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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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.

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

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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)****POSSIBLE MAJOR TRANSACTION  
DISPOSAL OF A SHARES IN CHINA RAILWAY ERJU CO., LTD.**

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A notice of the extraordinary general meeting of Stone Group Holdings Limited to be held on Tuesday, 20 May 2008 at 3:00 p.m. (or any adjournment thereof) at 27th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong is set out on pages 24 to 26 of this circular. Whether or not you are able to attend the extraordinary general meeting of Stone Group Holdings Limited, please complete the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable and return it to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than forty-eight hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting of Stone Group Holdings Limited or any adjournment thereof should you so wish.

2 May 2008

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## DEFINITIONS

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*In this circular, the following expressions shall have the following meanings unless the context otherwise requires:–*

“A Share(s)”	A share(s) of RMB1.00 each in the capital of China Railway Erju
“Announcement”	the announcement of the Company dated 7 March 2008 in respect of the Current Disposal and the Future Disposals.
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	board of the directors of the Company
“China Railway Erju”	中鐵二局股份有限公司 (China Railway Erju Co., Ltd.), a joint stock limited 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)
“CSRC”	China Securities Regulatory Commission of the PRC
“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
“EGM”	the extraordinary general meeting of the Company proposed to be convened and held to consider and, if appropriate, to approve and ratify the Future Disposals and the authorization of the Directors in relation to the Future Disposals, notice of which is set out on page 24 to 26 of this circular.

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## DEFINITIONS

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“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 EGM 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
“Latest Practicable Date”	25 April, 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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

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## DEFINITIONS

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“SFO”	Securities & Futures Ordinance (Chapter 571, Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United State of America
“%”	per cent.

*For the purpose of this circular, the exchange rate between RMB and HK\$ at RMB1.00 to HK\$1.05*

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## LETTER FROM THE BOARD

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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)

**Directors:–**

*Executive directors*

DUAN Yongji (*Chairman & Chief Executive Officer*)

SHI Yuzhu

SHEN Guojun

ZHANG Disheng (*Chief Operation Officer*)

CHEN Xiaotao

LIU Wei

**Registered Office:–**

27th Floor, K. Wah Centre,

191 Java Road,

North Point,

Hong Kong.

*Non-executive director*

CHENG Fumin

*Independent non-executive directors*

NG Ming Wah, Charles

Andrew Y. YAN

LIU Ji

LIU Jipeng

Hong Kong, 2 May 2008

*To the Shareholders*

Dear Sir or Madam,

### **POSSIBLE MAJOR TRANSACTION DISPOSAL OF A SHARES IN CHINA RAILWAY ERJU CO., LTD.**

#### **1. INTRODUCTION**

As stated in the Company's announcement dated 7 March 2008, 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 open market of SSE through its trading system 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.

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## LETTER FROM THE BOARD

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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 EGM of such possible Future Disposals for a 12-month period from the passing of relevant resolution at the EGM. 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 EGM.

The purpose of this circular is to provide the Shareholders with information relating to the details of the Current Disposal and the Future Disposals, the notice of the EGM and other information required by the Listing Rules and to seek the Shareholders' advance approval in relation to the Future Disposals.

### **2. THE GROUP'S SHAREHOLDING IN CHINA RAILWAY ERJU**

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 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 open market of SSE from 28 January 2008 onwards.

The Group has during the month of February 2008 made the Current Disposal on the open market of SSE through its trading system to independent third parties who are, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, unrelated to any director, chief executive or substantial shareholder 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). As at the date of the Announcement, the Group beneficially owns 15,172,223 A Shares, representing approximately 1.66 % of the issued share capital of China Railway Erju.

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## LETTER FROM THE BOARD

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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 year 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 year 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%.

### 3. POSSIBLE FUTURE DISPOSALS

The Group proposes, when appropriate, to continue to dispose on the open market of SSE through its trading system or other system as prescribed by the CSRC from time to time 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 the EGM 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 EGM, 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 (being the closing price of A Shares quoted on SSE on 3 March 2008) 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



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## LETTER FROM THE BOARD

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Disposals may or may not equate such amount on the open market of SSE through its trading system or other system as prescribed by CSRC from time to time, which would in turn depend on the actual price on the open market of SSE through its trading system or other system as prescribed by the CSRC from time to time 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 it after the Current Disposal at the appropriate time and price provided that (i) such price will be the price of A Shares on the open market of SSE through its trading system or other system as prescribed by CSRC from time to time 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 systems or other system as prescribed by CSRC from time to time; and (iii) the advance Shareholders' approval of the Possible Future Disposals is for 12-month period from the passing of the relevant resolution at the EGM, the Directors propose to seek the advance approval from the Shareholders at the EGM. There is no assurance that the Group will dispose of all the remaining 15,172,223 A Shares on the open market of SSE through its trading system or other system as prescribed by the CSRC from time to time 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 EGM, the Group may dispose of the remaining 15,172,223 A Share on the open 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 EGM, the number of remaining 15,172,223 A Shares which will be the subject of the possible Future Disposals for approval by the Shareholders at the EGM 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 EGM.

Since February 2008 (up to the Latest Practicable Date), the Group has disposed of an aggregate of 3,001,692 A Shares on the open market of SSE through its trading system at average selling price of RMB18.9 per A Shares. As a result of such disposal, the Group records a gain (before commission, expenses and tax) of approximately RMB21.3 million (approximately HK\$22.4 million).

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## LETTER FROM THE BOARD

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#### **4. POSSIBLE FINANCIAL IMPACT OF THE CURRENT DISPOSAL AND THE FURTHER DISPOSALS ON THE GROUP**

The original investment cost of the Group in 18,173,915 A Shares was approximately RMB91.8 million. If all the remaining 15,172,223 A Shares held by the Group are disposed of at an average price of RMB19.36 per A Share, being the closing price of A Shares quoted on the open market of SSE on 3 March 2008, the total sales proceeds from the Current Disposal and the Further Disposals in aggregate will arrive at approximately RMB350.4 million (equivalent to approximately HK\$367.9 million) (before commission, expenses and tax), resulting in a profit of approximately RMB258.6 million (equivalent to approximately HK\$271.5 million) (before commission, expenses and tax).

As the fluctuation in the market price of A Shares, the actual amount of the profit from the possible Future Disposals which is expected to accrue to the Group will depend on the actual price at which the remaining 15,172,223 A Shares are to be disposed of.

The Current Disposal and the possible Further Disposals are expected to have material positive effect on the working capital of the Group, depending on the actual price at which the remaining 15,172,223 A Shares are to be disposed of, but are not expected to have any material impact on the consolidated total assets and the consolidated total liabilities of the Group.

#### **5. 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.

#### **6. 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 (collectively, “Healthcare Products Business”), electronic and electrical products, office equipment and provision of related services, and media-related business (collectively, “IT Business”).

#### **7. INFORMATION ON CHINA RAILWAY ERJU**

China Railway Erju is a joint stock limited 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.

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## LETTER FROM THE BOARD

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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

### **8. REASON FOR THE CURRENT DISPOSAL AND THE FURTHER DISPOSALS AND SEEKING SHAREHOLDERS' APPROVAL**

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 Railway 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 open market of SSE through its trading system or other system as prescribed by CSRC from time to time 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 quoted on the open 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.

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## LETTER FROM THE BOARD

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The Directors (including the independent non-executive Directors) consider that it is in the interest of the Company and the Shareholders as a whole to obtain Shareholders' approval of the possible Future Disposals and the possible Future Disposals are in the interest of the Company and the Shareholders as a whole and the Directors shall ensure that the terms of the transactions as contemplated by the possible Future Disposals are fair and reasonable.

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. The EGM will be convened as soon as possible for the purpose of considering and, if thought fit by the Shareholders, approving that the Directors be authorized to sell or otherwise dispose of any remaining A Shares held by the Group on the open market of SSE through its trading system or other system as prescribed by CSRC from time to time at such time and price which will be the price of A Shares on the market of SSE at the relevant times provided that such price 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 open market of SSE through its trading system on 31 March 2007 and subject to such other terms and conditions as the Directors may deem fit at such time(s) and from time to time. 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).

As the Group may dispose of the 15,172,223 A Shares on the open market of SSE through its trading system or other system as prescribed by CSRC from time to time, the Company will seek an approval of the disposed of up to the remaining 15,172,223 A Shares and a general mandate to be granted to the Directors from the Shareholders for the possible Future Disposals at the EGM. The general mandate will give the Directors the flexibility to dispose of up to the remaining 15,172,223 A Shares at an appropriate time and price so as to maximize the benefits to the Group.

### **9. REGULATORY ASPECTS**

If the Group proceeds with the possible Future Disposals and on the assumption that all the remaining 15,172,223 A Shares held by the Group are to be disposed of, the Future Disposals may constitute a major transaction for the Company under Chapter 14 of the Listing Rules. The Future Disposals will then be subject to the requirements of announcements, circular and the Shareholders' approval under the Listing Rules.

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## LETTER FROM THE BOARD

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In the event that the Group finds out that the counterparty is a connected person before disposing of the remaining 15,172,223 A Shares, the Group will strictly follow the announcement, reporting and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of the knowledge and belief of the Directors, no Shareholder has a material interest in the matters which are the subject of the Future Disposals such that it must abstain from voting, and, accordingly, all Shareholders are permitted to vote at the EGM.

### **10. GENERAL**

Whether the Company will decide to or not to proceed with the possible Future Disposals will depend on a number of factors including without limitation prevailing market sentiments and market conditions at the proposed time of executing the possible Future Disposals. The decision will also be subject to compliance by the Company with all applicable requirements under the Listing Rules, including the obtaining of the approval from the Shareholders. While the Company currently intends to proceed with the possible Future Disposals after the applicable requirements under the Listing Rules are complied with, it should be emphasized that there is no assurance the Company will necessarily proceed with the possible Future Disposals. Shareholders and other public investors of the Company are therefore advised to exercise extreme caution when dealing in the Shares.

### **11. EGM**

The Directors have resolved to convene the EGM to consider and, if thought fit to approve the possible Future Disposals by the Shareholders. Notice of the EGM is set out on pages 24 to 26 of this circular. Whether or not you are able to attend and vote at the EGM, you are requested to complete the enclosed proxy form and return it to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the EGM or any adjournment thereof should you so wish.

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## LETTER FROM THE BOARD

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### 12. RIGHT TO DEMAND A POLL

Articles 73 to 75 of the articles of association of the Company 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.

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.

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## LETTER FROM THE BOARD

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### 13. RECOMMENDATION

Having taken into account of (i) the Current Disposal; (ii) the possible financial impact of the Current Disposal and the Future Disposals on the Group; and (iii) the reason for the Current Disposal and the Future Disposals and seeking Shareholders' approval, the Directors considered that in the interests of the Company and the Shareholders as a whole to obtain Shareholders' approval of the possible Future Disposals by means of authorizing the Directors to effect the possible Future Disposals. Accordingly, the Board (including all the independent non-executive Directors) recommends the Shareholders to vote in favour of the ordinary resolution as set out in the notice of EGM.

### 14. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
For and on behalf of the Board  
**DUAN Yongji**  
*Chairman*

**1. INDEBTEDNESS****Borrowings**

At the close of business on 31 March 2008, being the latest practicable date for this statement of indebtedness prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$868.6 million

**Pledge of assets**

At the close of business on 31 March 2008, a property with carrying value of approximately HK\$45 million was mortgaged by the Group as collateral against the banking facilities, a term loan and bank overdrafts granted to its subsidiaries.

In addition, part of SINA shares held by the Group had been pledged to a securities firm in order to secure against a US\$40 million margin loan that granted to the Group.

**Contingent liabilities**

At the close of business on 31 March 2008, the capital expenditure commitments of the Group authorized by the relevant boards of directors, and contracted for but not provided for in the financial statements amounted to approximately HK\$2.24 million. These commitments are primarily in respect of acquisition of property, plant and equipment.

At the close of business on 31 March 2008, the Group had no material contingent liabilities.

Save as aforesaid and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 March 2008 and any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

**2. WORKING CAPITAL**

Taking into account the Group's internal resources, presently available banking and other facilities and the effect of the Current Disposal and the possible Future Disposals, and in the absence of unforeseen circumstances, the Directors are of the opinion that the Group will have sufficient working capital to meet its present requirement and for the next twelve months from the date of this circular.



### **3. FINANCIAL AND TRADING PROSPECTS**

The Group is principally engaged in manufacturing, distribution and sale of healthcare products, electronic and electrical products, office equipments and provision of related services, media-related business.

It is believed that the economic growth in the PRC will slow down as result of the domestic measures adopted by the Central Government of the PRC to tackle the Chinese's overheated economy, this will inevitably affect the business of the Group as well as its financial and trading prospects to a certain extent. Nevertheless, the Group is well prepared to face any possible hardships coming forward. For the IT Business, for instance, industrial controllers company had established offices and branches early this year, the training program was enhanced to familiarise new comers with the operations, and to train staff to expand the company's sales network; for the gold tax division, the Group is actively in planning to launch consultation service in tax planning, and jointly develop software in the areas of management system and financial system for the integration with the software offered by gold tax division with other software developers. With the introduction of these products and services, we are confident that the gold tax division of the Group will be on the competitive edge in the market. For the Healthcare Products Business, in view of the success of GoldPartner and the introduction of the new products, the management anticipates that the annual sales of the healthcare products business may exceed that of last year. In respect of the investment business, since the stock market shows signs of pullback after the promulgation of a series of new macroeconomic controls, it is expected that the non-operating income of the Group may not be at the level as high as that in the past year, yet all are subject to the market condition in the future.

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Director, or chief executive of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

#### *Interests in the shares, underlying shares and debentures of the Company*

Name of Director	Nature of interest	Number of Shares	Interest in underlying shares of equity derivatives of the Company pursuant to Share options	Interest in underlying shares of equity derivatives of the Company pursuant to convertible notes	Aggregate interest	Approximate shareholding percentage
DUAN Yongji	Personal (Note 1)	104,357,845	15,000,000	125,000,000	244,357,845 (L)	12.79%
SHEN Guojun	Personal (Note 1)	–	4,000,000	–	4,000,000 (L)	0.20%
CHEN Xiaotao	Personal (Note 1)	–	4,000,000	–	4,000,000 (L)	0.20%

Name of Director	Nature of interest	Number of Shares	Interest in underlying shares of equity pursuant to Share options	Interest in underlying shares of equity derivatives of the Company pursuant to convertible notes	Aggregate interest	Approximate shareholding percentage
ZHANG Disheng	Personal (Note 1)	–	6,000,000	–	6,000,000 (L)	0.31%
SHI Yuzhu	Corporate (Note 2)	55,263,157	5,000,000	331,578,947	391,842,104 (L)	20.52%
LIU Wei	Personal	–	3,000,000	–	3,000,000 (L)	0.15%
NG Ming Wah, Charles	Personal	1,000,000	2,000,000	–	3,000,000 (L)	0.15%
Andrew Y. YAN	Personal	–	2,000,000	–	2,000,000 (L)	0.10%
LIU Jipeng	Personal	–	2,000,000	–	2,000,000 (L)	0.10%
LIU Ji	Personal	–	2,000,000	–	2,000,000 (L)	0.10%
CHENG Fumin	Personal	–	1,000,000	–	1,000,000 (L)	0.05%

*L: denotes Long Position*

*Notes:*

- (1) Beijing Stone Investment Company Limited together with its associates (as defined in the Listing Rules) holds a total of 407,110,053 Shares. Beijing Stone Investment Company Limited is owned as to 42.3% by Stone Jiu Guang New Technology Development (Holdings) Co. Ltd., 6.7% by Stone Group Corporation (“SGC”) and 51% by the Beijing Stone Investment Company Limited Employees’ Shareholdings Society. In addition, SGC indirectly holds 92,374,413 Shares (through Wise Expand Developments Limited which is a limited company incorporated in Hong Kong and beneficially owned by SGC) and directly holds 1,062,000 Shares. Messrs. DUAN Yongji, SHEN Guojun, CHEN Xiaotao and ZHANG Disheng (collectively as the “said Directors”) are also directors of SGC. So long as the said Directors remain as directors of SGC, each of them together with the other employees collectively own interests in the assets of SGC but none of them has any specific interests in SGC. Moreover, Mr. DUAN Yongji is the holder of the convertible notes of the Company in the aggregate principal sum of HK\$65 million which are convertible into Shares at the conversion price of HK\$0.52 per Share.
- (2) The interest is held by Ready Finance Limited (“Ready Finance”) as beneficial owner. Ready Finance is wholly owned by Mr. SHI Yuzhu who is deemed under the SFO to be interested in the shares and underlying shares of equity derivatives of the Company held by Ready Finance. The interest in underlying shares of equity derivatives of the Company pursuant to share options granted to Mr. SHI Yuzhu is beneficially owned by him.

Save as disclosed in above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange.

**(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO**

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:

***Interest in the shares, underlying shares and debentures of the Company:***

Name	Nature of interest	Interest in Shares	Long positions in the Shares and underlying Shares			Aggregate interest	Approximate shareholding percentage
			Interest in underlying Shares of equity derivatives of the Company pursuant to the options	Interest in underlying Shares of equity derivatives of the Company pursuant to convertible notes			
Beijing Stone Investment Company Limited	Corporate (Note i)	407,110,053	–	–	407,110,053 (L)	21.32%	
Beijing Stone Investment Company Limited Employees' Shareholding Society	Corporate (Note ii)	407,110,053	–	–	407,110,053 (L)	21.32%	

Name	Nature of interest	Long positions in the Shares and underlying Shares					Approximate shareholding percentage
		Interest in Shares	Interest in underlying Shares of equity derivatives of the Company pursuant to the options	Interest in underlying Shares of equity derivatives of the Company pursuant to convertible notes	Aggregate interest		
Stone Jiu Guang New Technology Development (Holdings) Co. Ltd.	Corporate (Note ii)	407,110,053	–	–	407,110,053 (L)	21.32%	
Shenyang Huguang Group Co. Ltd.	Corporate (Note ii)	407,110,053	–	–	407,110,053 (L)	21.32%	
Stone Group Corporation	Corporate (Note ii)	500,546,466	–	–	500,546,466 (L)	26.21%	
深圳發展銀行 深圳人民橋支行	Corporate (Note iii)	310,000,000	–	–	310,000,000 (L)	16.23%	
Ready Finance Limited	Corporate (Note iv)	55,263,157	–	331,578,947	386,842,104 (L)	20.26%	
SHI Yuzhu	Corporate (Note iv)	55,263,157	5,000,000	331,578,947	391,842,104 (L)	20.52%	
DUAN Yongji	Personal (Note v)	104,357,845	15,000,000	125,000,000	244,357,845 (L)	12.79%	

*L: denotes long position*

*Notes:*

- i. The shareholding of 407,110,053 Shares comprised the combined shareholdings of Beijing Stone Investment Company Limited and its associates (as defined in the Listing Rules).
- ii. Beijing Stone Investment Company Limited is owned as to 42.3% by Stone Jiu Guang New Technology Development (Holdings) Co. Ltd., 6.7% by SGC and 51% by the Beijing Stone Investment Company Limited Employees' Shareholding Society which are accordingly deemed to be interested in the 407,110,053 Shares. Stone Jiu Guang New Technology Development (Holdings) Co. Ltd. is owned as to 56.14% by Shenyang Huguang Group Co. Ltd. which is accordingly also deemed to be interested in the said 407,110,053 Shares. In addition, SGC also beneficially holds 92,374,413 Shares indirectly (through Wise Expand Developments Limited, being a limited company incorporated in Hong Kong and beneficially owned by SGC) and 1,062,000 Shares directly.

- iii. The interest of 深圳發展銀行深圳人民橋支行 is held by it as person having a security interest in Shares.
- iv. The interest is held by Ready Finance Limited (“Ready Finance”) as beneficial owner. Ready Finance is wholly owned by Mr. SHI Yuzhu who is deemed under the SFO to be interested in the shares and underlying shares of equity derivatives of the Company held by Ready Finance. The interest in underlying shares of equity derivatives of the Company pursuant to share options granted to Mr. SHI Yuzhu is beneficially owned by him.
- v. The interest of Mr. DUAN Yongji is held by him as beneficial owner.

Save as disclosed above, no other persons (other than Directors or chief executive of the Company) known to any Director as at the Latest Practicable Date had an interest or short position in the shares, underlying shares and debentures of the Company as recorded in the register kept by the Company under Section 336 of the SFO.

- (c) As at the Latest Practicable Date, none of the Directors had, or had any interest, direct or indirect, in any assets which since 31 March 2007, the date to which the latest published audited financial statements of the Company were made up, have been acquired or disposed of by or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to the Company or any of its subsidiaries.
- (d) None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date, which was significant in relation to the business of the Company or any of its subsidiaries.
- (e) Save as disclosed herein, as at the Latest Practicable Date, the Company had not granted to any Director or director or chief executive of any other member of the Group or to their spouses or children under 18 years of age or any of them any right to subscribe for securities in, or debentures of, the Company or any of their respective associated corporations within the meaning of Part XV of the SFO.
- (f) None of the Directors has a service contract with any member of the Group (excluding contracts expiring or determinable by the Group with within one year without payment of compensation other than statutory compensation).
- (g) As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates have any interest in any business which competes or is likely to compete with the business of the Group.

**LITIGATION**

As at the Latest Practical Date, so far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or arbitration of material importance is pending or threatened against the Company or any of its subsidiaries.

**MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007, being the date to which the latest published audited financial statement of the Group were made up.

**MATERIAL CONTRACTS**

In the two years immediately preceding the date of this circular, the following contracts, not being contracts entered into in the ordinary course of business, were entered into by the Company or its subsidiaries which are or may be material:

- (1) A supplemental deed dated 27 April 2006 made between the Company and China Cable Media Group Limited (“CCMG”) in relation to the conversion of a loan in the principal amount of RMB30,000,000 into the loan in the principal amount of US\$3,600,000;
- (2) A second supplemental deed dated 30 March 2007 made between the Company and CCMG for revision of the conversion price of new preference shares of CCMG;
- (3) A share purchase agreement dated 18 April 2007 was made among Media Sky Developments Limited (“Media Sky”), CCMG, Beijing Stone Cable Media Science & Technology Co. Ltd., Beijing Zhongguang Yongfeng Cable Television Technology Co. Ltd. and Beijing Stone Zhongguang Media Science & Technology Co. Ltd. pursuant to which CCMG agreed to allot and issue 3,150,000 preference shares to Media Sky;

- (4) A shareholder agreement dated 18 June 2007 was made between the Company, Seasource Holdings Limited (being a company beneficially owned by Mr. DUAN Yongji), China Oceanwide Industries Holdings Limited, Asia Communications Network Limited, Lau Kan Kan, Pak Yu Investments Limited, Verbier International Inc, Wealth Spectrum Limited and Stone Resources Limited in relation to the regulating the operation and management of Stone Resources Limited; and
- (5) A supplemental deed dated 2 August 2007 entered into among the Company, Gotech Holdings Limited (“Gotech”), Richland International Limited and Yearbase International Limited (“Yearbase”) for the purpose of amending the terms of the agreement dated 7 March 2005 entered into among the same parties in relation to the acquisition of 20,000 preference shares by Gotech from Yearbase.

**GENERAL**

- (a) The qualified accountant of the Company is Hui Yick Lok, Francis, *CPA*.
- (b) The company secretary of the Company is Hung Ka Wai, Solicitor, *ACA, CA*.
- (c) The share registrar of the Company is Computershare Hong Kong Investor Services Limited and situated at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (d) The registered office of the Company is situated at 27th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong.
- (e) The English text of this circular and the accompanying form of proxy shall prevail over their Chinese text in case of inconsistency.



**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of the Company at 27th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong during normal business hours on any business day from the date of this circular until the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the audited accounts of the Group in respect of each of the two years ended 31 March 2007 and the unaudited interim accounts of the Group for the six months ended 30 September 2007;
- (c) the discloseable transaction circular of the Company dated 7 June 2006;
- (d) the discloseable transaction circular of the Company dated 16 February 2007; and
- (e) the discloseable transaction circular of the Company dated 17 May 2007; and
- (f) the material contracts referred to under the paragraph headed “Material contracts” of this appendix.

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# NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (“EGM”) of Stone Group Holdings Limited (the “Company”) will be held at 27th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong on Tuesday, 20 May 2008 at 3:00 p.m. or any adjournment for the purpose of considering, and if thought fit, passing, with or without modification, the following resolution as ordinary resolution of the Company:

### ORDINARY RESOLUTION

#### “THAT

- (a) the disposal (the “Disposal Mandate”) of up to 15,172,223 A Shares of 中鐵二局股份有限公司 (China Railway Erju Co., Ltd.), a joint stock limited company established in the People’s Republic of China with limited liability (the “Remaining A Shares”) (or if any of the Remaining A Shares have been disposed of prior to the date of the EGM, the maximum number of the Remaining A Shares which are subject to the Disposal Mandate will be the difference between all the Remaining A Shares (i.e. 15,172,223 Remaining A Shares) and the number of the Remaining A Shares actually disposed of by the Company through 上海健久生物科技有限公司 (Shanghai Jianjiu Biotech Co., Ltd.) (“Shanghai Jianjiu”, being a non-wholly owned subsidiary of the Company) from 28 April 2008 onwards but before the holding of the EGM) by the Company (through Shanghai Jianjiu) for a period of 12 months from the date of passing of this resolution (unless being revoked or varied by ordinary resolution of the shareholders of the Company in general meeting) on the following conditions be and is hereby approved and ratified:
- (i) the Company will (through Shanghai Jianjiu) dispose of all or any of the Remaining A Shares on the open market of the Shanghai Stock Exchange (“SSE”) through its trading system or other system as prescribed by the China Securities Regulatory Commission of the People’s Republic of China (“CSRC”) from time to time;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (ii) the selling price of each of the Remaining A Shares will be the market price of each of the Remaining A Shares at the relevant times. Market price refers to the price allowed on the open market of the SSE through its trading system or other system as prescribed by CSRC from time to time, but will not be less than RMB11.8, being the net book value per each of Remaining A Shares as reflected in the audited consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 March 2007 and also being the closing price of each of the Remaining A Shares as quoted on the open market of SSE on 31 March 2007; and
- (iii) the disposal of all or any of the Remaining A Shares by the Company (through Shanghai Jianjiu) will take place during the 12 month period from the passing of this resolution.
- (b) the directors of the Company (“Directors”) be and are hereby authorized to do all things, including but not limited to the execution of all documents and exercise of the powers of the Company which the Directors may deem to be necessary or desirable to effect the foregoing or in connection with the Disposal Mandate.”

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

Hong Kong, 2 May 2008

*Registered office:*

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

*As at the date of this notice of EGM, Messrs. DUAN Yongji, SHI Yuzhu, SHEN Guojun, CHEN Xiaotao and ZHANG Disheng and Ms. LIU Wei are executive Directors; Mr. CHENG Fumin is the non-executive Director and Messrs. NG Ming Wah, Charles, Andrew Y. YAN, LIU Ji and LIU Jipeng are the independent non-executive Directors.*

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more than one proxy to attend and, in the event of a poll, vote in his/her stead. A proxy need not be a member of the Company.
2. A form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon.
3. To be valid, a form of proxy and 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 time appointed for holding the meeting or any adjournment thereof.
4. Completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting or on the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint holders of any share of the Company, any one of such holders may vote at the meeting either personally or by proxy in respect of such share as if he/she were solely entitled thereto, but if more than one of such holders be present at the meeting personally or by proxy, then one of such holders whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.