STONE GROUP HOLDINGS LIMITED

(Stock Code: 409)

INTERIM REPORT 2007/08

RESULTS

The Board of Directors (the "Board") of Stone Group Holdings Limited (the "Company") is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2007 with comparative figures for the corresponding period in 2006 are as follows:

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 September 2007 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 September 2007 $'000	2006 $'000
Turnover	3	**1,227,354**	928,824
Cost of sales and services		**(898,950)**	(687,489)
Gross profit		**328,404**	241,335
Other revenue		**9,400**	10,323
Other net income		**858**	259
		338,662	251,917
Distribution costs		**(258,127)**	(181,781)
Administrative expenses		**(70,307)**	(55,887)
Other operating expenses		**(16,405)**	(13,310)
Non-operating income/(expenses)	5	**656,431**	(64,960)
Finance costs	6(a)	**(15,839)**	(16,254)
Share of profits less losses of associates		**4,086**	5,758
Profit/(loss) before taxation	6	**638,501**	(74,517)
Income tax	7	**(110,651)**	(8,070)
Profit/(loss) for the period		**527,850**	(82,587)
Attributable to:			
– Equity shareholders of the Company		**318,393**	(53,909)
– Minority interests		**209,457**	(28,678)
Profit/(loss) for the period		**527,850**	(82,587)
Earnings/(loss) per share	9		
Basic		**18.44 cents**	(3.46) cents
Diluted		**13.00 cents**	N/A

The notes on pages 7 to 26 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

at 30 September 2007 – unaudited

(Expressed in Hong Kong dollars)

		Unaudited At 30 September 2007		Audited At 31 March 2007	
	Note	***$'000***	***$'000***	*$'000*	*$'000*
Non-current assets					
Fixed assets					
– Investment properties			**96,295**		96,295
– Property, plant and equipment			**145,731**		142,669
			242,026		238,964
Goodwill			**1,136,614**		1,136,614
Other intangible assets			**33,091**		33,328
Interest in associates	*10*		**496,697**		388,142
Other financial assets			**54,339**		44,294
Deferred tax assets			**4,788**		7,241
			1,967,555		1,848,583
Current assets					
Trading securities		**1,577,786**		894,596	
Inventories	*11*	**260,992**		193,220	
Trade and other receivables	*12*	**670,624**		513,285	
Cash and cash equivalents		**384,228**		477,202	
		2,893,630		2,078,303	
Current liabilities					
Bank loans		**41,506**		17,231	
Other loan	*13*	**310,520**		117,210	
Trade and other payables	*14*	**391,286**		286,660	
Current taxation		**66,256**		98,210	
		809,568		519,311	
Net current assets			**2,084,062**		1,558,992
Total assets less current liabilities			**4,051,617**		3,407,575

CONSOLIDATED BALANCE SHEET

at 30 September 2007 – unaudited *(Cont'd)*

(Expressed in Hong Kong dollars)

	Note	Unaudited At 30 September 2007 $'000	$'000	Audited At 31 March 2007 $'000	$'000
Non-current liabilities					
Bank loans			**3,125**		4,375
Convertible notes	*15*		**398,686**		560,431
Deferred tax liabilities			**100,143**		1,019
			501,954		565,825
NET ASSETS			**3,549,663**		2,841,750
CAPITAL AND RESERVES	*16*				
Share capital			**183,923**		155,993
Reserves			**2,705,131**		2,236,560
Total equity attributable to equity shareholders of the Company			**2,889,054**		2,392,553
Minority interests			**660,609**		449,197
TOTAL EQUITY			**3,549,663**		2,841,750

The notes on pages 7 to 26 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2007 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 September			
		2007		2006	
	Note	***$'000***	***$'000***	*$'000*	*$'000*
Total equity at 1 April			**2,841,750**		2,555,854
Net income recognised directly in equity:					
Exchange differences on translation of the financial statements of foreign entities	*16*		**26,840**		14,131
Capital reserves on shares repurchased	*16*		**–**		667
Changes in fair value of available-for-sale securities	*16*		**(43)**		(929)
Net income recognised directly in equity			**26,797**		13,869
Net profit/(loss) for the period	*16*		**527,850**		(82,587)
Total recognised income and expense for the period			**554,647**		(68,718)
Attributable to:					
– Equity shareholders of the Company		**340,510**		(41,299)	
– Minority interests		**214,137**		(27,419)	
		554,647		(68,718)	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2007 – unaudited *(Cont'd)*

(Expressed in Hong Kong dollars)

		Six months ended 30 September			
		2007		2006	
	Note	***$'000***	***$'000***	*$'000*	*$'000*
Dividend approved and paid during the period	*16*		**(23,192)**		(12,533)
Dividends paid to minority shareholders	*16*		**(2,725)**		(3,417)
Shares repurchased	*16*		**–**		(2,800)
Movements in equity arising from capital transactions:					
Movements in share capital and share premium					
– shares issued upon conversion of convertible notes	*16*	**168,326**		29,127	
– shares issued under share option scheme	*16*	**6,183**		–	
– equity settled share-based transactions	*16*	**4,674**		–	
– shares repurchased	*16*	**–**		(667)	
		179,183		28,460	
Share of minority interest on disposal of subsidiaries	*16*	**–**		1,606	
			179,183		30,066
Total equity at 30 September			**3,549,663**		2,498,452

The notes on pages 7 to 26 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 September 2007 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2007	2006
	$'000	*$'000*
Net cash used in operating activities	**(229,874)**	(215,396)
Net cash (used in)/from investing activities	**(73,469)**	33,994
Net cash from/(used in) financing activities	**202,283**	(18,275)
Net decrease in cash and cash equivalents	**(101,060)**	(199,677)
Effect on foreign exchange rate changes	**8,086**	(11,090)
Cash and cash equivalents at 1 April	**477,202**	581,761
Cash and cash equivalents at 30 September	**384,228**	370,994
Analysis of the balances of cash and cash equivalents		
Deposits with banks and other financial institutions	**252,443**	34,222
Cash at bank and in hand	**131,785**	336,772
	384,228	370,994

The notes on pages 7 to 26 form part of this interim financial report.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 17 December 2007.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2006/07 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA. KPMG's review report to the Board of Directors is included on page 27.

The financial information relating to the financial year ended 31 March 2007 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2007 are available from the Company's registered office. The auditor expressed an unqualified opinion on those financial statements in their report dated 11 July 2007.

2 SIGNIFICANT ACCOUNTING POLICIES

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006/07 annual financial statements.

The HKICPA has issued a number of amendments, new and revised HKFRSs, which term collectively included HKASs and Interpretations, that are first effective or available for early adoption for accounting periods beginning on or after 1 January 2007. Management has determined the accounting policies expected to be adopted in the preparation of the Group's annual financial statements for the year ending 31 March 2008 on the basis of HKFRSs currently in issue, which management believes, do not have a significant impact on the Group's prior year financial position and results of operations.

The new and revised HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 March 2008 may be affected by the issue of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of this interim financial report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

3 SEGMENT INFORMATION

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

3 SEGMENT INFORMATION (Cont'd)

An analysis of the Group's turnover and results by business segments for the six months ended 30 September 2007 is set out below:

	Turnover Six months ended 30 September		Segment results Six months ended 30 September	
	2007	2006	**2007**	2006
	$'000	*$'000*	***$'000***	*$'000*
Principal activities				
Manufacturing, distribution and sale of healthcare products	**480,533**	326,943	**12,869**	270
Manufacturing, distribution and sale of electronic and electrical products, office equipment and provision of related services	**742,605**	598,923	**(6,241)**	10,606
Media-related business	**4,216**	2,958	**2,780**	(2,851)
	1,227,354	928,824	**9,408**	8,025
Unallocated operating income and expenses			**(15,585)**	(7,086)
Segment result			**(6,177)**	939
Non-operating income/(expenses)			**656,431**	(64,960)
Finance costs			**(15,839)**	(16,254)
Share of profits less losses of associates			**4,086**	5,758
Profit/(loss) before taxation			**638,501**	(74,517)
Income tax			**(110,651)**	(8,070)
Profit/(loss) for the period			**527,850**	(82,587)

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (Cont'd)

(Expressed in Hong Kong dollars)

3 SEGMENT INFORMATION (Cont'd)

No analysis of the Group's turnover and results by geographical segment has been presented as almost all the Group's operating activities are carried out in the People's Republic of China (the "PRC") and less than 10 per cent of the Group's turnover and results were derived from activities conducted outside the PRC.

4 SEASONALITY OF OPERATIONS

The Group's healthcare products division, a separate business segment *(see note 3)*, is subject to seasonal fluctuations as a result of the increased retail demand for its products during the Chinese New Year holiday period. As a result, the first half-year typically results in lower revenues and segment results for this segment.

5 NON-OPERATING INCOME/(EXPENSES)

	Six months ended 30 September	
	2007	2006
	$'000	*$'000*
Net realised/unrealised gain/(loss) on trading securities	**678,184**	(55,580)
Excess of interest in net fair value of the acquiree's identifiable assets and liabilities over cost of business combination	**–**	2,845
Gain on disposal of interest in subsidiaries	**–**	7,479
Loss on deemed disposal of interest in an associate *(note 10(a))*	**(11,373)**	–
Provision for impairment losses on other receivables	**(10,380)**	(19,704)
	656,431	(64,960)

(Expressed in Hong Kong dollars)

6 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

	Six months ended 30 September	
	2007	2006
	$'000	*$'000*
(a) Finance costs:		
Interest on bank advances and other borrowings repayable within 5 years	**10,404**	11,744
Interest on other loan	**3,872**	3,313
Other borrowing costs	**1,563**	1,197
Total borrowing costs	**15,839**	16,254
(b) Other items:		
Amortisation of other intangible assets	**1,008**	957
Depreciation	**7,514**	6,208
Cost of inventories	**898,509**	686,200
Provision for write-down in value of obsolete inventories (written back)/made	**(853)**	1,275
Impairment losses for bad and doubtful debts	**8,341**	1,888
Loss on disposal of property, plant and equipment	**–**	8
Dividend income from trading securities	**(271)**	(379)

7 INCOME TAX

	Six months ended 30 September	
	2007	2006
	$'000	*$'000*
Current tax		
Provision for Hong Kong Profits Tax	**–**	–
Provision for income tax outside Hong Kong in the PRC ("PRC enterprise income tax")	**9,074**	7,647
	9,074	7,647
Deferred tax		
Origination and reversal of temporary differences	**101,577**	423
	110,651	8,070

No provision for Hong Kong Profits Tax has been made as the Hong Kong companies of the Group sustained losses for taxation purposes during the period. PRC enterprise income tax is calculated at the applicable rates on the estimated taxable income earned by the companies in the PRC.

8 DIVIDENDS

	Six months ended 30 September	
	2007	2006
	$'000	*$'000*
Final dividend in respect of the financial year ended 31 March 2007, approved and paid during the following interim period, of 1.3 cents per share (2006: 0.8 cent per share)	**23,192**	12,533

9 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit for the period attributable to equity shareholders of the Company of $318,393,000 (30 September 2006: loss of $53,909,000) and the weighted average number of approximately 1,726,685,000 ordinary shares (30 September 2006: 1,557,485,000 shares) in issue during the period.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the six months ended 30 September 2007 is based on the profit for the period attributable to the equity shareholders of the Company of $327,790,000 (after adjusting the effect of conversion of convertible notes and exercise of share options) and the weighted average number of approximately 2,521,149,000 shares.

Diluted loss per share for the six months ended 30 September 2006 was not presented because the existence of outstanding convertible notes and the Company's share option schemes during that period had an anti-dilutive effect on the calculation of diluted loss per share.

(Expressed in Hong Kong dollars)

10 INTEREST IN ASSOCIATES

	At 30 September 2007 $'000	At 31 March 2007 $'000
Share of net assets *(Note (a)&(b))*	**438,982**	317,905
Goodwill *(Note (b))*	**63,132**	75,654
	502,114	393,559
Less: Impairment loss	**(5,417)**	(5,417)
	496,697	388,142

(a) On 17 April 2007, the Group served a conversion notice to China Cable Media Group Limited ("CCMG") to exercise the right to convert the bridge loans owed to the Group by CCMG and China Cable Network Co., Ltd. and the unpaid interest totaling US$6,899,441 (equivalent to approximately $53,800,000) into 3,104,749 preference shares of CCMG at the conversion price of approximately US$2.22 per share.

On 18 April 2007, the Group entered into a share purchase agreement with CCMG pursuant to which the Group conditionally agreed to subscribe for and CCMG conditionally agreed to allot and issue 3,150,000 preference shares at a consideration of US$7.0 million (equivalent to approximately $54,600,000), representing a subscription price of approximately US$2.22 per share. On the same date, CCMG also entered into subscription agreements pursuant to which the existing financial investor and two new investors conditionally agreed to subscribe for 5,400,001, 4,050,000 and 450,000 new preference shares of CCMG respectively at the subscription price of approximately US$2.22 per share.

10 INTEREST IN ASSOCIATES (Cont'd)

After all the conversions and subscriptions, the Group's interest in CCMG decreased slightly from 36.9% to 36.12% as at 30 September 2007 and a loss on deemed disposal of $11,373,000 was recognised in the current period accordingly *(note 5)*.

(b) In April 2005, the Group acquired a 40% interest in Me To You Holdings Limited ("Cayman MTY") at a consideration of US$19.2 million (equivalent to approximately $149,760,000) by cash. This acquisition has given rise to goodwill of approximately $76 million.

Pursuant to the sale and purchase agreement, Yearbase International Limited ("the Vendor") and Mr Chen Zhi Feng, guarantor of the Vendor provide a guarantee to the Group on, among other things, the consolidated net profit after taxation of Cayman MTY and its subsidiaries ("MTY Group") for each of the years ended 31 December 2005 and 31 December 2006. In the event that the audited consolidated net profit after taxation of MTY Group is less than the guaranteed profit (as predetermined), the interest of the Group in MTY Group should be adjusted by way of issue of new shares. As the audited consolidated net profit after taxation of MTY Group for the year ended 31 December 2006 was less than the guaranteed amount of US$8.1 million, the Group was compensated by 4,500 ordinary shares of Cayman MTY currently held by the Vendor and granted an option to acquire additional 1,900 ordinary shares of Cayman MTY ("Option Shares") from the Vendor at US$1 for a period of 5 years (the "Option Period", i.e. 2 August 2007 to 1 August 2012). The Vendor also irrevocably and unconditionally assigned all the dividends derived from the Option Shares and the right to receive the dividends during the Option Period to the Group for a consideration of US$1.

10 INTEREST IN ASSOCIATES (Cont'd)

After receiving the compensation from the Vendor, the Group's interest in MTY Group increased from 40% as at 31 March 2007 to 49% as at 30 September 2007 and MTY Group still remained as an associate of the Group. The transaction was considered as an adjustment to the cost of the combination that is contingent on future event. Accordingly, the fair value of the acquired share of net assets in Cayman MTY was increased by $12,522,000 and the goodwill on acquisition of Cayman MTY was reduced from approximately $75,654,000 to approximately $63,132,000 as at 30 September 2007.

11 INVENTORIES

Included in inventories are raw materials, work in progress and finished goods carried at net realisable value of $16,440,000 (31 March 2007: $26,726,000).

12 TRADE AND OTHER RECEIVABLES

	At 30 September 2007	At 31 March 2007
	$'000	*$'000*
Debtors, prepayments and other receivables	**651,013**	423,955
Gross amount due from customers for contract work	**–**	1,271
Amounts due from associates	**10,606**	71,727
Amounts due from related companies	**9,005**	16,332
	670,624	513,285

12 TRADE AND OTHER RECEIVABLES (Cont'd)

All of the trade and other receivables are expected to be recovered within one year.

Credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due ranging from 60 days to 90 days from the date of billing. Debtors with balances that are more than 6 months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Included in debtors, prepayments and other receivables are trade debtors (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	At 30 September 2007 *$'000*	At 31 March 2007 *$'000*
Current	**454,372**	304,158
Due over 6 months but within 12 months	**37,132**	4,795
Due over 12 months but within 24 months	**6,787**	–
	498,291	308,953

13 OTHER LOAN

	At 30 September 2007 *$'000*	At 31 March 2007 *$'000*
Secured and repayable on demand	**310,520**	117,210

The other loan is secured by 2,500,000 shares of SINA Corporation held by the Group with carrying value of US$119.6 million (equivalent to approximately $929 million) as at 30 September 2007 (31 March 2007: US$84 million (equivalent to approximately $657 million)). This loan bears interest at a rate of LIBOR plus 0.5% per annum and is repayable on demand.

14 TRADE AND OTHER PAYABLES

	At 30 September 2007 *$'000*	At 31 March 2007 *$'000*
Creditors, accruals and other payables	**381,297**	277,649
Amounts due to related companies	**9,989**	9,011
	391,286	286,660

All of the trade and other payables are expected to be settled within one year.

14 TRADE AND OTHER PAYABLES (Cont'd)

Included in creditors, accruals and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

	At 30 September 2007 *$'000*	At 31 March 2007 *$'000*
Due within 6 months or on demand	**158,831**	57,445
Due after 6 months but within 12 months	**678**	483
Due after 12 months but within 24 months	**386**	322
Due after 24 months but within 36 months	**375**	31
	160,270	58,281

15 CONVERTIBLE NOTES

	At 30 September 2007 *$'000*	At 31 March 2007 *$'000*
Balance at 1 April 2007/2006	**560,431**	574,001
Conversion during the period/year	**(168,464)**	(29,155)
Effective interest for the period/year	**6,719**	15,585
Balance at 30 September/31 March 2007	**398,686**	560,431

15 CONVERTIBLE NOTES (Cont'd)

(a) On 6 June 2003, the Company and a placing agent entered into an agreement whereby (i) the placing agent agreed to procure subscribers to subscribe as principals for the convertible notes (the "Original Notes") of a principal amount of at least $50 million, and (ii) the Company granted to the placing agent the option (the "Option") to require the Company to issue additional convertible notes up to an additional principal amount of $350 million for subscription by the subscribers upon the terms and conditions of the placing agreement. The Option was exercisable by the placing agent on or before 13 January 2005. In 2003, Original Notes of $220 million were issued. During the period ended 31 March 2005, additional Original Notes of $180 million were issued pursuant to the placing agreement.

The Original Notes bear interest at a rate of 3% per annum, payable annually in arrears with the first interest payment to be made on the date falling twelve months from the date of issue of such convertible notes.

The Original Notes will be redeemed at 100% of the principal amount plus any accrued and unpaid interest on the maturity date. The Company can redeem in whole or in part the issued Original Notes prior to their maturity dates by serving at least seven calendar days written notice and payment of 100% of the principal amount plus an early redemption fee of 7% on the redeemed amount and any accrued and unpaid interest. The Original Notes holders can, by written notice to the Company, within fourteen days immediately after the expiry of a six-month period following the date of issue of the respective Original Notes, require the Company to redeem the Original Notes at an amount equivalent to 100% of the principal amount of the Original Notes plus a 1.7% premium.

The Original Notes are convertible at any time on the day following 90 calendar days after the date of issue of the Original Notes up to the fourteenth day prior to and exclusive of the maturity date at a conversion price of $0.52 per share (subject to adjustments). The maturity date of each Original Notes is the date falling sixty months from (and inclusive of) the date of issue of such convertible notes.

15 CONVERTIBLE NOTES (Cont'd)

(b) On 4 March 2004, convertible notes of approximately $572 million (the "Notes") were issued as part of the consideration for the acquisition of a subsidiary. The Notes are non-interest bearing and will mature 5 years after the issue date.

The Company has the right to redeem the Notes at 100% of the principal amount in amounts of $500,000 or integral multiples thereof prior to the maturity date by giving not less than seven business days written notice.

The Notes comprise Series A, Series B and Series C Notes in the principal amounts of $190 million, $190 million and $192 million respectively, and are convertible by the holder at any time after 12 months, 15 months and 27 months respectively from the date of issue of the Notes at a conversion price of $0.76 per share, subject to adjustments.

(c) On 20 December 2005, the Company entered into a Repurchase Agreement with Ready Finance Limited, pursuant to which the Company has conditionally agreed to repurchase $191,955,403 nominal value of the Company's approximately $566 million outstanding Notes (the "Repurchase") held by Ready Finance Limited for a cash consideration of $145,406,003. Upon completion, the said repurchased Notes were cancelled, and nominal value of $374 million of the remaining outstanding Notes maturing 3 March 2009 continue to be held by Ready Finance Limited. The gain of $24,930,000 arising from the Repurchase has been included in "Non-operating income" in the consolidated income statement for the year ended 31 March 2006.

(d) During the year ended 31 March 2007, $30 million of the Original Notes were converted into 57,692,307 ordinary shares of the Company *(note 16)*.

(e) During the period, $55 million of the Original Notes and $122 million of the Notes were converted into 105,769,229 and 160,526,313 ordinary shares of the Company respectively *(note 16)*.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT (Cont'd)

(Expressed in Hong Kong dollars)

16 CAPITAL AND RESERVES

	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Capital reserve $'000	Other reserve $'000	Investment revaluation reserve $'000	Exchange fluctuation reserve $'000	Retained profits $'000	Sub-total $'000	Minority interests $'000	Total $'000
At 1 April 2006	150,891	1,155,368	354	14,177	77,596	–	26,576	778,392	2,203,354	352,500	2,555,854
Dividend approved and paid during the year *(note 8)*	–	–	–	–	–	–	–	(12,533)	(12,533)	–	(12,533)
Minority interest's share of dividend	–	–	–	–	–	–	–	–	–	(5,853)	(5,853)
Unrealised gain on revaluation of available-for-sale securities	–	–	–	–	–	68	–	–	68	–	68
Shares issued upon conversion of convertible notes *(note 15)*	5,769	24,694	–	–	(1,336)	–	–	–	29,127	–	29,127
Shares repurchased	(667)	–	667	–	–	–	–	(2,808)	(2,808)	–	(2,808)
Share of minority interest on disposal of subsidiaries	–	–	–	–	–	–	–	–	–	1,606	1,606
Exchange differences arising on consolidation	–	–	–	–	–	–	41,012	–	41,012	2,038	43,050
Profit for the year	–	–	–	–	–	–	–	134,333	134,333	98,906	233,239
At 31 March 2007	155,993	1,180,062	1,021	14,177	76,260	68	67,588	897,384	2,392,553	449,197	2,841,750
At 1 April 2007	155,993	1,180,062	1,021	14,177	76,260	68	67,588	897,384	2,392,553	449,197	2,841,750
Dividend approved and paid during the period *(note 8)*	–	–	–	–	–	–	–	(23,192)	(23,192)	–	(23,192)
Minority interest's share of dividend	–	–	–	–	–	–	–	–	–	(2,725)	(2,725)
Unrealised loss on revaluation of available-for-sale securities	–	–	–	–	–	(43)	–	–	(43)	–	(43)
Shares issued under share option scheme	1,300	4,883	–	–	–	–	–	–	6,183	–	6,183
Shares issued upon conversion of convertible notes *(note 15)*	26,630	150,231	–	–	(8,535)	–	–	–	168,326	–	168,326
Equity settled share-based transactions	–	–	–	4,674	–	–	–	–	4,674	–	4,674
Exchange differences arising on consolidation	–	–	–	–	–	–	22,160	–	22,160	4,680	26,840
Profit for the period	–	–	–	–	–	–	–	318,393	318,393	209,457	527,850
At 30 September 2007	**183,923**	**1,335,176**	**1,021**	**18,851**	**67,725**	**25**	**89,748**	**1,192,585**	**2,889,054**	**660,609**	**3,549,663**

(Expressed in Hong Kong dollars)

16 CAPITAL AND RESERVES (Cont'd)

(a) Equity settled share-based transactions

At 30 September 2007, the outstanding options were as follows:

Date granted	Exercise period	Exercise price	Number of options outstanding
		$	
Options granted to directors and contracted employees			
31 December 2002	31 December 2002 to 30 December 2007	0.476	70,856,000
21 August 2007	21 August 2007 to 20 August 2012	0.714	115,200,000
			186,056,000

During the six months ended 30 September 2007, 13,000,000 options (2006: Nil) were exercised and 13,000,000 ordinary shares of the Company were issued.

(Expressed in Hong Kong dollars)

16 CAPITAL AND RESERVES (Cont'd)

(a) Equity settled share-based transactions (Cont'd)

During the six months ended 30 September 2007, 74,356,000 share options were lapsed and 115,200,000 new share options were granted.

Details of share options granted during the period were as follows:

Exercise period	Exercise price *$*	Number of options
21 August 2007 to 20 August 2012	0.714	57,600,000
21 August 2008 to 20 August 2012	0.714	28,800,000
21 August 2009 to 20 August 2012	0.714	28,800,000
		115,200,000

16 CAPITAL AND RESERVES (Cont'd)

(a) Equity settled share-based transactions (Cont'd)

Share option expenses charged to the consolidated income statement are determined with the binomial model based on the following assumptions:

	21st August 2007
Fair value of each share option as of the date of grant	$0.31
Closing price at the date of grant	$0.71
Exercise price	$0.714
Expected volatility	50.71%
Annual risk-free interest rate	4.15%
Expected average life of options	5 years
Expected dividend yield	1.59%

The volatility measured at the standard deviation of annualised expected share price returns is based on statistical analysis of weekly share prices over the five years immediately preceding the grant date.

17 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	At 30 September 2007 *$'000*	At 31 March 2007 *$'000*
Contracted for	**8,730**	57,684
Authorised but not contracted for	**181,429**	2,687
	190,159	60,371

(Expressed in Hong Kong dollars)

18 MATERIAL RELATED PARTY TRANSACTIONS

Material transactions with related parties were as follows:

	Six months ended 30 September	
	2007	2006
	$'000	*$'000*
(a) Transactions with and amounts paid to or received from Stone Group Corporation, a minority shareholder of the Group:		
– Sale of traded products	**265**	759
– Purchase of traded products and component parts	**744**	–
– Management fees (based on actual cost incurred) paid in relation to training, secretarial and general administrative services	**1,746**	1,724
– Rental paid for staff quarters	**489**	489
– Rental income on properties	**420**	399
(b) Transaction with associates of the Group:		
– Sales of traded products	**1,761**	–
– Purchase of traded products and component parts	**2,228**	3,329

REVIEW REPORT TO THE BOARD OF DIRECTORS OF STONE GROUP HOLDINGS LIMITED

INTRODUCTION

We have reviewed the interim financial report set out on pages 1 to 26 which comprises the consolidated balance sheet of Stone Group Holdings Limited as of 30 September 2007 and the related consolidated income statement, and the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 September 2007 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

17 December 2007

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 September 2007, the Group achieved an unaudited turnover of HK$1,227 million, up 32.1% over the same period last year, while its gross profit increased by 36.1% to HK$328 million. Both turnover and gross profit reached a record high for half-year results. Driven by the rallying stock market during the period, the closing prices of the shares held by the Group recorded an upsurge as at the end of the period, resulting in a non-operating income of HK$656 million. As such, the Group's profit attributable to shareholders for the period amounted to HK$318 million, representing a turnaround from the loss of HK$53.91 million for the corresponding period last year.

BUSINESS REVIEW

During the period under review, the Group's turnover was HK$1,227 million, an increase of HK$299 million over the corresponding period last year. The IT Electronic and the Media-related Business (collectively "IT Business") had a turnover of HK$747 million, accounting for 60.8% of the Group's turnover and grew by HK$145 million over the corresponding period last year. The turnover of healthcare products business was HK$481 million, accounting for 39.2% of the Group's total turnover and grew by HK$154 million over the same period last year.

The followings are the sales figures of our products during the period:

	For the six months ended 30 September		
	2007	2006	Increase/
	HK$'000	*HK$'000*	(Decrease)
IT Business			
1. *Self-produced*			
Printers	**112,634**	97,492	15.5%
Gold tax and tax control products	**12,671**	17,696	(28.4)%
Others	**9,465**	17,837	(46.9)%
2. *Distribution*			
Industrial controllers	**417,285**	292,245	42.8%
UPS equipment	**51,102**	44,689	14.4%
Digital graphic products	**2,588**	4,210	(38.5)%
Computer parts and others	**31,656**	81,347	(61.1)%
Others	**105,204**	43,407	142.4%
3. *Internet cafe chain*	**4,216**	2,958	42.5%
	746,821	601,881	24.1%
Healthcare Products Business			
Naobaijin	**261,880**	206,449	26.8%
GoldPartner	**215,544**	120,432	79.0%
Huang Jin Xue Kang	**3,109**	62	4914.5%
	480,533	326,943	47.0%
	1,227,354	928,824	32.1%

IT Business

During the period, the economic bloom in the PRC maintained a favourable operating condition for the IT Business. The turnover rose 24.1% from HK$602 million for the corresponding period last year to HK$747 million for the period, while gross profit amounted to HK$62.54 million, performing about in line with the corresponding period last year. The situation reflected that industry players cut price and lowered their gross profit margin to obtain small profit but high sales, striving to secure market shares in the fierce competition. Gross profit margin of the IT Business for the period was 8.4%, representing a drop of 2.1 percentage points as compared to the corresponding period last year.

In addition to the remarkable performance of the overall economy, the outstanding sales of self-produced Stone printers was also attributable to the continual improvement of the Group's printers based on our understanding of the market demand and customer needs. Sales for the period were HK$113 million, jumped 15.5% as compared with the corresponding period last year. Costs went up due to the further improvement of the economy. Meanwhile, no corresponding adjustments could be made to the selling price under the severe competition. During the period, gross profit margin was down 2.6 percentage points to 13% as compared with the corresponding period last year.

Sales of gold tax products were recorded as HK$12.67 million, representing a decrease of 28.4% over the corresponding period last year. The decrease in turnover for this period was due to the restoration of sales back to its normal level this year after the surge in sales driven by the upgrade of software last year. With the decline in sales, gross profit of gold tax products dropped 21.3% to HK$8.18 million, whilst gross profit margin increased by 5.8 percentage points to 64.6%.

During the period, industrial controllers company recorded a tremendous increase in sales and its turnover increased by 42.8% to HK$417 million. Such increase was attributable to the enhancement in our after-sales services, the establishment of offices and branches and the lowering of the gross profit margin. In line with the increase in sales, gross profit also rose 15.2% to HK$22.53 million. However, gross profit margin dropped 1.3 percentage points to 5.4% due to the small profit but high sales policy.

During the period, the total sales of digital graphic products and UPS equipment reached HK$53.69 million, up 9.8% over the corresponding period last year. Gross profit was HK$3.13 million, which was close to that of the corresponding period last year, while gross profit margin was 5.8%, fell by 0.8 percentage point over the corresponding period last year.

Sales of other electronic products, among others, included computer software, computer equipment, electronic accessories and semi-conductors. Sales of computer software were mainly comprised of the distribution and sales of management application software such as Citrix and Symantec Altiris, in the PRC. Computer equipment comprised computer components and accessories. Electronic accessories included camera sensors for mobile phones and LCD panels. During the period, sales of these other electronic products totalled HK$146 million, representing an increase of 2.6% over the corresponding period last year, and contributed HK$10.29 million to the Group's gross profit.

IT Business also included the Internet cafe chain operated by the Group in the PRC. At the end of the period, we have a total of 78 self-owned and franchised shops located in Guangzhou, Dongguan and Shenzhen. During the period, the Internet cafe chain achieved a turnaround and generated a turnover of HK$4.22 million and a gross profit of HK$3.78 million for the Group.

Healthcare Products Business

During the period under review, turnover of the healthcare products business rose by 47.0% to HK$481 million, while gross profit and gross profit margin were HK$266 million and 55.3%, representing an increase of 49.0% and 0.8 percentage point over the corresponding period last year respectively. The hiking increase in sales was attributable to the flourishing gift market promoted by PRC's great strides on the economic front, as well as the success of our marketing strategy in re-positioning our GoldPartner as a healthcare product for daily consumption. We also launched the GoldPartner for Men and Naobaijin Triple Packs in order to provide customers with wider choices. On the other hands, we continued our efforts in marketing by continuously launching campaigns of television commercials.

Sales of Naobaijin were HK$262 million, exhibiting a growth of 26.8% over the corresponding period last year. Gross profit reached HK$125 million, 27.6% rose from the corresponding period last year, while gross profit margin was 47.6%, which was approximate to that of the corresponding period last year. During the period, aided by the effective re-positioning, sales of GoldPartner soared 79.0% as compared with the corresponding period last year to HK$216 million, and contributed HK$139 million to the Group's gross profit, an increase of 72.2% over the corresponding period last year. The GoldPartner had a gross profit margin of 64.5%, representing a decline of 2.5 percentage points as compared with that of the corresponding period last year. Sales of Huang Jin Xue Kang ("黃金血康") for the period fell short of our expectations with a turnover and gross profit of HK$3.11 million and HK$2.27 million respectively. Given that the management has not yet been in a position to set a direction for the new product, the sales of Huang Jin Xue Kang ("黃金血康") stood at lower level during the period.

Investment Business

As at the end of the period, the Group held 2,502,274 shares in SINA Corporation ("SINA") representing approximately 4.6% of the issued shares of SINA. Based on the then closing price of US$47.85 each, the value of these shares amounted to approximately HK$929 million, representing a gain of HK$272 million as compared with the opening book value. Moreover, as at the end of the period, based on the then closing price of RMB32.76 each, the 18,173,915 A shares of China Railway Erju Co., Ltd. held by the Group since the acquisition in January 2007 was valued at HK$618 million, an increase of HK$395 million as compared with the opening book value; these two investments contributed to the Group a non-operating income amounting to HK$667 million.

Investment business also includes the investment in China Cable Network Co., Ltd. ("CCN") through CCMG. CCN is a sole domestic cross-boarder cable television operator and it broadcasts in 16 different places throughout the PRC. During the period, the Group converted CCMG's borrowings and interests of US$6.90 million into the preference shares of CCMG and the Group, together with other international investors, had further invested an aggregate of US$29 million into CCMG during the period, of which US$7 million was contributed by the Group. Since then, the shareholdings of the Group in CCMG at the period end is 36.12%. During the period, CCN recorded a net profit of RMB41.63 million, representing an increase of 10.75% over the corresponding period last year.

Cayman MTY, the Group's another investment, suffered a net loss in last year. Pursuant to the share purchase agreement upon acquisition, the original shareholder should compensate for the under-achievement of Cayman MTY in guaranteed profit. As such, during the period, the original shareholder had transferred 9% of equity interests of Cayman MTY to the Group at nil consideration, and an option was granted to the Group to further subscribe the equity interest in Cayman MTY. The option is exercisable within 5 years commencing on the date of grant at a consideration of US$1 to receive the 3.8% equity interests of Cayman MTY assigned from the original shareholder. The shareholdings of the Group in Cayman MTY increased from 40% as at the beginning of the period to 49% as at the end of the period. The performance of the wholly owned subsidiaries of Cayman MTY during the period were unsatisfactory mainly because of the Chinese government changed its policies with regards to telecommunications operations. Such changes resulted in the hardship for SMS business operation and the continuous declining in turnover for that company. During the period, Cayman MTY recorded a loss of RMB5.87 million.

Stone Resources Limited ("Stone Resources"), a 16.67% owned company in which the Group invested HK$10 million during the period, has been granted the exploration rights in 4 pieces of lands with an aggregate area of approximately 7,000 km^2 by the Yemen government. The metallic minerals of the areas mainly are gold, copper, nickel, iron, lead and zinc. Furthermore, a subsidiary was set up by Stone Resources in Tanzania and is in a tentative negotiation with the local mineral resources companies on potential cooperation.

Liquidity and Financial Position

The current ratio and quick ratio of the Group at the period end were 3.57 and 3.25 respectively. Cash and cash equivalents held were HK$384 million. Total equity attributable to the equity shareholders of parent company had increased from HK$2,393 million at the beginning of the period to HK$2,889 million as at the end of the period, reflecting the Group's financial position is at a very healthy level. Besides, after careful evaluation on the recoverability of other receivables by the management, appropriate provision for impairment losses were made for the bad and doubtful debts.

At the beginning of the period, an aggregate principal amount of the convertible notes held by the Group was HK$591 million, of which a principal amount of HK$217 million was the convertible notes which bearing an interest of 3% per annum, with a conversion price of HK$0.52 per share. The remaining was the convertible notes which bearing zero interest, with a conversion price of HK$0.76 per share. During the period, convertible notes with an aggregate principal amount of HK$55 million at a conversion price of HK$0.52 per share were converted into 105,769,229 ordinary shares of the Company and an aggregate principal amount of HK$122 million at a conversion price of HK$0.76 per share were converted into 160,526,313 ordinary shares of the Company respectively. Under HKFRSs, the convertible notes should be classified into debt and equity components separately. Accordingly, the Group's principal amount of HK$414 million of the convertible notes at the end of the period was recomputed and only HK$399 million was classified as long-term liabilities.

In addition, extra credit facility amounting to HK$5 million and loan facility amounting to US$25 million were obtained from a bank and a financial institution respectively during the period.

Due to the reasons above-mentioned, the Group's aggregated interest-bearing bank loans and other loans at the end of the period were increased to HK$754 million, representing an increase of 7.8% in comparing with the beginning of the period. The ratio of net borrowings to the total equity attributable to equity shareholders of the Company was maintained at a low level of 12.8%.

The Group has HK$367 million banking facilities available at the end of the period, including letter of credit facilities, overdraft and other standby credit facilities. The Group had utilised approximately HK$365 million of its credit facilities. The Group believes that its internal funding and its existing credit facilities are able to meet its requirements in both of the capital investment and working capital needs for the second-half of the year.

Charges on Assets

As at 30 September 2007, a property with carrying value of approximately HK$29 million was pledged 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

As at 30 September 2007, the Group had no material contingent liabilities.

Hedging

As the majority of the Group's purchases are from overseas, it is the Group's policy to enter into foreign exchange forward contracts to hedge against foreign exchange fluctuation as and when necessary.

Human Resources

As at 30 September 2007, the Group had an aggregate of 10,324 (2006: 8,109) employees; of which 10,299 (2006: 8,084) were employed in the PRC with the remaining 25 (2006: 25) were employed in Hong Kong. Out of the 10,299 employees who employed in the PRC, 8,038 (2006: 5,747) were temporary employees.

In addition to basic salaries and bonuses, employees are also entitled to other benefits, including medical allowances and both Hong Kong and PRC employees have participated in the mandatory provident fund and the Central Pension Scheme and the supplementary defined contribution retirement plans managed by independent insurance companies respectively. Share options are also being granted to certain employees as incentives.

BUSINESS OUTLOOK

Ensuing from the domestic measures tackling Chinese's overheated economy by the central government, it is believed that the economic growth in the PRC will slow down in the second-half of the year as compared with the first-half and it will inevitably affect the business of the Group to a certain extent. Nevertheless, the Group is well prepared to face any possible hardships coming forward. 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 in the second-half of the year, the management anticipates that the annual sales of the healthcare products business will exceed that of last year and even hit the record. 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 at the high level as in the first-half of the year, yet all are subject to the market condition in early 2008. Furthermore, with the increasing number of customers of CCN, it is foreseen that the annual profit of CCN will exceed that of last year. Despite the fact that the economic pullback will have an adverse effect on the operation of Cayman MTY, the management has already planned for the development of the company in the second-half of the year. As regards the SMS business, a contract was signed between the Group and a major telecommunication operator in relation to the joint development of call-diverting services, and the communication navigation business has already introduced its 95190 navigator equipped with navigating, communicating and call-diverting functions in the second-half of this year. As the increasing number of vehicles in the PRC is expected, it is confident that this comprehensive device will bring a promising return for Cayman MTY. Apart from the launch of the new products, the Group has also set up a call centre for the communication navigation business with over 200 people to provide services to the owners of vehicles which are equipped with a navigator or will be equipped with our navigator. In addition, a wholly-owned subsidiary of Cayman MTY has reached an agreement with an international renowned motor manufacturer, under which, from 2008 onward, the call centre of Cayman MTY will provide support for the navigators installed in their vehicles that produced by the manufacturer.

For mineral resources business, a mineral resources professional team had been formed by Stone Resources in early October and has conducted a site visit to the mines by the end of the same month. Following such exploration, Stone Resources has identified a mine area with about 5,000 km^2 in Ta'izz region of Yemen, and is in negotiation with an independent third party to sign a cooperation agreement. On the other hand, in view of the extensive fund requirement by Stone Resources for its exploration works, the Group is in a tentative discussion with a domestic well-known banker in the PRC on finance and investment issues. The management believes that with the effort and determination to consolidate our core business and the devotion to expand into the resources business, it is foreseeable that the Group will be able to achieve a success in both operation and investment, thus realising a fruitful return for our shareholders in the second-half of the year.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

The directors of the Company ("Directors") who held office at 30 September 2007 had the following interests or short positions in the shares, underlying shares and debentures of the Company or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of directors' and chief executives' interests and short positions required to be kept under section 352 of the SFO or required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO or required to be notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"):

Interests in the shares, underlying shares and debentures of the Company:

Name of Director	Nature of interests	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 interests	Approximate shareholding percentage *(Note 3)*
DUAN Yongji	Personal *(Note 1)*	102,767,845	15,000,000	125,000,000	242,767,845 (L)	13.19
SHEN Guojun	Personal *(Note 1)*	–	4,000,000	–	4,000,000 (L)	0.21
CHEN Xiaotao	Personal *(Note 1)*	–	4,000,000	–	4,000,000 (L)	0.21
ZHANG Disheng	Personal *(Note 1)*	–	6,000,000	–	6,000,000 (L)	0.32
SHI Yuzhu	Corporate *(Note 2)*	55,263,157	5,000,000	331,578,947	391,842,104 (L)	21.30
LIU Wei	Personal	–	3,000,000	–	3,000,000 (L)	0.16
NG Ming Wah, Charles	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 in the Company. 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 in the Company (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 in the Company. 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 of the Company 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 derivates 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.

(3) The number of issued ordinary shares of the Company as at 30 September 2007 ("30 September 2007 Issued Share Capital") is 1,839,225,738 and is applied to calculate the relevant percentage.

Save as disclosed herein and in the sections entitled "Share Option Scheme" and Substantial Shareholders' Interests or Short Positions in the Shares, Underlying Shares and Debentures", to the knowledge of the Company, none of the Directors and the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or required to be notified to the Company pursuant to the Model Code.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 12 April 2002 (the "Scheme"). Each option gives the holder the right to subscribe for one share of the Company. Movement of the share options (including share options granted to the Directors) were as follows:

		Number of options										
		Outstanding at 1.4.2007	Granted during the Period	Exercised during the Period	Lapsed during the Period	Outstanding at 30.9.2007	Date of grant	Exercisable Period	Exercise price *HK$*	Closing price immediately preceding the date of grant *HK$*	Weighted average closing price of shares immediately before exercise date *HK$*	% of the total issued shares *(Note g)*
DUAN Yongji	*(Note a)*	3,900,000	–	–	3,900,000	–	22-5-2002	22-8-2002 to 21-5-2007	0.792	0.78	N/A	–
	(Note f)	–	15,000,000	–	–	15,000,000	21-8-2007	21-8-2007to 20-8-2012	0.714	0.71	N/A	0.81
SHEN Guojun	*(Note a)*	4,000,000	–	–	4,000,000	–	22-5-2002	22-8-2002 to 21-5-2007	0.792	0.78	N/A	–
	(Note f)	–	4,000,000	–	–	4,000,000	21-8-2007	21-8-2007 to 20-8-2012	0.714	0.71	N/A	0.21
CHEN Xiaotao	*(Note b)*	8,000,000	–	–	8,000,000	–	22-5-2002	22-5-2002 to 21-5-2007	0.792	0.78	N/A	–
	(Note f)	–	4,000,000	–	–	4,000,000	21-8-2007	21-8-2007 to 20-8-2012	0.714	0.71	N/A	0.21
ZHANG Disheng	*(Note c)*	10,400,000	–	–	10,400,000	–	22-5-2002	22-5-2002 to 21-5-2007	0.792	0.78	N/A	–
	(Note f)	–	6,000,000	–	–	6,000,000	21-8-2007	21-8-2007 to 20-8-2012	0.714	0.71	N/A	0.32
SHI Yuzhu	*(Note f)*	–	5,000,000	–	–	5,000,000	21-8-2007	21-8-2007 to 20-8-2012	0.714	0.71	N/A	0.27
LIU Wei	*(Note f)*	–	3,000,000	–	–	3,000,000	21-8-2007	21-8-2007 to 20-8-2012	0.714	0.71	N/A	0.16
Contracted employees	*(Note d)*	48,056,000	–	–	48,056,000	–	22-5-2002	22-5-2002 to 21-5-2007	0.792	0.78	N/A	–
Contracted Employees	*(Note e)*	83,856,000	–	13,000,000	–	70,856,000	31-12-2002	31-12-2002 to 30-12-2007	0.476	0.44	1.057	3.85
Contracted employees	*(Note f)*	–	78,200,000	–	–	78,200,000	21-8-2007	21-8-2007 to 20-8-2012	0.714	0.71	N/A	4.25

Notes:

(a) The options granted to these grantees shall be exercisable in the following four batches (the "Vesting Period"):

  (i) Not more than 25% of options granted exercisable from 22-08-2002 to 21-08-2003;

  (ii) Not more than 50% of options granted exercisable from 22-08-2003 to 21-08-2004;

  (iii) Not more than 75% of options granted exercisable from 22-08-2004 to 21-08-2005; and

  (iv) Free to exercise from 22-08-2005 to 21-05-2007.

(b) Free to exercise 4,000,000 options from 22-05-2002 to 21-05-2007 and the remaining 4,000,000 options are subject to the Vesting Period set out in Note (a).

(c) Free to exercise 5,000,000 options from 22-05-2002 to 21-05-2007 and the remaining 5,400,000 options are subject to the Vesting Period set out in Note (a).

(d) Free to exercise 8,356,000 options from 22-05-2002 to 21-05-2007 and the remaining 39,700,000 options are subject to the Vesting Period set out in Note (a).

(e) Free to exercise 83,856,000 options from 31-12-2002 to 30-12-2007.

(f) The options granted to these grantees shall be exercisable in the following three batches:

  (i) Not more than 50% of options granted exercisable from 21-08-2007 to 20-08-2008;

  (ii) Not more than 75% of options granted exercisable form 21-08-2008 to 20-08-2009; and

  (iii) Free to exercise from 21-08-2009 to 20-08-2012.

(g) 30 September 2007 Issued Share Capital is applied to calculate the relevant percentage.

The consideration paid by each of the above Directors and employees for the share options granted was HK$1.

On 21 August 2007, 37,000,000 share options and 78,200,000 share options were granted for the consideration of HK$1 to the executive Directors and employees of the Company, respectively under the Share Option Scheme (no share options were granted during the six months ended 30 September 2006). Each option gives the holder the right to subscribe for one share of HK$0.1 each of the Company. These share options shall be exercisable in the following three batches:

(i) not more than 50% of these share options exercisable from 21 August 2007 to 20 August 2008;

(ii) not more than 75% of these share options exercisable from 21 August 2008 to 20 August 2009; and

(iii) free to exercise from 21 August 2009 to 20 August 2012.

The exercise price of these share options is HK$0.714, being the average closing price of the Company's shares for the five business days immediately preceding the date of grant.

Grant of the share options to the executive Directors and the relevant employees of the Company on 21 August 2007

Closing share price immediately preceding the date of grant	HK$0.71 per share
Exercise price of share option	HK$0.714 per share
Expected volatility (based on the annualised historical volatility of the closing price of the shares of the Company for the past five years to the date of the grant)	50.71%
Expected life (in years)	5 years
Risk-free interest rate	4.15%
Expected dividend yield	1.59%

During the period, save as disclosed above, no option was granted, exercised and cancelled pursuant to the Share Option Scheme.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above and in the sections entitled "Directors' Interests or Short Position in the Shares, Underlying Shares and Debentures" and "Substantial Shareholders' Interests or Short Position in the Shares, Underlying Shares and Debentures", at no time during the period was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or the chief executives of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2007, to the best knowledge of the Directors, the following parties which have interests 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.

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

Name	Nature of interests	Interest in shares	Interest in underlying shares of equity derivatives of the Company pursuant to shares options	Interest in underlying shares of equity derivatives of the Company pursuant to convertible notes	Aggregate interests	Approximate shareholding percentage *(Note vi)*
Beijing Stone Investment Company Limited	Corporate *(Note i)*	407,110,053	–	–	407,110,053 (L)	22.13
Beijing Stone Investment Company Limited Employees' Shareholding Society	Corporate *(Note ii)*	407,110,053	–	–	407,110,053 (L)	22.13
Stone Jiu Guang New Technology Development (Holdings) Co. Ltd.	Corporate *(Note ii)*	407,110,053	–	–	407,110,053 (L)	22.13
Shenyang Heguang Group Co. Ltd.	Corporate *(Note ii)*	407,110,053	–	–	407,110,053 (L)	22.13
SGC	Corporate *(Note ii)*	500,546,466	–	–	500,546,466 (L)	27.21
深圳發展銀行 深圳人民橋支行	Corporate *(Note iii)*	310,000,000	–	–	310,000,000 (L)	16.85
Ready Finance	Corporate *(Note iv)*	55,263,157	–	331,578,947	386,842,104 (L)	21.03
SHI Yuzhu	Corporate *(Note iv)*	55,263,157	5,000,000	331,578,947	391,842,104 (L)	21.30
DUAN Yongji	Personal *(Note v)*	102,767,845	15,000,000	125,000,000	242,767,845 (L)	13.19
Wise Expand Developments Limited	Corporate *(Note vi)*	92,374,413	–	–	92,374,413 (L)	5.02

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 said 407,110,053 shares. Stone Jiu Guang New Technology Development (Holdings) Co. Ltd. is owned as to 56.14% by Shenyang Heguang 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) 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. Please refer to Note (2) on page 39.

v. The interest of Mr. DUAN Yongji is held by him as beneficial owner. Please also refer to Note (1) on page 39.

vi. Wise Expand Development Limited is a limited company incorporated in Hong Kong and beneficially owned by SGC.

vii. 30 September 2007 Issued Share Capital is applied to calculate the relevant percentage

Save as disclosed above, no other persons (other than Directors or chief executive of the Company) known to any Director as at 30 September 2007 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2007, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining a high level of corporate governance. The Board believes that good corporate governance practices are increasingly important for maintaining and promoting investors' confidence. Following the issue of the Code on Corporate Governance Practices (the "Code"), as set out in Appendix 14 of the Listing Rules, the Board reviews its corporate governance practices from time to time to ensure that they meet the expectation of the public and the shareholders of the Company (the "Shareholders"), comply with the requirement of the Code. The Board will continue to commit itself to achieving a high standard of corporate governance.

For the six months ended 30 September 2007, except for the requirement that the roles of Chairman of the Board and Chief Executive Officer of the Company should be separate and should not be performed by the same individual (code provision A.2.1), the Company has complied with the code provisions of the Code.

The roles of Chairman and Chief Executive Officer of the Company have been performed by Mr. DUAN Yongji since March 2007. The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently. The Board will review the effectiveness of this arrangement from time to time and will consider appointing an individual as chief executive officer when it thinks appropriate.

AUDIT COMMITTEE

An audit committee currently comprises four independent non-executive Directors, namely Messrs. NG Ming Wah, Charles, Andrew Y. YAN, LIU Ji and LIU Jipeng.

At the request of the Audit Committee of the Company, the Group's auditors have carried out a review of the unaudited financial statements in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the interim report for the six months ended 30 September 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the codes of conduct regarding Directors' securities transactions. The Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2007.

The Company has also established written guidelines regarding securities transaction on no less exacting terms of the Model Code for senior management and relevant employees who may have access to price sensitive information in relation to the securities of the Company.

INTERIM DIVIDEND

The Directors do not recommend a payment of interim dividend for the six months ended 30 September 2007 (2006: Nil).

PUBLICATION OF INTERIM REPORT

The printed copy of the Interim Report of the Company for the six months ended 30 September 2007 will be sent to shareholders by the end of December 2007 and the soft copy of the Interim Report will be published on the website of Hong Kong Exchanges and Clearing Limited (www.hkex.com) under "Latest Listed Company Information" and the Company's website (www.stone.com.hk) under "Investor Relations" in due course.

On behalf of the Board
Stone Group Holdings Limited
DUAN Yongji
Chairman

Hong Kong, 17 December 2007