practicable Date, there were 2,007,149,121 Shares in issue out of which the Independent Shareholders were interested in 1,152,192,732 Shares, representing approximately 57.4% of the issued share capital of the Company, and 117,400,000 Outstanding Options.

Save and except for the Outstanding Options, there were no outstanding options, warrants, derivatives, convertible securities or other securities issued by the Company that carried a right to subscribe for or which were convertible into Shares as at the Latest Practicable Date.

TERMS OF THE PROPOSAL

The Scheme

Pursuant to the Scheme, all Scheme Shares will be cancelled in exchange for the Cancellation Consideration of HK\$0.48 in cash for each Scheme Share.

The Cancellation Consideration represents:

- a premium of approximately 39.1% over the closing price of HK\$0.345 per Share as quoted on the Stock Exchange on the Last Trading Date;
- a premium of approximately 44.7% over the average closing price of about HK\$0.332 per Share based on the daily closing prices as quoted on the Stock Exchange over the one month up to and including the Last Trading Date;
- a premium of approximately 68.4% over the average closing price of about HK\$0.285 per Share based on the daily closing prices as quoted on the Stock Exchange over the three months up to and including the Last Trading Date;
- a premium of approximately 68.1% over the average closing price of about HK\$0.285 per Share based on the daily closing prices as quoted on the Stock Exchange over the six months up to and including the Last Trading Date;
- a discount of approximately 40.3% to the unaudited consolidated net tangible asset value attributable to Shareholders per Share of about HK\$0.803 as at 30 September 2008; and
- a discount of approximately 54.0% to the audited consolidated net tangible asset value attributable to Shareholders per Share of about HK\$1.044 as at 31 March 2008.

The Option Offer

In accordance with the terms of the Share Option Scheme, Optionholders are entitled to exercise their Options, which confer rights to subscribe for Shares at a price of HK\$0.714 per Share (in relation to 110,400,000 Options) and HK\$0.852 per Share (in relation to 7,000,000 Options), in full or in part at any time up to the Record Date. The Shares issued upon exercise of the Options in accordance with the terms of the Share Option Scheme will form part of the Scheme Shares. Options which are not exercised in accordance with the terms of the Share Option Scheme, or in relation to which the Option Offer is not accepted within the relevant time period, will lapse.

Under the Option Offer, the Company will offer to purchase Outstanding Options, for cancellation in exchange for HK\$0.001 in cash for each Outstanding Option, subject to and conditional upon the Scheme becoming effective. Normally, the amount of the cash offer to cancel an Option will be calculated by deducting the exercise price per Share payable on exercise of an Option from the Cancellation Consideration (i.e. the “see-through” price). As the exercise price of all the Options is above the Cancellation Consideration, the Option Offer Price will be nominal.

Further information on the Option Offer will be set out in the Scheme Document and the Option Offer will be made by or on behalf of the Company in a letter to Optionholders to be despatched on the same day as the Scheme Document.

Total consideration

On the basis of the Cancellation Consideration of HK\$0.48 per Scheme Share and 2,007,149,121 Shares in issue, of which 1,152,192,732 were Scheme Shares as at the Latest Practicable Date, the Scheme Shares are valued at approximately HK\$553 million.

Assuming none of the Options are exercised prior to the Record Date in accordance with the terms of the Share Option Scheme and on the basis of the Option Offer Price of HK\$0.001, the Option Offer is valued at approximately HK\$0.1 million. Assuming all Options are exercised in full by the Optionholders in accordance with the terms of the Share Option Scheme prior to the Record Date, no consideration will be payable under the Option Offer.

Assuming none of the Options are exercised prior to the Record Date, the maximum amount of cash required to effect the Proposal is approximately HK\$553 million. Assuming all Options are exercised in full prior to the Record Date, the maximum amount of cash required to effect the Proposal is approximately HK\$609 million.

In accordance with Rule 2.3 of the Takeovers Code, if the Proposal is either not recommended by the Independent Board Committee or is not recommended as fair and reasonable by the independent financial adviser to the Independent Board Committee, all expenses incurred by the Company in connection with the Proposal shall be borne by the Interested Shareholders if the Scheme is not approved.

Confirmation of financial resources

The Company intends to fund the cash required to effect the Proposal from bank borrowings, the Management Loans and its own resources. Macquarie is satisfied that sufficient financial resources are available to the Company for the implementation of the Proposal.

CONDITIONS OF THE PROPOSAL

The Scheme will become effective and binding on the Company and all Shareholders subject to fulfilment of the following conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Independent Shareholders representing not less than three-fourths in value of the Scheme Shares, present and voting either in person or by proxy at the Court Meeting, provided that:
 - (i) the Scheme is approved (by way of poll) by at least 75% of the votes attaching to Scheme Shares held by Independent Shareholders that are cast either in person or by proxy at the Court Meeting; and
 - (ii) the number of votes cast (by way of poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by Independent Shareholders;

- (b) the passing of a special resolution to approve and give effect to the cancellation of the Scheme Shares and the reduction of the relevant portion of the issued share capital of the Company by a majority of at least three-fourths of the votes cast by the Shareholders present and voting in person or by proxy, at the Extraordinary General Meeting;
- (c) the sanction of the Scheme (with or without modifications) by the High Court and the delivery to the Registrar of Companies in Hong Kong of a copy of the order of the High Court for registration;
- (d) the compliance with the procedural requirements of Section 61 of the Companies Ordinance in relation to the reduction of the issued share capital of the Company;
- (e) all Authorisations in connection with the Scheme having been obtained from the Relevant Authorities in Hong Kong and any other relevant jurisdictions; and
- (f) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for in these conditions, or is in addition to the requirements expressly so provided for, in relevant laws, rules, regulations or codes in connection with the Scheme or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective.

The implementation of the Option Offer will be conditional upon the Scheme becoming effective.

SCHEME DOCUMENT

The Scheme Document containing, among other things, further details about the Proposal, the expected timetable, the recommendations of the Independent Board Committee in respect of the Proposal, the letter of advice from the independent financial adviser to the Independent Board Committee, an explanatory statement as required under the Companies Ordinance, and notices of the Court Meeting and the Extraordinary General Meeting will be despatched to the Shareholders within 21 days from the date of this announcement or as may be permitted by the Takeovers Code. A further announcement will be made regarding the expected timetable for the Proposal.

INFORMATION ON THE INTERESTED SHAREHOLDERS

BJ Stone Investment is an enterprise established in the PRC on 13 May 1999. As at the Latest Practicable Date, BJ Stone Investment is owned as to 51% by BJ Stone Employees' Shareholdings Society, 42.3% by Jiu Guang and 6.7% by SGC. Its principal business is project investment. BJ Stone Employees' Shareholdings Society is a society organization registered in the PRC. Its members comprise individuals who are/were employees of BJ Stone Investment who contributed to the registered capital of BJ Stone Employees' Shareholdings Society for the purpose of investing in BJ Stone Investment. As at the Latest Practicable Date, Jiu Guang is owned as to 56.14% by Shenyang Heguang Group Co. Ltd. (a company controlled by SGC), 14.04% by Giant Investment Co., Ltd., 14.04% by Guangcai Investment Group Co., Ltd., 7.89% by Mr. Zhang Disheng (an executive Director), 7.01% by Mr. Peng Jianwei and 0.88% by Beijing Stone Information Products Technology Co., Ltd. Its principal business is research and development of high technology.

SGC is a collectively-owned enterprise established in the PRC on 17 October 1991. It is collectively-owned by individuals who are/were employees of SGC and/or its subsidiaries. Its principal business is the development and production of high technology products.

Wise Expand is a company incorporated in Hong Kong with limited liability on 14 February 2001. It is wholly-owned by SGC. It is an investment holding company.

Ready Finance is a company incorporated in the British Virgin Islands with limited liability on 3 December 2002. It is wholly-owned by Mr. Shi Yuzhu, an executive Director. It is an investment holding company.

Mr. Duan Yongji is an executive Director, the Chairman of the Board and the Chief Executive Officer of the Company.

The Management Shareholders are senior management of the Group who have, together with the other Interested Shareholders, irrevocably agreed with the Company not to participate in the Scheme. Accordingly, they are not Independent Shareholders and the Shares held by them will not form part of the Scheme Shares and they will not be entitled to vote on the resolution to approve the Scheme at the Court Meeting.

As at the Latest Practicable Date, the Interested Shareholders were beneficially interested in 854,956,389 Shares in aggregate, representing approximately 42.6% of the issued ordinary share capital of the Company. The Interested Shareholders are considered to have interest in the Proposal as the Company will become wholly-owned by them upon the Scheme becoming effective. Accordingly, Shares held by the Interested Shareholders will not form part of the Scheme Shares and they will not be entitled to vote on the resolution to approve the Scheme at the Court Meeting. In addition, the Interested Shareholders and parties acting in concert with any of them shall also abstain from voting at the Court Meeting. As at the Latest Practicable Date, other than the Interested Shareholders, none of the parties acting in concert with any of the Interested Shareholders had any interest in Shares.

Save as disclosed in this announcement, as at the Latest Practicable Date, there were no other existing holding of voting rights and rights over Shares: (i) which the Interested Shareholders own or over which they have control or direction; (ii) which is owned or controlled or directed by any person acting in concert with any of the Interested Shareholders; (iii) in respect of which the Interested Shareholders or any person acting in concert with any of them have received an irrevocable commitment to accept the Proposal; or (iv) in respect of which the Interested Shareholders or any person acting in concert with any of them hold convertible securities, warrants or options; and there were no outstanding derivatives in respect of securities in the Company entered into by the Interested Shareholders or any person acting in concert with any of them.

Save as disclosed in this announcement, there are no arrangements (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code entered into by the Interested Shareholders or any person acting in concert with any of them in relation to the Shares which might be material to the Proposal; no agreement or arrangement to which the Interested Shareholders are party which relates to the circumstances in which they may or may not invoke or seek to invoke a pre-condition or a condition to the Proposal; and no relevant securities in the Company which the Interested Shareholders or any person acting in concert with any of them have borrowed or lent.

The Interested Shareholders have confirmed that there was no dealing in any shares, convertible securities, warrants, options or derivatives of the Company by them or any person acting in concert with any of them during the six months prior to the date of this announcement.

INFORMATION ON THE GROUP

The principal activity of the Company is investment holding. The Group is 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.

A summary of the audited consolidated results of the Company for the years ended 31 March 2007 and 31 March 2008 is set out below:

	For the year ended 31 March 2008 (HK\$'000)	For the year ended 31 March 2007 (HK\$'000)
Turnover	2,988,051	2,375,541
Profit before taxation	143,615	298,582
Profit after taxation	62,794	233,239
Profit attributable to equity shareholders of the Company	16,503	134,333

The audited consolidated net assets of the Company were approximately HK\$3,164,704,000 as at 31 March 2008 and approximately HK\$2,841,750,000 as at 31 March 2007.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, there were 2,007,149,121 Shares in issue. The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately after the Scheme becoming effective and the listing of the Shares on the Stock Exchange is withdrawn (assuming none of the Outstanding Options have been exercised on or prior to the Record Date and all the Optionholders accept the Proposal):

Shareholders	As at the Latest Practicable Date		Immediately after the Scheme becomes effective and the listing of the Shares on the Stock Exchange is withdrawn	
	Number of Shares	%	Number of Shares	%
Interested Shareholders and persons acting in concert with any of them				
BJ Stone Investment	407,110,053 <i>(Note 1)</i>	20.28	407,110,053	47.62
SGC	1,062,000	0.05	1,062,000	0.12
Wise Expand	92,374,413	4.60	92,374,413	10.80
Ready Finance	55,263,157	2.75	55,263,157	6.46
Duan Yongji	140,896,306	7.02	140,896,306	16.48
Management Shareholders				
Yu Dongmei <i>(Note 4)</i>	57,692,307	2.87	57,692,307	6.75
Wu Huan	23,602,153	1.18	23,602,153	2.76
Wu Qiong	10,000,000	0.50	10,000,000	1.17
Yang Langtao	10,000,000	0.50	10,000,000	1.17
Jing Xiangdong	9,500,000	0.47	9,500,000	1.11
Lu Fang	9,500,000	0.47	9,500,000	1.11
Ma Xin	9,500,000	0.47	9,500,000	1.11
Xu Jingyao	9,500,000	0.47	9,500,000	1.11
Yu Xiangqun	9,500,000	0.47	9,500,000	1.11
Zhang Changji	6,000,000	0.30	6,000,000	0.70
Leung Suk Kam	3,456,000	0.17	3,456,000	0.40

	As at the Latest Practicable Date		Immediately after the Scheme becomes effective and the listing of the Shares on the Stock Exchange is withdrawn	
	Number of Shares	%	Number of Shares	%
Shareholders				
Sub-total for Management Shareholders	158,250,460	7.88 <i>(Note 3)</i>	158,250,460	18.51 <i>(Note 3)</i>
Sub-total for Interested Shareholders and persons acting in concert with any of them	854,956,389	42.60 <i>(Note 3)</i>	854,956,389	100.00 <i>(Note 3)</i>
Independent Shareholders	1,152,192,732 <i>(Note 2)</i>	57.40	0	0
Total	<u>2,007,149,121</u>	<u>100</u>	<u>854,956,389</u>	<u>100</u>

Notes:

1. Out of these 407,110,053 Shares held by BJ Stone Investment, 310,000,000 Shares have been pledged to 深圳發展銀行深圳人民橋支行, which has confirmed that for the purposes of the Proposal, all shareholder's rights (including voting rights) in relation to the pledged Shares are exercisable exclusively by BJ Stone Investment at its own discretion.
2. Out of these 1,152,192,732 Shares held by Independent Shareholders, 1,000,000 Shares are held by Mr. Ng Ming Wah, Charles, an independent non-executive Director.
3. Rounded to the nearest decimal place.
4. Ms. Yu Dongmei's shareholding interest is held through Vital.

The Company had 117,400,000 Outstanding Options as at the Latest Practicable Date. Each Option, on exercise, will entitle the Optionholder to be allotted with one Share. The table below sets out details of the Options as at the Latest Practicable Date:

Optionholders	Number of Options
Interested Shareholders <i>(Note 1)</i>	
Duan Yongji	15,000,000
Shi Yuzhu <i>(Note 2)</i>	5,000,000
Management Shareholders	10,400,000
Other Optionholders	<u>87,000,000</u>
Total	<u><u>117,400,000</u></u>

Notes:

- Options held by Interested Shareholders are also subject to the Option Offer.
- Mr. Shi Yuzhu, an executive Director, holds 100% of Ready Finance.

Save as disclosed above, there were no outstanding options, warrants, derivatives, convertible securities or other securities issued by the Company that carried a right to subscribe for or which were convertible into Shares and no other Director had any interest in the Shares, as at the Latest Practicable Date. Upon the Scheme becoming effective and the withdrawal of listing of the Shares on the Stock Exchange, the Company will be held by the Interested Shareholders in the percentages set out above.

REASONS FOR THE PROPOSAL

The Directors (excluding the non-executive and independent non-executive Directors) are of the view that the terms of the Proposal are attractive to the Independent Shareholders and that the proposed privatisation of the Company will be beneficial to the Independent Shareholders given that the Proposal:

- provides an opportunity for the Independent Shareholders in the current volatile market conditions to realise their shareholdings in the Company at a significant premium to the market price prevailing on the Last Trading Date. Over the twelve-month period prior to the Last Trading Date, the price of the Shares fell by approximately 49.3% and the market, as represented by the Hang Seng Index, fell by approximately 34.5%. During the period from the highest close of the Hang Seng Index at 31,638 on 30 October 2007 to the Last Trading Date, the Hang Seng Index fell by approximately 46.9% and the price of the Shares fell by approximately 65.8%. In view of the Company's trading performance, the Directors (excluding the non-executive and independent non-executive Directors) believe that the Proposal represents an immediate opportunity for the Independent Shareholders to realise their investment for cash at a Cancellation Consideration which is substantially above the levels at which the Shares have consistently traded for the past nine months prior to the release of this announcement;
- provides a path to liquidity for the Independent Shareholders. The trading volume of the Shares on the Stock Exchange in recent years has been generally low – the average daily traded volume of the Shares over the 12-month period prior to this announcement was approximately 2 million Shares, representing approximately 0.10% of the issued Shares as at the date of this announcement. Given the relatively low trading liquidity of the Shares, the Directors (excluding the non-executive and independent non-executive Directors) are of the view that there is currently limited opportunity for the Independent Shareholders to divest their investment in the Company; and
- provides an opportunity for the Independent Shareholders to redeploy capital invested in the Company into other investment opportunities that they may consider more attractive in view of the current volatile market conditions, which, as described in the "Business Outlook" section of the Company's interim report dated 30 September 2008, may in turn have an adverse effect on the Company's IT business, healthcare products business and investment business. While the Company intends to proactively adopt measures to improve the Company's business operations in order to maximise returns for shareholders, the Directors (excluding the non-executive and independent non-executive Directors) are of the view that the Proposal provides the Independent Shareholders with immediate flexibility to redeploy their capital in other opportunities if they so wish in view of the currently prevailing difficult operating environment and market conditions of the Company's business operations.

The Directors (excluding the non-executive and independent non-executive Directors) note that there has been no requirement for the Company to undertake any public market fundraising in the past five years prior to the date of this announcement. In addition, the Directors (excluding the non-executive and independent non-executive Directors) are of the view that given the conglomerate nature of its business operations as well as the Company's relatively small market capitalisation (HK\$692 million as of the Last Trading Date), the Company's corporate profile may not be significant enough to retain sufficient retail and/or institutional investor interest. The Directors (excluding the non-executive and independent non-executive Directors) are therefore of the view that the ability of the Company to take advantage of its listing status on the Main Board of the Stock Exchange to raise funds from the equity markets may be limited, and any significant improvement in this regard in the foreseeable future is not likely. Accordingly, the Directors (excluding the non-executive and independent non-executive Directors) believe that the Proposal is in the interest of the Company given the relatively limited benefits which the Company is able to derive from a listing status in the foreseeable future and the costs and management resources associated with maintaining a listing status.

The Directors (excluding the non-executive and independent non-executive Directors) confirm that, save for the Proposal, there has been no other privatisation proposals received by the Company and that no discussion has taken place or is taking place with any third party regarding the disposal of the Shares held by the Interested Shareholders.

FUTURE INTENTIONS AND WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all the Scheme Shares will be cancelled and the share certificates for the Scheme Shares will cease to have effect as documents of evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the effective date of the Scheme. The Independent Shareholders will be notified by way of a press announcement of the exact dates on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective.

This listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme is not approved or lapses.

In the past, the Company has explored on a preliminary basis the possibility of restructuring business operations and asset realignment, which may involve acquisitions and/or divestments of existing businesses, investments, and/or assets. As at the date of this announcement, the Company has not entered into any legally binding agreement with respect to any potential acquisitions or divestments. The Interested Shareholders, upon successful implementation of the Proposal, will continue to undertake the restructuring and asset realignment exercise and assess any opportunity that may arise from time to time involving the businesses, investments, and/or assets of the Group. Other than the above, it is the intention of the Interested Shareholders to maintain the existing businesses of the Group upon the successful privatisation of the Company. The Interested Shareholders do not intend to introduce any major changes to the existing operating and management structure of the Group, or to discontinue the employment of any employee of the Group, as a result of the implementation of the Proposal. The Interested Shareholders will, however, be solely responsible for the funding or procuring funding for the on-going requirements of the Group's business after the successful implementation of the Proposal. The Directors (excluding the non-executive and independent non-executive Directors) also expect that there will not be any material change to the business strategy and operating mode of the Group as a result of the implementation of the Proposal.

OVERSEAS SHAREHOLDERS

The making of the Proposal to persons who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such persons are located. Such persons should inform themselves about and observe any applicable legal and regulatory requirements. It is the responsibility of any overseas person wishing to accept the Proposal to satisfy itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

GENERAL

The Company has appointed Macquarie as its financial adviser in connection with the Proposal.

An Independent Board Committee, comprising the non-executive Director, Mr. Cheng Fumin, and all three independent non-executive Directors, namely Messrs. Ng Ming Wah, Charles, Andrew Y. Yan and Liu Jipeng, has been established to advise Independent Shareholders in relation to the Proposal.

As approved by the Independent Board Committee, Anglo Chinese Corporate Finance, Limited has been appointed to act as the independent financial adviser to advise the Independent Board Committee in respect of the Proposals.

The respective associates of the Company are reminded to disclose their dealings in the securities of the Company.

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7-day period is less than HK\$1 million.

This dispensation does not alter the obligation of the principals, associates and other persons themselves to initial disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:37 a.m. on 18 May 2009, pending the issue of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 26 May 2009.

WARNING

Shareholders, holders of other securities and/or potential investors should be aware that the implementation of the Proposal is subject to the conditions described in the section entitled “Conditions of the Proposal” above being fulfilled or waived, as applicable, and thus may or may not become effective. Shareholders, holders of other securities and potential investors are advised to exercise caution when dealing in the Shares or other securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“acting in concert”	has the meaning given to it in the Takeovers Code
“associate(s) ”	has the meaning given to it in the Takeovers Code
“Authorisations”	all necessary authorisations, registrations, filings, rulings, consents, permissions, approvals, waivers or exemptions required from any Relevant Authorities or other third parties which are necessary in connection with the Scheme or for the implementation of the Proposal
“BJ Stone Investment”	Beijing Stone Investment Company Limited
“BJ Stone Employees’ Shareholdings Society”	Beijing Stone Investment Company Limited Employees’ Shareholdings Society
“Board”	the board of directors of the Company
“Business Day”	a day on which the Stock Exchange is open for the business of dealing in securities
“Cancellation Consideration”	HK\$0.48 per Scheme Share, the cancellation price payable in cash by the Company to the Independent Shareholders under the Scheme
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Stone Group Holdings Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Stock Exchange

“Court Meeting”	a meeting of the Independent Shareholders to be convened at the direction of the High Court at which the Scheme will be voted upon
“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held to consider and approve, among other matters, the capital reduction arising as a result of the Proposal, or any adjournment thereof
“Group”	the Company and its subsidiaries
“High Court”	the High Court of Hong Kong
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company established for the purpose of advising the Independent Shareholders in relation to the Proposal, and comprising the non-executive Director, Mr. Cheng Fumin, and all three independent non-executive Directors, namely Messrs. Ng Ming Wah, Charles, Andrew Y. Yan and Liu Jipeng
“Independent Shareholders”	Shareholders other than the Interested Shareholders and persons acting in concert with any of them
“Interested Shareholders”	BJ Stone Investment, SGC, Wise Expand, Ready Finance, Mr. Duan Yongji and the Management Shareholders
“Jiu Guang”	Stone Jiu Guang New Technology Development (Holdings) Co. Ltd.

“Last Trading Date”	15 May 2009, being the last full trading day prior to the suspension of trading of the Shares pending issue of this announcement
“Latest Practicable Date”	the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macquarie”	Macquarie Capital (Hong Kong) Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), licensed to conduct Type 6 (advising on corporate finance) regulated activity, which is the financial advisor to the Company in connection with the Proposal
“Management Loans”	loans in the aggregate amount of HK\$100,485,000 provided to the Company by Messrs. Duan Yongji and Zhang Disheng (both are executive Directors), and Messrs. Xu Changping and Lu Fang (both are senior management of the Group), pursuant to loan agreements dated 15 May 2009
“Management Shareholders”	Ms. Yu Dongmei (whose shareholding is held through Vital), Ms. Wu Huan, Ms. Wu Qiong, Messrs. Yang Langtao, Jing Xiangdong, Lu Fang, Ma Xin and Xu Jingyao, Ms. Yu Xiangqun, Mr. Zhang Changji and Ms. Leung Suk Kam (all are senior management of the Group)
“Option Offer”	the proposal to Optionholders for cancellation of all Outstanding Options
“Option Offer Price”	HK\$0.001 per Option, the cancellation price payable in cash by the Company to the Optionholders pursuant to the Option Offer
“Option(s)”	options granted under the Share Option Scheme

“Optionholders”	holder(s) of Option(s), which include Interested Shareholders who hold Options
“Outstanding Options”	Options not exercised as at the Record Date
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposal”	the Scheme and the Option Offer
“Ready Finance”	Ready Finance Limited
“Record Date”	the date falling on the expiry of two months after the giving of the notice of the meeting to consider the Scheme or the date the Scheme becomes effective, whichever is the earlier
“Relevant Authorities”	relevant governments and/or governmental bodies, regulatory bodies, courts or institutions
“Scheme”	a scheme of arrangement under Section 166 of the Companies Ordinance to cancel all the Scheme Shares
“Scheme Document”	the document to be issued to all Shareholders containing, among other things, further details of the Proposal, the recommendations of the Independent Board Committee in respect of the Proposal, the letter of advice from the independent financial adviser to the Independent Board Committee, an explanatory statement as required under the Companies Ordinance, the expected timetable, and the notices convening the Court Meeting and the Extraordinary General Meeting
“Scheme Share(s)”	Share(s) held by the Independent Shareholders
“SGC”	Stone Group Corporation

“Share Option Scheme”	the Share Option Scheme adopted by the Company on 12 April 2002 and as it may from time to time be amended or supplemented
“Share(s)”	share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholders”	registered holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vital”	Vital International Limited, a company incorporated in Samoa with limited liability on 8 January 2004 and wholly-owned by Ms. Yu Dongmei
“Wise Expand”	Wise Expand Developments Limited

By Order of the Board
Stone Group Holdings Limited
DUAN Yongji
Chairman

Hong Kong, 25 May 2009

As at the date of this announcement, the Board of the Company comprises ten Directors, of which Messrs. DUAN Yongji, SHI Yuzhu, SHEN Guojin, CHEN Xiaotao, ZHANG Disheng and LIU Zuowei are executive Directors, Mr. CHENG Fumin is non-executive Directors and Messrs. NG Ming Wah, Charles, Andrew Y. YAN and LIU Jipeng are independent non-executive Directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.