
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.

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.

**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
AND
ELECTION OF NEW DIRECTOR
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening an annual general meeting of Stone Group Holdings Limited to be held at 27/F., K. Wah Centre, 191 Java Road, North Point, Hong Kong on Thursday, 21 August 2008 at 3:00 p.m. is set out on pages 16 to 19 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, 28 July 2008

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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 27/F., K. Wah Centre, 191 Java Road, North Point, Hong Kong on Thursday, 21 August 2008 at 3:00 p.m., notice of which is set out on pages 16 to 19 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 Main Board of the Stock Exchange (Stock Code: 409)
“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”	24 July 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion into 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
“Repurchase Resolution”	the proposed ordinary resolution set out in item 4 of the notice of the AGM
“SFO”	the Securities and Future Ordinance (Chapter 571) of the laws of Hong Kong

DEFINITIONS

“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holders of the Shares
“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 FROM 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 (*Chief Operation Officer*)

CHEN Xiaotao

LIU Wei

Non-executive director

CHENG Fumin

Independent non-executive directors

NG Ming Wah, Charles

Andrew Y. YAN

LIU Ji

LIU Jipeng

Registered Office:

27th Floor, K. Wah Centre,

191 Java Road,

North Point,

Hong Kong

Hong Kong, 28 July 2008

To Shareholders

Dear Sir or Madam,

**PROPOSALS INVOLVING
GENERAL MANDATES
TO REPURCHASE SHARES AND TO ISSUE SHARES,
RE-ELECTION OF DIRECTORS
AND
ELECTION OF NEW DIRECTOR
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, the election of a new Director to fill up the vacated office resulted from the retirement of Ms. LIU Wei as a Director and the vacated office resulted from retirement of Mr. LIU Ji as Director not to be filled up.

LETTER FROM THE BOARD

GENERAL MANDATE TO REPURCHASE SHARES

At the annual general meeting of the Company held on 23 August, 2007, 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 4 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 to this circular.

GENERAL MANDATE TO ISSUE SHARES

At the annual general meeting of the Company held on 23 August 2007, 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 5 and 6 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 AND ELECTION OF NEW DIRECTOR

The Board currently consists of eleven Directors. Messrs. DUAN Yongji, SHI Yuzhu, SHEN Guojun, ZHANG Disheng, CHEN Xiaotao and Ms. LIU Wei, being the executive Directors, Mr. CHENG Fumin, being the non-executive Director, and Messrs. NG Ming Wah, Charles, Andrew Y. YAN, LIU Ji and LIU Jipeng, being the independent non-executive Directors.

Pursuant to Article 101 of the Articles of Association, at each annual general meeting of the Company, one third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one third) shall retire from office. The Directors shall be those who have been longest in office since their last re-election or appointment. The retiring Directors shall be eligible for re-election. Pursuant to Article 101 of the Articles of Association, Messrs. ZHANG Disheng, CHEN Xiaotao and LIU Ji and Ms. LIU Wei will retire by rotation at the AGM.

Messrs. ZHANG Disheng and CHEN Xiaotao, being eligible, have offered themselves for re-election at the AGM. Mr. LIU Ji and Ms. LIU Wei have indicated that they will not offer themselves for re-election as Mr. LIU Ji needs more time to be spent on his academic work and Ms. LIU Wei needs more time to pursue her other business interest. Mr. LIU Ji and Ms. LIU Wei have confirmed that they have no disagreement with the Board and there is no matter relating to their retirement that will need to be brought to the attention of the Shareholders.

LETTER FROM THE BOARD

Mr. DUAN Yongji will retire at the AGM on a voluntary basis and, being eligible, has also offered himself for re-election as Director at the AGM.

Pursuant to Article 92 of the Articles of Association, any Director appointed as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at the meeting. Thus, Mr. CHENG Fumin who was appointed as non-executive Director pursuant to Article 92 of the Articles of Association shall retire and, being eligible, has offered himself for re-election as Director at the AGM.

Article 103 of the Articles of Association provides that if at any general meeting at which an election of Director ought to take place, the place of a retiring Director is not filled up, the retiring Director shall be deemed to have been re-elected and shall, if willing, continue in office until the next annual general meeting and so on from year to year until his place is filled up, unless it shall be expressly resolved at such meeting to reduce a number of Directors, not to fill such vacated office, or unless a resolution or unless a resolution for the re-election of such Director shall have been put to such meeting and lost. Thus, a resolution proposed not to fill up the vacated office resulted from the retirement of Mr. LIU Ji as Director will be put to the AGM.

Furthermore, pursuant to Article 105 of the Articles of Association, no person other than a retiring Director, shall, unless recommended by the Board for election, shall be eligible for election as a Director at any general meeting unless not less than seven (7) days before the date appointed for the general meeting there shall have been lodged at the office of the Company notice in writing signed by a member (other than the person to be proposed) duly qualified to attend and vote at the general meeting for which such notice is given of his attention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected provided that the period for lodgment of the aforesaid notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

The Board further recommends Mr. LIU Zuowei for election as a new executive Director to fill up the vacated office resulted from the retirement of Ms. LIU Wei as a Director at the AGM. Mr. LIU Zuowei, having vast experience in healthcare products, is a proposed candidate to enhance the Board by contributing his expertise in healthcare products.

Further announcement will be made by the Company if the election of Mr. LIU Zuowei as a new executive Director to fill up the vacated office resulted from the retirement of Ms. LIU Wei as Director has been approved by the Shareholders at the AGM.

A brief details of the retiring Directors and the candidate for election as a new Director are set out in Appendix II to this circular.

ANNUAL GENERAL MEETING

On pages 16 to 19 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 and to approve the re-election of the retiring Directors and the election of a new Executive Director to fill the vacated office resulted from the retirement of Ms. LIU Wei as a Director.

LETTER FROM THE BOARD

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, 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.

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.

LETTER FROM THE BOARD

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 are all in the best interests of the Company and the Shareholders. The Directors are also pleased to recommend Messrs. ZHANG Disheng, CHEN Xiaotao, CHENG Fumin and DUAN Yongji for re-election at the AGM and Mr. LIU Zuowei for election at the AGM, details of whom are set out in the Appendix II of this circular. 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

APPENDIX I EXPLANATORY STATEMENT ON THE SHARE REPURCHASE MANDATE

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 2,018,897,121 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 201,889,712 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 2008), 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.

APPENDIX I EXPLANATORY STATEMENT ON THE SHARE REPURCHASE MANDATE

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>
2007		
July	1.20	0.90
August	1.07	0.57
September	1.08	0.79
October	1.16	0.82
November	1.11	0.75
December	0.89	0.73
2008		
January	0.86	0.54
February	0.68	0.57
March	0.68	0.48
April	0.64	0.50
May	0.72	0.55
June	0.61	0.52
July (Latest Practicable Date)	0.46	0.44

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 24.79% 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 proportionately to approximately 27.54% 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 and the Directors are not aware of any consequence which may give rise to an obligation on the part of Stone Group Corporation and Beijing Stone Investment Company Limited (on the basis of the said present shareholding), being the parties acting in concert to make a mandatory offer under Rules 26 and 32 of the Takeovers Code as a result of such repurchase.

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.

APPENDIX II DETAILS OF DIRECTORS PROPOSED FOR RE-ELECTION AND ELECTION

The following are the particulars of the Directors proposed for re-election and election at the AGM:

Mr. ZHANG Disheng

Mr. ZHANG Disheng, aged 52, appointed in May 2003, is the Executive Director of the Company. Mr. ZHANG is the President of Beijing Stone New Technology Industrial Company Limited, a subsidiary of the Group, and is also the President of Beijing Stone Investment Company Limited. Mr. ZHANG has also been appointed as the chief operation officer of the Company since March 2008. Mr. ZHANG graduated from 北京經濟學院 (Beijing Economics College) and obtained a Master degree from 日本流通經濟大學 (Ryulsu Kaizai University, Japan). Mr. ZHANG held a senior position in 北京經濟學院經濟技術開發總公司 (Beijing Economics College Economic Technology Development Company) prior to joining the Group. Mr. ZHANG is responsible for the business management of the Group. Mr. CHANG is a director of Fairchild Investments Limited, a company listed on the NEX board of Toronto Stock Exchange venture market in Canada. Save as disclosed above, he did not hold any directorship in other listed public companies in the past three years.

Mr. ZHANG is also the director of Stone Group Corporation, a substantial shareholder of the Company. Mr. ZHANG and three executive Directors, being Messrs. DUAN Yongji, CHEN Xiaotao and SHEN Guojun together with the other employees of Stone Group Corporation collectively own interests in the assets of Stone Group Corporation but none of them has any specific interests in Stone Group Corporation.

Save as disclosed herein, Mr. ZHANG does not have any other relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. ZHANG has personal interest in 6,000,000 underlying Shares in respect of share options granted under the share option scheme of the Company. Save as disclosed herein, Mr. ZHANG does not have other interests in Shares within the meaning of Part XV of the Securities and Futures Ordinance.

There is no director service contract between the Company and Mr. ZHANG but Mr. ZHANG is subject to retirement and re-election at annual general meeting of the Company in accordance with the Articles of Association. For the year ended 31 March, 2008, Mr. ZHANG received from the Company a remuneration of HK\$720,000 in consideration of his performance of duties with reference to the prevailing market condition.

Save as disclosed above, there are no other matters in relation to the re-election of Mr. ZHANG, which need to be brought to the attention of the Shareholders and there is no information that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

Mr. CHEN Xiaotao

Mr. CHEN Xiaotao, aged 50, appointed in May 2001, is the Executive Director of the Company. Mr. CHEN was the President and Chief Operating Officer of the Company from May 2001 to December 2004. He was the General Manager of 四通集團公司進出口分公司 (Stone Group Corporation Import and Export Company) and 北京四通電工營銷有限公司 (Beijing Stone Electrical Marketing Company Limited) prior to joining the Company. Mr. CHEN is responsible for the investment in media-related

APPENDIX II DETAILS OF DIRECTORS PROPOSED FOR RE-ELECTION AND ELECTION

business of the Group. Besides, he was also a former director of SINA Corporation, a company listed on the National Association of Securities Dealers Automated Quotation in the United States of America, save as disclosed above, Mr. CHEN did not hold any directorship in other listed public companies in the past three years.

Mr. CHEN is also the director of Stone Group Corporation, a substantial shareholder of the Company. Mr. CHEN and three executive Directors, being Messrs. DUAN Yongji, ZHANG Disheng and SHEN Guojun together with the other employees of Stone Group Corporation collectively own interests in the assets of Stone Group Corporation but none of them has any specific interests in Stone Group Corporation.

Save as disclosed herein, Mr. CHEN does not have any other relationship with any Directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. CHEN has personal interest in 4,000,000 underlying Shares in respect of share options granted under the share option scheme of the Company. Save as disclosed herein, Mr. CHEN does not have other interests in Shares within the meaning of Part XV of the Securities and Futures Ordinance.

There is no director service contract between the Company and Mr. CHEN but Mr. CHEN is subject to retirement and re-election at annual general meeting of the Company in accordance with the Articles of Association. For the year ended 31 March, 2008, Mr. CHEN did not receive neither remuneration nor emolument from the Company. At present, there is no agreement as to the directors' remuneration payable to Mr. CHEN who has accepted this arrangement in view of his holding a personal interest in 4,000,000 underlying Shares in respect of share options granted to him.

Save as disclosed, there are no other matters in relation to re-election of Mr. CHEN which need to be brought to the shareholders and there is no information that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Mr. CHENG Fumin

Mr. CHENG Fumin, aged 63, appointed in April 2007, the non-executive Director. Mr. CHENG graduated from the Central South University (formerly known as Zhongnan Metallurgics College), majoring in geology. Prior to joining the Company, he previously held senior positions in a number of companies, government bodies and industry organization including the former general manager of the China National Gold Group Corporation, the former general manager of Administration of Gold of State Economic & Trade Commission of China, vice-director of geology bureau of the Ministry of Metallurgical Industry of China and the former president of China Gold Association. Mr. CHENG has extensive knowledge and is experienced in the exploration and development of the mineral resources. Moreover, he previously held the office of directorship in the relevant government bureau. Mr. CHENG has not held any director in other listed public companies during the past three years.

Mr. CHENG is a member of the committee of technical advisers to Stone Resources Limited, being a company incorporated in Hong Kong and beneficially owned as to 16.67%, 20.00% and the remaining 63.33%, respectively by the Company, Seasource Holdings Limited (being a company incorporated in the British Virgin Islands and wholly owned by Mr. DUAN Yongji, who is a Chairman and Chief Executive Officer of the Company and a Director) and six shareholders who are third parties independent of the Group and connected persons of the Group.

APPENDIX II DETAILS OF DIRECTORS PROPOSED FOR RE-ELECTION AND ELECTION

Save as disclosed herein, Mr. CHENG 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. CHENG has personal interest in 1,000,000 underlying Shares in respect of share options of the Company within the meaning of Part XV of the SFO.

Mr. CHENG entered into a director service contract with the Company for an initial term of three years commencing on 4 October 2007 unless terminated by either party to the contract by 3 months' written notice. He is subject to retirement and re-election in accordance with the Articles of Association. For the year ended 31 March, 2008, his emolument amounted to HK\$122,962 in consideration of his performance of duties with reference to the prevailing market condition.

Save as disclosed, there are no other matters in relation to re-election of Mr. CHENG which need to be brought to the shareholders and there is no information that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Mr. DUAN Yongji

Mr. DUAN Yongji, aged 62, appointed in March 1992, is the Chairman and Chief Executive Officer of the Group and the Chairman of Stone Group Corporation, a substantial shareholder of the Company. 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 a director of Fairchild Investments Limited, a company listed on the NEX board of Toronto Stock Exchange venture market in Canada. Mr. DUAN was the former director and general manager of Beijing Centergate Technologies (Holding) Co. Ltd. ("Centergate"), a company listed on Shenzhen Stock Exchange and also the past 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.

Mr. DUAN and three executive Directors, being Messrs. ZHANG Disheng, CHEN Xiaotao and SHEN Guojun together with the other employees of Stone Group Corporation collectively own interests in the assets of Stone Group Corporation but none of them has any specific interests in Stone Group Corporation.

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 140,896,306 Shares, 15,000,000 underlying Shares in respect of the Company's share options and 88,461,539 underlying Shares in respect of convertible notes of the Company within the meaning of Part XV of the SFO.

Mr. DUAN entered into a director service contract with the Company for a period of 3 years commencing on 23rd 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 in accordance with

APPENDIX II DETAILS OF DIRECTORS PROPOSED FOR RE-ELECTION AND ELECTION

the Articles of Association. For the year ended 31st March, 2008, Mr. DUAN received a remuneration and other emoluments of HK\$ 1,928,876 in consideration of his performance of duties with reference to the prevailing market condition.

On the other hand, 泰格生物科技股份有限公司 (Taige Bio-Tech Co. Ltd.) (previously known as 四通集團高科技有限公司), a company listed on Shenzhen Stock Exchange (“SSE”) and its former managing director, directors and general manager were penalized by for China Securities Regulatory Commission (“CSRC”) in 1999 for its disclosure of false financial statement and false use of listing proceeds. Although Mr. DUAN as a managing director of that company at the time of imposition of penalties, he was not involved in the above incident, Mr. DUAN was neither penalized nor reprimanded by CSRC.

Centergate was reprimanded by SSE in 2001 and 2003, respectively for its failure to make timely disclosure in respect of guarantees provided to banks in the aggregate sums of approximately RMB 2.56 billion (“Guarantee 1”) and approximately RMB 0.83 billion, respectively (made up of three guarantees in the respective sums of approximately RMB 0.51 billion (“Guarantee 2”), approximately RMB 0.06 billion (“Guarantee 3”) and approximately RMB 0.27 billion (“Guarantee 4”))(Guarantee 1, Guarantee 2, Guarantee 3 and Guarantee 4, collectively, Guarantees). Although Mr. DUAN was a director and general manager of Centergate at the relevant time, he was neither penalized nor reprimanded by SSE.

Centergate and its was former managing director and former directors were penalized by CSRC after having been investigated by CSRC on 1 March 2006 for its failure to make timely disclosure of its CDMA Project Facility Purchase Contract in the sum of approximately RMB 2.6 billion and the Guarantees as its material contracts by way of announcement; its omission to include Guarantee 2 in its 2001 annual report; and its omission to include Guarantee 2, Guarantee 3 and Guarantee 4 in its 2002 annual report. Mr. DUAN at the relevant time of the above incident was a director and general manager of Centergate and a warning was issued, and an administrative fine of RMB150,000 was imposed, against him by CSRC on the same date.

Save as disclosed, there are no other matters in relation to re-election of Mr. DUAN which need to be brought to the shareholders and there is no information that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Mr. LIU Zuowei

Mr. LIU Zuowei, aged 40, is the General Manager of Shanghai GoldPartner Biotech Co. Ltd., a subsidiary of the Group. Mr. LIU graduated from Shandong University of Science and Technology, majoring in English. Prior to joining the Group, he held senior position in Giant Group.

He is responsible for the business of healthcare products of the Group. Mr. LIU has not held any directorship in other listed public companies during the past three years.

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

APPENDIX II DETAILS OF DIRECTORS PROPOSED FOR RE-ELECTION AND ELECTION

Pursuant to a service agreement to be entered into between Mr. LIU and the Company as an executive Director will be for an initial period of three years. Mr. LIU is subject to retirement and re-election in accordance with the Articles of Association and Mr. LIU will be entitled to an annual remuneration of HK\$480,000 in consideration of his performance of duties with reference to the prevailing market condition.

Save as disclosed, there are no other matters in relation to election of Mr. LIU which need to be brought to the shareholders and there is no information that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

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 27/F., K. Wah Centre, 191 Java Road, North Point, Hong Kong on Thursday, 21 August, 2008 at 3:00 p.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, 2008.
2. To re-elect directors and to elect a new director to fill up the vacated office resulted from the retirement of Ms. LIU Wei as director and to authorise the board of directors to fix the remuneration of the directors and not to fill up the vacated office resulted from the retirement of Mr. LIU Ji as director.
3. To re-appoint auditors for the ensuing year and authorise the board of directors to fix their remuneration.
4. 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;

NOTICE OF ANNUAL GENERAL MEETING

- (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.”
5. 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;

NOTICE OF ANNUAL GENERAL MEETING

- (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

- (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

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** subject to the passing of the Resolutions set out in items 4 and 5 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 5 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 4 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
HUNG Ka Wai
Company Secretary

Hong Kong, 28 July 2008

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 18 August 2008 to 21 August 2008 (both days inclusive) during which period no transfer of shares will be registered. In order to determine the entitlement to attend and vote at the meeting, 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 4:30 p.m. on 15 August 2008.
4. With regard to item 2 above, the retiring Directors seeking for re-election are Messrs. ZHANG Disheng, CHEN Xiaotao, CHENG Fumin and DUAN Yongji and Mr. LIU Zuwei is recommended by the Board for election as a new Director to fill up the vacated office resulted from the retirement of Ms. LIU Wei as Director. Details of these Directors are set out in the Appendix II of the circular to shareholders of the Company dated 28 July 2008.

As at the date of this notice of annual general meeting, the board of directors of the Company comprises eleven directors of whom Messrs. DUAN Yongji, SHI Yuzhu, SHEN Guojun, ZHANG Disheng, CHEN Xiaotao and Ms. LIU Wei are executive directors; Mr. CHENG Fumin is non-executive director; and Messrs. NG Ming Wah, Charles, Andrew Y. YAN, LIU Ji and LIU Jipeng are independent non-executive directors.