
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **STONE GROUP HOLDINGS LIMITED**, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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)

PROPOSALS INVOLVING GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE SHARES, RE-ELECTION OF DIRECTORS, AMENDMENTS TO THE RULES OF THE SHARE OPTION SCHEME AND NOTICE OF ANNUAL GENERAL MEETING

A notice convening an annual general meeting of Stone Group Holdings Limited to be held at Salon III, M/F., Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 23 August 2007 at 11:00 a.m. is set out on pages 15 to 20 of this circular. Whether or not you propose to attend the meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the office of the Company's share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than forty-eight hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or adjournment thereof if you so wish.

Hong Kong, 26 July 2007

DEFINITIONS

In this document, the following expressions have the following meanings unless the context requires otherwise:–

“AGM”	the annual general meeting of the Company to be convened and held at Salon III, M/F., Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 23 August 2007 at 11:00 a.m., notice of which is set out on pages 15 to 20 of this circular
“Articles of Association”	the articles of association of the Company for the time being
“Board”	board of the Directors
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Stone Group Holdings Limited 四通控股有限公司, a company incorporated in Hong Kong with limited liability under the Companies Ordinance, the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	20 July, 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Repurchase Proposal”	the proposal to give a general mandate to the Directors to exercise the powers of the Company to repurchase during the period as set out in the Repurchase Resolution Shares up to a maximum of 10% of the issued share capital of the Company as at the date of passing the Repurchase Resolution

DEFINITIONS

“Repurchase Resolution”	the proposed ordinary resolution set out in item 6 of the notice of the AGM
“SFO”	the Securities and Future Ordinance (Chapter 571) of the laws of Hong Kong
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holders of the Shares
“Share Option Scheme”	The share option scheme as adopted at the general meeting of the Company on 12 April 2002, the rules of which were amended by the Board in its meeting held on 22 January 2007
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FORM THE BOARD



STONE GROUP HOLDINGS LIMITED
四通控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 409)

Directors:-

Executive directors

DUAN Yongji (*Chairman & Chief Executive Officer*)

SHI Yuzhu

SHEN Guojun

ZHANG Disheng

CHEN Xiaotao

LIU Wei

Registered Office:-

27th Floor, K. Wah Centre,

191 Java Road,

North Point,

Hong Kong.

Independent non-executive directors

NG Ming Wah, Charles

Andrew Y. YAN

LIU Ji

LIU Jipeng

Hong Kong, 26 July 2007

To Shareholders

Dear Sir or Madam,

**PROPOSALS INVOLVING
GENERAL MANDATES
TO REPURCHASE SHARES AND TO ISSUE SHARES,
RE-ELECTION OF DIRECTORS,
AMENDMENTS TO THE RULES OF THE SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information regarding the proposed general mandates to repurchase and issue shares, extension of general mandates to issue shares, the re-election of the retiring Directors and amendments to the rules of the Share Option Scheme.

LETTER FROM THE BOARD

GENERAL MANDATE TO REPURCHASE SHARES

At the annual general meeting of the Company held on 29 August, 2006, a general mandate was given by the Company to the Directors to exercise the powers of the Company to repurchase Shares. Such mandate will lapse at the conclusion of the AGM. The Directors propose to seek your approval of the Repurchase Resolution to be proposed at the AGM, details of which are set out in item 6 of the notice of AGM. The Shares which may be repurchased pursuant to the Repurchase Resolution are Shares representing up to 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the Repurchase Resolution. An explanatory statement as required under the Listing Rules to provide the requisite information of the Repurchase Proposal is set out in the Appendix I hereto.

GENERAL MANDATE TO ISSUE SHARES

At the annual general meeting of the Company held on 29 August 2006, a general mandate was given by the Company to the Directors to exercise its power to allot, issue and deal with Shares and such mandate was extended by the Company to the Directors to exercise its power to allot, issue and deal with Shares. Given that such mandate and its extension will lapse at the conclusion of the AGM, it will also be proposed at the AGM two ordinary resolutions (the ordinary resolutions set out in items 7 and 8 of the notice of the AGM) respectively granting to the Directors a general mandate to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the resolution and adding to such general mandate so granted to the Directors any Shares repurchased by the Company after the granting of the general mandate to repurchase up to 10% of the issued share capital of the Company as at the date of passing the Repurchase Resolution.

RE-ELECTION OF RETIRING DIRECTORS

In accordance with Articles 92 and 101 of the Articles of Association, Messrs. DUAN Yongji, SHI Yuzhu, SHEN Guojun, and NG Ming Wah, Charles will retire at the AGM, being eligible, will offer themselves for re-election. Information of the said Directors proposed to be re-elected at AGM as required to be disclosed under the Listing Rules is set out in Appendix II to this circular.

LETTER FROM THE BOARD

AMENDMENTS TO THE RULES OF THE SHARE OPTION SCHEME

To widen the types of the categories of eligible participants under the Share Option Scheme as well as to afford more flexibility for the Board in considering the grant of share options to the eligible participants under the Share Option Scheme, the Directors propose to the Shareholders to approve an Ordinary Resolution at the AGM to amend the rules of the Share Option Scheme. The proposed amendments to the rules of the Share Option Scheme requiring the approval of the Shareholders are set out as follows:

Definition of “Participant”

Existing provisions: “Participant” means any employee and director of the Company or any of its subsidiaries or associated companies as absolutely determined by the Board;

Proposed amendments: “Participant” means any employee, director, supplier of goods or services, adviser (professional or otherwise) or consultant to any area of business or business development of the Company or any of its subsidiaries or associated companies as absolutely determined by the Board;

Details of the proposed amendments are set out in the notice of the AGM.

ANNUAL GENERAL MEETING

On pages 15 to 20 of this circular, you will find a notice convening the AGM which outlines the ordinary resolutions to grant to the Directors the general mandate to repurchase Shares, to grant to the Directors the general mandate to issue Shares, to approve the amendments to the rules of the Share Option Scheme and to approve the re-election of the retiring Directors.

ACTION TO BE TAKEN

A proxy form for use at the AGM is enclosed herein. Whether or not you intend to attend the AGM, you are requested to complete the proxy form and return it to the office of the Company’s share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than forty-eight hours before the time appointed for holding the AGM. Completion and return of the proxy form will not prevent Shareholders from attending and voting at the AGM if they so wish.

LETTER FORM THE BOARD

RIGHT TO DEMAND A POLL

Articles 73 to 75 of the Articles of Association set out the procedures under which a poll may be demanded. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll as may from time to time be required under the Listing Rules or unless a poll is (before or on the declaration of the result of the show of hands) demanded:-

- (i) by the Chairman; or
- (ii) by at least three members present in person or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) by any member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or
- (v) if required by the Listing Rules, by any Directors who, individually or collectively, hold proxies in respect of shares representing five percent (5%) or more of the total voting rights of all the members having the right to vote at the meeting.

Unless a poll be so demanded and the demand is not withdrawn or unless a poll is taken as may from time to time be required under the Listing Rules, a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost and an entry to that effect in the book containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution. The demand for a poll may be withdrawn.

RECOMMENDATION

The Directors believe that the Repurchase Proposal, the general mandate for Directors to issue new Shares, the extension of general mandate to issue shares and the amendments to the rules of the Share Option Scheme are all in the best interests of the Company and the Shareholders. The Directors are pleased to recommend Messrs. DUAN Yongji, SHI Yuzhu, SHEN Guojun and NG Ming Wah, Charles, details of whom are set out in the Appendix II of this circular, for re-election at the AGM. Accordingly, the Directors recommend that all the Shareholders should vote in favour of the resolutions to be proposed at the AGM.

Yours faithfully,
On behalf of the Board
DUAN Yongji
Chairman

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to you for your consideration of the Repurchase Proposal. This appendix also constitutes the memorandum required under Section 49BA(3) of the Companies Ordinance.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,783,962,581 Shares.

Subject to the passing of the Repurchase Resolution and on the basis that no further Shares are issued or repurchased prior to the AGM, the Company would be allowed under the Repurchase Resolution to repurchase up to a maximum of 178,396,258 Shares, representing not more than 10% of the issued share capital of the Company as at the Latest Practicable Date.

2. REASONS FOR REPURCHASE

The Directors believe that the Repurchase Proposal is in the best interests of the Company and its shareholders. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets of the Company and/or earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and its Shareholders.

3. FUNDING OF REPURCHASE

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and the Companies Ordinance. The Companies Ordinance provides that the amount of capital repaid in connection with a share repurchase may only be paid from the distributable profits of the Company and/or the proceeds of a new issue of Shares, made for the purpose of the repurchase to such an extent allowable under the Companies Ordinance.

The Directors at present have not decided which proposed source of funding is to be used when the Repurchase Proposal is exercised.

There might be an adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited financial statements contained in the annual report for the year ended 31 March 2007), in the event that the power to repurchase Shares pursuant to the Repurchase Proposal was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the power to repurchase Shares pursuant to the Repurchase Proposal to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

4. SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months before the Latest Practicable Date were as follows:–

	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
2006		
July	0.440	0.415
August	0.435	0.405
September	0.440	0.410
October	0.425	0.405
November	0.465	0.405
December	0.445	0.390
2007		
January	0.460	0.395
February	0.600	0.460
March	0.540	0.425
April	0.660	0.530
May	1.180	0.730
June	1.300	1.060
July (Latest Practicable Date)	1.080	0.950

5. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Resolution and in accordance with the Listing Rules and the applicable laws of Hong Kong.

None of the respective Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), have any present intention to sell any Shares to the Company or its subsidiaries under the Repurchase Proposal if such is approved by the Shareholders and exercised by the Directors.

No connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company or its subsidiaries, or have undertaken not to do so, in the event that the Repurchase Proposal is approved by the Shareholders and exercised by the Directors.

6. TAKEOVERS CODE

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Proposal, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, Stone Group Corporation and Beijing Stone Investment Company Limited, being the parties acting in concert are interested in a total of 500,546,466 Shares representing approximately 28.05% of the issued share capital of the Company. In the event that the Directors exercise in full the power to repurchase Shares pursuant to the Repurchase Proposal, then (if the present shareholdings remain the same) the interest of Stone Group Corporation and Beijing Stone Investment Company Limited, being the parties acting in concert will be increased to approximately 31.17% of the issued share capital of the Company. The Directors have no present intention to exercise the power to repurchase Shares pursuant to the Repurchase Proposal to such an extent as to result in takeover obligations. In the event that the power to make repurchase pursuant to the Repurchase Proposal is exercised in full, the number of Shares held by the public would not fall below 25% of the issued share capital of the Company but, in the opinion of the Directors, there is a possibility that such increases may give rise to an obligation on the part of Stone Group Corporation and Beijing Stone Investment Company Limited, being the parties acting in concert to make a mandatory offer under Rules 26 and 32 of the Takeovers Code.

7. SHARE REPURCHASE MADE BY THE COMPANY

The Company did not purchase any Share (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

The following are the particulars of the Directors retired and proposed to be re-elected at the AGM:

1. Mr. DUAN Yongji

Mr. DUAN Yongji, aged 61, appointed in March 1992, is the Chairman, Chief Executive Officer of the Group, the Executive Director of the Company and the Chairman of Stone Group Corporation. Mr. DUAN graduated from Tsinghua University and was a research student at Beijing Aeronautic College. He held a senior position at Chinese Aeronautical Research 621 Laboratory from 1982 until 1984. In 1995, Mr. DUAN was acclaimed “Beijing Electronics Industry Outstanding Entrepreneur”. In 1996, Mr. DUAN was acclaimed “The Top 20 Outstanding Managers” in Industrial System, Beijing. In 2000, Mr. DUAN was acclaimed “2000 Bauhinia Cup Outstanding Entrepreneur Awards”. Mr. DUAN is also the director of Beijing Centergate Technologies (Holding) Co. Ltd., a company listed on Shenzhen Stock Exchange and the director of SINA Corporation, a company listed on NASDAQ, United States of America. Save as disclosed above, he has not held any directorship in other listed public companies during the past three years.

Save as disclosed herein, Mr. DUAN does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. DUAN has personal interest in 102,767,845 Shares and 125,000,000 underlying Shares in respect of convertible notes of the Company within the meaning of Part XV of the SFO.

Mr. DUAN entered into a service contract with the Company for a period of 3 years commencing on 23 July, 1993 and will continue thereafter until terminated by either party to the contract by 6 months’ written notice. He is also subject to retirement and re-election at AGM in accordance with the Articles of Association. For the year ended 31 March, 2007, Mr. DUAN received a remuneration and other emoluments of HK\$4,148,514 in consideration of his performance of duties with reference to the prevailing market condition.

Mr. DUAN is the chairman of the Investment Committee of the Company.

Save as disclosed herein above, there is no other information that needs to be disclosed pursuant to the requirements under Rule 13.51(2)(h) to (v) of the Listing Rules and there are no other matters relating to Mr. Duan’s re-election that need to be brought to the attention of the Shareholders.

2. Mr. SHI Yuzhu

Mr. SHI Yu-zhu, aged 44, appointed in August 2004 is the Executive Director of the Company. On 1 March 2007, Mr. SHI resigned as the Chief Executive Officer but has still acted as the Executive Director of the Company. Mr. SHI graduated from Zhejiang University in 1984 with a Bachelor's degree in Mathematics. He was also a research student from Shenzhen University in Software Science in 1989. Mr. SHI began his career in 1989 by engaging in software development, and later established Giant Group. In 1993, he was commended as an Outstanding Scientific Entrepreneur of Guangdong Province. In 1994, Mr. SHI was elected as one of the China's Top 10 Reform Celebrities. In late 1997, he embarked on a new business venture with the development of Naobaijin, a technologically-advanced healthcare product. Naobaijin won the championship of nationwide sales of healthcare products in China for 4 consecutive years starting from 2000. In 2001, Mr. SHI was honored as one of the CCTV Chinese Economic Leaders and the Top 10 Chinese Financial Figures. He launched another innovative healthcare product Goldpartner in 2002. In 2004, Goldpartner and Naobaijin were ranked No. 1 and No. 2 on the list for nationwide sales of healthcare products. He was recognized as an Outstanding Scientific Entrepreneur for Private Entities in China and received the Bauhinia Cup Awards for Outstanding Entrepreneur. Mr. SHI is also the director of China Minsheng Banking Corp., Ltd., a company listed on Shanghai Stock Exchange. Save as disclosed above, he has not held any directorship in other listed public companies during the past three years.

Save for his beneficial ownership in Ready Finance Limited, a substantial shareholder of the Company which in turn is interested in 386,842,105 underlying Shares in respect of the convertible notes of the Company within the meaning of Part XV of the SFO, Mr. SHI does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. SHI has corporate interest in 386,842,105 underlying Shares in respect of convertible notes of the Company within the meaning of Part XV of the SFO.

There is no service contract between the Company and Mr. SHI. He is not appointed for a specific term but is subject to retirement and re-election at AGM in accordance with the Articles of Association. For the year ended 31 March, 2007, Mr. SHI received a remuneration and other emolument of HK\$1,740,000 in consideration of his performance of duties with reference to the prevailing market condition. At present, there is no agreement as to the director's remuneration payable to Mr. SHI.

Mr. SHI is the member of the Investment Committee of the Company.

Save as disclosed herein above, there is no other information that needs to be disclosed pursuant to the requirements under Rule 13.51(2)(h) to (v) of the Listing Rules and there are no other matters relating to Mr. SHI's re-election that need to be brought to the attention of the Shareholders.

3. Mr. SHEN Guojun

Mr. SHEN Guojun, aged 72, appointed in December 1992, is the Executive Director of the Company. He is also the Chairman of Beijing Stone Investment Company Limited. Mr. SHEN graduated from Beijing University where he held a teaching post until 1965. During the period between 1965 and 1984, Mr. SHEN had several senior positions in National Science Research Ninth Council and Chinese Science College Science Technology Office. He has not held any directorship in other listed public companies during the past three years.

Save as disclosed herein, Mr. SHEN does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. SHEN does not have any interest in Shares within the meaning of Part XV of the SFO.

Mr. SHEN entered into a service contract with the Company for a period of 3 years commencing on 23 July, 1993 and will continue thereafter until terminated by either party to the contract by 6 months' written notice. He is also subject to retirement and re-election at AGM in accordance with the Articles of Association. For the year ended 31 March, 2007, Mr. SHEN received a remuneration and other emolument of HK\$878,586 in consideration of his performance of duties with reference to the prevailing market condition.

Save as disclosed herein above, there is no other information that needs to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and there are no other matters relating to Mr. SHEN's re-election that need to be brought to the attention of the Shareholders.

4. Mr. NG Ming Wah, Charles

Mr. NG Ming Wah, Charles, aged 57, was first appointed to the Board as an Independent Non-Executive Director in September 2004 and has since acted as the chairman of the audit committee. Mr. NG graduated from Loughborough University in England in 1972 with a Bachelor of Science degree in Electronic and Electrical Engineering and from the London Graduate School of Business Studies (London Business School) in England in 1974 with a Master of Science degree in Business Studies. He is the Managing Director of Equitas Capital Limited, the business of which is the provision of strategic corporate financial advisory services and has over 25 years of experience in corporate finance and investment banking. Mr. NG is also a non-executive director of Goldlion Holdings Limited (stock code: 533), a Company listed on the Stock Exchange; and an independent non-executive director of each of China Everbright Limited (stock code: 165), Dalian Ports (PDA) Company Limited (stock code: 2880) and China Molybdenum Co., Ltd. (stock code: 3993), all of them being companies listed on the Stock Exchange. In addition, Mr. NG holds a number of community service positions, including as a member of the Council of Lingnan University of Hong Kong and a member of the Board of Governors of the Hong Kong Arts Centre.

In the three years prior to the Latest Practicable Date, Mr. NG had been an independent non-executive director of Zhaojin Mining Industry Company Limited (stock code: 1818) (term of service : 16 October 2004 to 16 April 2007) and an independent director of Huangshan Novel Co., Ltd., a company listed on the Shenzhen Stock Exchange (term of service: 8 March 2002 to 20 August, 2004). Mr. NG was also a non-executive director of Man Wah Enterprise Company Limited (“Man Wah Enterprise”) from 6 December 1994 to 27 July 1995. Man Wah Enterprise was incorporated in Hong Kong on 24 November 1970 and was engaged in silk flower manufacturing business. On 19 September 1995, the directors of Man Wah Enterprise filed a statutory declaration with the Companies Registry pursuant to Section 228A of the Companies Ordinance to the effect that they were of the opinion that Man Wah Enterprise could not by reason of its liabilities continue its business and that it was necessary that the company be wound up. On 13 October 1995, a petition for the winding up of Man Wah Enterprise was filed by a creditor in court. On 22 November 1995, a winding up order on Man Wah Enterprise was made by the court pursuant to the said petition. On 3 April 1996, an application was made to the court by the liquidators pursuant to Section 209A of the Companies Ordinance to have the liquidation of Man Wah Enterprise conducted as if it were a creditors’ voluntary winding up. Upon such application, an order was made by the court on 2 May 1996 that the winding up of Man Wah Enterprise should be conducted as if it were a creditors’ voluntary winding-up. Man Wah Enterprise was dissolved on 24 September 1999. According to the report of the liquidator and the official receiver dated 1 May 1996, proofs of debts of a total value of approximately HK\$3,300,000 had been submitted up to that date (of which approximately two-thirds in amount were submitted by shareholders of Man Wah Enterprise and their associates) and the official receiver held cash in the sum of approximately HK\$280,000 at that date. Mr. NG has confirmed that there was no wrongful act on his part leading to the winding up of Man Wah Enterprise and that, as far as he was aware, no actual or potential claim

had been or would be made against him as a result of such winding up. The liquidators concluded in their report in 1996 that they were of the view that this liquidation was not a matter of public concern. Mr. NG also confirmed that other than those matters disclosed above, he was not involved in any matters relating to the winding up of Man Wah Enterprise.

Mr. NG has extensive experience in corporate finance and investment banking and also holds directorships in several listed companies in Hong Kong. He considers that the above incident has no impact on his character, experience and integrity to act as an independent non-executive Director of the Company. Mr. NG further considers that, in the performance of his duties as an independent non-executive Director of the Company since 2004, he has always acted for proper purpose, honestly and in good faith in the interests of the Company as a whole, and has applied such degree of skill, care and diligence as may reasonably be expected of him. Mr. NG considers that he has demonstrated a high standard of competence that is required by the applicable provisions of Rules 3.08 and 3.09 of the Listing Rules. On the basis of these factors, the Board considers and concludes that Mr. NG has the character, experience and integrity, and is able to demonstrate a standard of competence, commensurate with his position as an independent non-executive Director of the Company.

Save as disclosed above, Mr. NG has not held any directorship in other listed public companies during the past three years and he does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. NG has personal interest in 1,000,000 Shares in the Company within the meaning of Part XV of the SFO.

A service agreement was entered into between the Company and Mr. NG which provided for a term of service of 3 years until 25 August 2008 although Mr. NG would be subject to retirement by rotation and re-election pursuant to the Company's Articles of Association. Currently, Mr. NG is entitled to receive a director's fee of HK\$270,833 per annum which was determined by the Board by reference to his performance and the prevailing market conditions. Upon re-election, the aggregate annual remuneration of Mr. NG as an independent non-executive Director is expected to remain unchanged.

Mr. NG is the chairman of the Audit Committee of the Company and also a member of the Remuneration Committee of the Company.

Save as disclosed herein above, there is no other information that needs to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (v) of the Listing Rules and there are no other matters relating to Mr. NG's re-election that need to be brought to the attention of the Shareholders.

NOTICE OF ANNUAL GENERAL MEETING



STONE GROUP HOLDINGS LIMITED 四通控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 409)

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at Salon III, M/F, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 23 August, 2007 at 11:00 a.m. for the following purposes:–

1. To receive and consider the audited consolidated financial statements and the reports of the directors and auditors for the year ended 31 March, 2007.
2. To consider and declare a final dividend for the year ended 31 March, 2007.
3. To re-elect directors and to authorise the board of directors to fix the remuneration of the directors.
4. To re-appoint auditors for the ensuing year and authorise the board of directors to fix their remuneration.
5. As special business, to consider and, if though fit, to pass with or without modification the following resolution as an Ordinary Resolution:–

ORDINARY RESOLUTION

“**THAT** amendments to the existing rules of the share option scheme of the Company (the “**Share Option Scheme**”) in the following manner be and are hereby approved, subject to such modifications of those amendments to the rules of the Share Option Scheme as the directors of the Company may consider necessary to take into account the requirements of The Stock Exchange of Hong Kong Limited and that the directors of the Company be and are hereby authorised to adopt the amendments to the rules of the Share Option Scheme and do all acts and things necessary to carry such amendments and modifications (if any) into effect:

By deleting the definition of “Participant” and replacing it with the following new definition:

“Participant” means any employee, director, supplier of goods or services, adviser (professional or otherwise) or consultant to any area of business or business development of the Company or any of its subsidiaries or associated companies as absolutely determined by the Board;”

NOTICE OF ANNUAL GENERAL MEETING

6. As special business, to consider and, if thought fit, to pass with or without modifications the following resolution as an ordinary resolution:–

ORDINARY RESOLUTION

“THAT:–

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of the Company on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which the directors of the Company are authorised to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:–
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by applicable law or the articles of association of the Company to be held; or
 - (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”

NOTICE OF ANNUAL GENERAL MEETING

7. As special business, to consider and, if thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution:–

ORDINARY RESOLUTION

“**THAT:**–

- (a) subject to paragraph (c) below and pursuant to Section 57B of the Companies Ordinance, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than (i) a Rights Issue (as defined below); (ii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue of shares or rights to acquire shares of the Company; or (iii) an issue of shares as scrip dividends pursuant to the articles of association of the Company from time to time shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

(d) for the purpose of this Resolution,

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:–

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by applicable law or the articles of association of the Company to be held; or
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares or issue of options, warrants or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the directors of the Company to the holders of shares of the Company, or any class of shares of the Company, whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such shares (or, where appropriate such other securities) as at that date subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company.”

NOTICE OF ANNUAL GENERAL MEETING

8. As special business, to consider and, if thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution:–

ORDINARY RESOLUTION

“**THAT** subject to the passing of the Resolutions set out in items 6 and 7 of the notice convening this meeting, the general mandate granted to the directors of the Company to allot, issue and deal with additional shares pursuant to the resolution set out in item 7 of the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to the Resolution set out in item 6 of the notice convening this meeting, provided that such amount of shares so repurchased shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the said Resolution.”

By Order of the Board
HUI Yick Lok, Francis
Company Secretary

Hong Kong, 26 July, 2007

Registered Office:

27th Floor
K. Wah Centre
191 Java Road
North Point
Hong Kong

NOTICE OF ANNUAL GENERAL MEETING

Notes:-

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and on a poll, vote in his stead. A proxy need not be a member of the Company.
2. To be valid, a proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the office of the Company's share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1806 – 1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the appointed time for holding the meeting or any adjournment thereof.
3. The register of members of the Company will be closed from 20 August, 2007 to 23 August, 2007 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the transfer office of the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for the registration not later than 4:00 p.m. on 17 August, 2007.
4. With regard to item 3 above, the retiring directors of the Company seeking for re-election are Messrs. DUAN Yongji, SHI Yuzhu, SHEN Guojun and NG Ming Wah, Charles. Details of these Directors are set out in the Appendix II of the circular to shareholders dated 26 July, 2007.
5. As at the date of this notice of annual general meeting, the board of directors of the Company comprises ten directors of whom Messrs. DUAN Yongji, SHI Yuzhu, SHEN Guojun, ZHANG Disheng and CHEN Xiaotao 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.