
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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STONE GROUP HOLDINGS LIMITED

四通控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 409)

**PROPOSALS INVOLVING
GENERAL MANDATES TO REPURCHASE SHARES AND
TO ISSUE SHARES
AMENDMENTS TO EXISTING ARTICLES OF ASSOCIATION
RE-ELECTION OF DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening an annual general meeting of Stone Group Holdings Limited to be held at Salon II, M/F., Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 29th August, 2006 at 3:00 p.m. is set out on pages 15 to 20 of this circular. Whether or not you are able 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 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 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, 28th July, 2006

DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be held at Salon II, M/F., Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 29th August, 2006 at 3:00 p.m., notice of which is set out on pages 15 to 20 of this circular
“Articles of Association”	the articles of association of the Company for the time being
“Companies Ordinance”	the Companies Ordinance (Chapter 32) of the laws of Hong Kong
“Company”	Stone Group Holdings Limited 四通控股有限公司, a company incorporated in Hong Kong with limited liability under the Companies Ordinance, the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	24th July, 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in 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 5 of the notice of the AGM

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	the holders of the Shares
“Share Repurchase Rules”	the relevant rules set out in the Listing Rules to regulate the repurchase by companies with primary listing on the Stock Exchange of their own securities on the Stock Exchange
“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*)

SHI Yuzhu (*Chief Executive Officer*)

SHEN Guojun

CHEN Xiaotao

ZHANG Disheng

LIU Wei

Registered Office:–

27th Floor, K. Wah Centre

191 Java Road

North Point

Hong Kong

Independent non-executive Directors

NG Ming Wah, Charles

Andrew Y. YAN

LIU Ji

LIU Jipeng

Hong Kong, 28th July, 2006

To Shareholders

Dear Sir or Madam,

**PROPOSALS INVOLVING GENERAL MANDATES
TO REPURCHASE SHARES AND TO ISSUE SHARES
AMENDMENTS TO EXISTING ARTICLES OF ASSOCIATION
RE-ELECTION OF DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

At the annual general meeting of the Company held on 25th August, 2005, general mandates were given to the Directors to exercise the powers of the Company to repurchase and issue Shares. Such mandates will lapse at the conclusion of the AGM. The Listing Rules have also recently been

LETTER FROM THE BOARD

amended which, require certain changes to be made to the articles of association of the companies which shares are listed on the Stock Exchange. Resolutions will be proposed at the AGM to renew the Directors' general mandates to repurchase and issue Shares and to amend the Articles of Association in light of amendments to the Listing Rules. At the AGM, Mr. CHEN Xiaotao, Mr. ZHANG Disheng, Ms. LIU Wei, Mr. Andrew Y. YAN and Mr. LIU Jipeng will retire and being eligible, will offer themselves for re-election.

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, amendments to the Articles of Association and the re-election of the retiring Directors at the AGM.

GENERAL MANDATE TO REPURCHASE SHARES

At the annual general meeting of the Company held on 25th August, 2005, 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 5 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 Share Repurchase Rules to provide the requisite information of the Repurchase Proposal is set out in the Appendix I hereto.

GENERAL MANDATE TO ISSUE SHARES

It will also be proposed at the AGM two ordinary resolutions (the ordinary resolutions set out in items 6 and 7 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.

AMENDMENTS TO ARTICLES OF ASSOCIATION

Your attention is also drawn to the special resolution set out in item 8 of the notice of the AGM to approve the amendments to the Articles of Association.

LETTER FROM THE BOARD

The Stock Exchange made certain amendments to the Listing Rules relating to the Code on Corporate Governance Practices which came into effect on 1st January, 2005. Accordingly, the Directors propose to the Shareholders to pass a special resolution at the AGM to amend the Articles of Association in order to bring the Articles of Association in line with the requirements of the amended Listing Rules and to allow Shareholders present by proxy to vote on a show of hands (not just on a poll as prescribed under the Articles of Association). These proposed amendments, if duly passed, will have following effects:–

- (a) a poll may be demanded by a Director in circumstances required by the Listing Rules;
- (b) the Company will only be required to disclose the voting figures on a poll if such disclosure is required by the Listing Rules; and
- (c) a Shareholder present by proxy is allowed to vote on a show of hands in general meeting.

RE-ELECTION OF RETIRING DIRECTORS

In accordance with Articles 92 and 101 of the Articles of Association, Mr. CHEN Xiaotao, Mr. ZHANG Disheng, Ms. LIU Wei, Mr. Andrew Y. YAN and Mr. LIU Jipeng will retire at the AGM and being eligible, will offer themselves for re-election. Information of the said retiring Directors proposed to be re-elected at the AGM as required to be disclosed under the Listing Rules is set out in the Appendix II to this circular.

AGM

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

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 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 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:–

- (a) by the chairman of the meeting; or
- (b) by at least three members present in person or by proxy for the time being entitled to vote at the meeting; or
- (c) 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
- (d) 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.

On a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a representative duly authorised under Section 115 of the Companies Ordinance, shall have one vote, and on a poll every member present in person or by proxy or by duly authorised representative shall have one vote for every fully paid share of which he is the holder. On a poll a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

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 mandates to issue shares and the amendments to the Articles of Association are all in the best interests of the Company and its Shareholders. The Directors are pleased to recommend Mr. CHEN Xiaotao, Mr. ZHANG Disheng, Ms. LIU Wei, Mr. Andrew Y. YAN and Mr. LIU Jipeng, details of whom are set out in the Appendix II of this circular, for re-election at the AGM. Accordingly, the Directors recommend that all Shareholders should vote in favour of the resolutions to be proposed at the AGM.

On behalf of the Board

DUAN Yongji

Chairman

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

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,566,606,196 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 156,660,619 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 a material 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 31st March 2006, in the event that the power to repurchase Shares pursuant to the Repurchase Proposal was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the power to

repurchase Shares pursuant to the Repurchase Proposal to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

4. SHARE PRICES

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

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2005		
July	0.550	0.465
August	0.580	0.480
September	0.530	0.485
October	0.510	0.345
November	0.465	0.395
December	0.520	0.380
2006		
January	0.530	0.405
February	0.480	0.460
March	0.570	0.460
April	0.560	0.500
May	0.550	0.445
June	0.450	0.395

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 are interested in a total of 500,546,466 Shares representing approximately 31.95% 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 will be increased to approximately 35.50% of the issued share capital of the Company. The Directors have no present intention to exercise the power to repurchase Shares pursuant to the Repurchase Proposal to such an extent as to result in takeover obligations. In the event that the power to make repurchase pursuant to the Repurchase Proposal is exercised in full, the number of Shares held by the public would not fall below 25% of the issued share capital of the Company but, in the opinion of the Directors, there is a possibility that such increases may give rise to an obligation to make a mandatory offer under Rules 26 and 32 of the Takeovers Code.

7. SHARE REPURCHASE MADE BY THE COMPANY

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

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

1. Mr. CHEN Xiaotao

Mr. CHEN Xiaotao, aged 48, appointed in May 2001, is an 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 business of the Group. Besides, he is also a director of SINA Corporation (a company listed on the National Association of Securities Dealers Automated Quotation in the United States). Save as disclosed above, he did not hold any directorship in other listed public companies in the past three years.

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 8,000,000 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 SFO.

There is no service contract between the Company and Mr. CHEN but Mr. CHEN is subject to retirement and re-election at the annual general meeting of the Company in accordance with the Articles of Association. For the year ended 31st March, 2006, Mr. CHEN did not receive any remuneration 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 8,000,000 underlying Shares in respect of share options granted to him and his expectation of having a favourable return to be derived from such underlying Shares.

2. Mr. ZHANG Disheng

Mr. ZHANG Disheng, aged 51, appointed in May 2003, is an 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 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. He did not hold any directorship in other listed public companies in the past three years.

APPENDIX II DETAILS OF DIRECTORS TO BE RE-ELECTED

Save as disclosed herein, Mr. ZHANG 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. ZHANG has personal interest in 10,400,000 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 SFO.

There is no service contract between the Company and Mr. ZHANG but Mr. ZHANG is subject to retirement and re-election at the annual general meeting of the Company in accordance with the Articles of Association. For the year ended 31st March, 2006, Mr. ZHANG received from the Company a remuneration of HK\$480,000 in consideration of his performance of duties with reference to the prevailing market condition.

3. Ms. LIU Wei

Ms. LIU Wei, aged 38, appointed in March 2004, is an executive Director of the Company. She is the General Manager of 上海黃金搭檔生物科技有限公司 (Shanghai GoldPartner Biotech Co., Ltd.), a subsidiary of the Group. Ms. LIU was the general manager of 上海健特生物科技有限公司 (Shanghai Giant Biotech Co., Ltd.) prior to joining the Group. She did not hold any directorship in other listed public companies in the past three years.

Save as disclosed herein, Ms. LIU 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, Ms. LIU does not have any interest in Shares within the meaning of Part XV of the SFO.

There is no service contract between the Company and Ms. LIU but Ms. LIU is subject to retirement and re-election at the annual general meeting of the Company in accordance with the Articles of Association. For the year ended 31st March, 2006, Ms. LIU received from the Company a remuneration of HK\$120,000 in consideration of her performance of duties with reference to the prevailing market condition.

4. Mr. Andrew Y. YAN

Mr. Andrew Y. YAN, aged 49, appointed in June 2001, is an independent non-executive Director of the Company. He is the managing partner of SB Asia Investment Fund II and Softbank Asia Infrastructure Fund (SAIF). Mr. YAN received a Master degree in Sociology and Economics from Beijing University in 1986 and a second Master degree from Princeton University in the United States in 1989. He obtained his Bachelor degree in Engineering from the Nanjing Aeronautic

Institute in the People's Republic of China (“**PRC**”). Mr. YAN was the managing director and head of the Hong Kong office of the Emerging Markets Partnership from 1995 until 2001. From 1994 to 1995, Mr. YAN worked at Sprint International Corporation as the director of strategic planning and business development for the Asia Pacific Region. Under Mr. YAN's leadership, SAIF's investment in Shanda Interactive Entertainment (SNDA) has been named “*the Investment of the Year*” by China Venture Capital Industry in 2003. SAIF was voted as “*VC Firm of the Year*” and Mr. YAN was elected as “*Venture Capitalist of the Year*” in 2004 by China Venture Capital Association. Mr. YAN is currently a governor of the Chinese Venture Capital Association, an independent director of Eastern Communications Co., Ltd. and an independent non-executive director of China Oilfield Services Ltd., being a company listed on the Stock Exchange. Save as disclosed above, he did not hold any directorship in other listed public companies in the past three years.

Mr. YAN 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. YAN does not have any interest in Shares within the meaning of Part XV of the SFO.

Mr. YAN's term of service is 3 years until 25th June, 2007 and he is subject to retirement and re-election at the annual general meeting of the Company in accordance with the Articles of Association. For the year ended 31st March, 2006, Mr. YAN received from the Company a remuneration of HK\$150,000 in consideration of his performance of duties and the prevailing market condition.

5. Mr. LIU Jipeng

Mr. LIU Jipeng, aged 50, appointed in April 2006, is an independent non-executive Director of the Company. He graduated from the Industrial Economic Department of the Graduate School of Chinese Academy of Social Sciences with a Master degree in Economics. Mr. LIU is a supervisor and a professor of Corporate Research Institute of Capital Economic and Trade University and a mentor of the graduate students of the Research Institute for Fiscal Science, the Ministry of Finance of the PRC. He has acted as a consultant of the municipal government of each of Tianjin, Chengdu and Nanning, and the former State Power Corporation. He was also a member of the legal expert group for the PRC enterprises to be listed in Hong Kong and a committee member of the 7th-8th of All-China Youth Federation. He was an expert member of the Amendment Committee for Securities Law under the National People's Congress (“**NPC**”). He is now a member of each of the Drafting Committees of NPC for State-owned Assets Law and Futures Transaction Law respectively. Mr. LIU is specialised in implementing the theories of demutualisation, group engineering and internationalisation in sized corporations. He is a well-known expert in demutualisation and solving company problems. In the past ten years, he acted as a leader in

almost 200 shareholding structure, listing and management consultancy projects for different kind of enterprises. Since August 2004, Mr. LIU has been an independent non-executive director of Huaneng Power International, Inc., a company listed in Hong Kong, the PRC and the United States. In addition, he is also a director of each of 萬向錢潮股份有限公司(Wang Xiang Qian Chao Company Limited), 江蘇紡織品進出品集團股份有限公司(Jiangsu Textiles Imports and Exports Group Company Limited), 江中藥業股份有限公司(Jiangzhong Pharmaceutical Company Limited) and 新華信託投資有限公司(Xianhua Trust and Investment Company Limited), all of which are listed on the stock exchanges in the PRC. Save as disclosed above, Mr. LIU does not hold any directorship in other listed public companies in the past three years.

Mr. LIU 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. LIU does not have any interest in Shares within the meaning of Part XV of the SFO.

Mr. LIU's term of service is 3 years. As at the Latest Practicable Date, there is no service contract between the Company and Mr. LIU but Mr. LIU is subject to retirement and re-election at the annual general meeting of the Company in accordance with the Articles of Association. Mr. LIU is entitled to a director's fee of HK\$250,000 per annum with effect from 1 May 2006, which was determined by the board of Directors by reference to his performance and the prevailing market condition.

Save as disclosed above, there is no other information that should be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders in connection with the re-election of the above Directors.

NOTICE OF AGM



STONE GROUP HOLDINGS LIMITED 四通控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 409)

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at Salon II, M/F., Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, the 29th day of August, 2006 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 31st March, 2006.
2. To declare a final dividend.
3. To re-elect directors and to authorise the board of directors to fix the remuneration of the directors.
4. To re-appoint auditors for the ensuing year and authorise the board of directors to fix their remuneration.
5. As special business, to consider and, if 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 AGM

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

ORDINARY RESOLUTION

“**THAT:**–

- (a) subject to paragraph (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 AGM

- (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.”

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

ORDINARY RESOLUTION

“**THAT** subject to the passing of the resolutions set out in items 5 and 6 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 6 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 5 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 resolutions.”

8. As special business, to consider and, if thought fit, to pass the following resolution as a special resolution:–

SPECIAL RESOLUTION

“**THAT** the existing articles of association of the Company be and are hereby amended in the following manner:–

(a) Article 73

- (i) by deleting the word “or” at the end of the existing Article 73(c);
- (ii) by deleting the full-stop at the end of existing Article 73(d) and replacing therewith a semicolon and the word “or”; and
- (iii) by inserting the following new Article 73(e):–

“(e) if required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights of all the members having the right to vote at the meeting.”

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(b) Article 74

By inserting the following sentence at the end of the last sentence thereof:

“The Company shall only be required to disclose the voting figures on a poll if such disclosure is required by The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.”

(c) Article 78

By deleting the words “(being an individual) is present in person” in the third line of the existing Article 78 and replacing therewith the words “is present in person or by proxy”.

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

Hong Kong, 28th July, 2006

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

NOTICE OF AGM

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 46th 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 24th August, 2006 to 29th August, 2006 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and attending 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 4:00 p.m. on 23rd August, 2006.
4. With regard to item 3 above, the retiring directors of the Company seeking for re-election are Mr. CHEN Xiaotao, Mr. ZHANG Disheng, Ms. LIU Wei, Mr. Andrew Y. YAN and Mr. LIU Jipeng. Details of the said directors are set out in the Appendix II to the circular to shareholders dated 28th July, 2006.
5. As at the date of this notice of annual general meeting, the board of directors of the Company comprises ten directors of whom Messrs. DUAN Yongji, SHI Yuzhu, SHEN Guojun, CHEN Xiaotao and ZHANG Disheng and Ms. LIU Wei are executive directors; and Messrs. NG Ming Wah, Charles, Andrew Y. YAN, LIU Ji and LIU Jipeng are independent non-executive directors.