



13 March 2007

Prosperity Minerals Holdings Limited

Financial results for the third quarter ended 31 December 2006

Prosperity Minerals Holdings Limited ("Prosperity", or "the Company" or "the Group"), the cement manufacturing and iron ore trading group which operates a cement manufacturing business in the Peoples' Republic of China ("PRC") and an iron ore trading business serving the same market, today announces its results for the three months ended 31 December 2006 (all figures expressed in US dollars unless otherwise stated).

Financial Highlights

- Revenue:
 - Three months ended 31 December 2006: \$79.3 million (2005: \$79.9 million)
 - Nine months ended 31 December 2006: increased 28% to \$243.8 million (2005: \$190.3 million)

- Profit from operations:
 - Three months ended 31 December 2006: increased 50% to \$14.7 million (2005: \$9.8million)
 - Nine months ended 31 December 2006: increased 4% to \$30.4 million (2005: \$29.3 million)

- Profit before taxation:
 - Three months ended 31 December 2006: 61% higher at \$14.9 million (2005: \$9.2 million)
 - Nine months ended 31 December 2006: 30% higher at \$35.9 million (2005: \$27.7 million)

- Basic earnings per share:
 - Three months ended 31 December 2006: 11.52 cents (2005: 17.96 cents)
 - Nine months ended 31 December 2006: 31.53 cents (2005: 53.99 cents)

- No dividend was declared for the three months ended 31 December 2006.
 - Out of the profit of the half year ended 30 September 2006, the Company paid a maiden dividend of 6.0 cents per share

Note: The Group acquired Yingde Dragon Mountain Cement Company Limited (“YDM”) and a 25% investment in Prosperity Conch Cement Company Limited (“PCC”) in April 2006. Prior to these acquisitions, the Group did not have any cement operations or investments. As such, the prior period comparatives reflect only the results or the financial state of affairs of the iron ore trading business.

Operating Highlights

- Total cement and clinker sales were:
 - 1.6 million tonnes at YDM for the three months ended 31 December 2006 (4.1 million tonnes for nine months ended 31 December 2006)
 - 2.2 million tonnes at PCC (a 25% owned joint venture) for the three months ended 31 December 2006 (4.7 million tonnes for nine months ended 31 December 2006)
- Cement manufacturing operating profit (prior to administrative expenses) was as follows:
 - Three months ended 31 December 2006: \$11.0 million
 - Nine months ended 31 December 2006: \$21.2 million
- Iron ore trading experienced difficult market conditions in the nine months ended 31 December 2006 and operating profit (prior to administrative expenses) declined from \$10.7 million to \$6.1 million for the three months ended 31 December 2006 and from \$31.1 million to \$15.2 million for the nine months then ended.
- Iron ore trading volumes were lower than previous periods as a result of difficult market conditions:
 - Three months ended 31 December 2006: decreased 54% to 0.61 million tonnes (2005: 1.33 million tonnes)
 - Nine months ended 31 December 2006: decreased 18% to 2.34 million tonnes (2005: 2.87 million tonnes)
- Iron ore trading profit margins strengthened in Q3 compared to that of the first half

Current Trading and Prospects

Cement manufacturing traded satisfactorily in the run up to the commencement of the Chinese New Year in mid February. However, the fourth quarter is a seasonally low period for construction due to the Chinese New Year celebration period, which runs for some three weeks, during which construction work in China closes down. Since the conclusion of festivities, trading has returned to normal, but we still expect lower operating profits than in the third quarter.

- In addition, YDM has, from 1 January 2007, begun to pay corporate income tax on its profits at a rate of 15%, which is half the normal rate and represents the second phase of relevant PRC tax arrangements
- Iron ore trading volumes in Q4 are expected to be higher than Q3. Seaborne dry cargo freight rates in Q4, to date, have remained at a relatively high level but are below the peak levels experienced in the summer of last year
- The Board expects the Company's results for the full year to 31 March 2007 to be in line with current market expectations

Acquisition of Anhui Chaodong Cement Co. Limited (“Chaodong”) Update

Further to announcements on 2 June 2006 and 12 December 2006, Prosperity is in the process of acquiring a 40% interest in Anhui Chaodong Cement Co. Limited (“Chaodong”), a company listed on the Shanghai Stock Exchange for a total consideration of RMB 198 million (\$25 million approximately) at RMB 2.48 per share. As previously stated, this acquisition will be funded from Prosperity’s cash resources and bank facilities. Under the same share purchase agreement, Anhui Conch Cement Company Limited (“Anhui Conch”), which is Prosperity’s partner in PCC in Guangdong, will acquire a 19.7% interest in Chaodong. Operating in the Anhui Province in east PRC, Chaodong sold 2.8 million tonnes of cement and clinker in 2005 and it is expected to improve for 2006.

Approvals from the Assets Supervision and Administration Commission of the State Council and the Ministry of Commerce have been obtained. The remaining approval from China Securities Regulatory Commission is expected to be granted in the coming months.

Following completion of this acquisition, Chaodong intends to invest in two further cement projects: Chao Hu and Liu An, both also in the Anhui Province. Under the terms of the share purchase agreement, Prosperity is obliged to contribute equity payments towards this investment, which will require a maximum additional sum of RMB37.5 million (\$4.7 million approximately) and result in a direct interest of 25% in each one. It is anticipated that this expenditure will be funded from Prosperity's cash resources and bank facilities of the joint venture company formed to operate Chao Hu and Liu An.

This strategic investment will extend and diversify Prosperity's existing cement business into a key geographical region of the PRC and strengthen its relationship with Anhui Conch.

Notes:

The average exchange rate for the three months ended 31 December 2006 and the nine months ended 31 December 2006 were \$1 = RMB7.8722 and RMB 7.9543 respectively and at 31 December 2006 it was \$1 = RMB 7.8340

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Notes to Editors

Prosperity is focused on two key sectors serving the PRC: the manufacture and sale of cement; and the trading of iron ore. The Company was floated on the AIM market of the London Stock Exchange in May 2006. It reports in US dollars.

The Company owns YDM and a 25% interest in PCC. Both cement plants, where construction was completed last year, employ modern suspension pre-heater dry processing and are located on adjacent sites in the Guangdong Province in the south east of the country.

The design capacity of the clinker* and cement plant at YDM is 5.9 million tonnes per annum, while at PCC it is 7.9 million tonnes per annum. PCC is a joint venture with Anhui Conch, the largest cement manufacturer in the PRC.

The iron ore trading business has been operating since 1992 and sources iron ore from international market places for shipment to and use in the PRC. The principal international suppliers are located in Brazil, South Africa and Australia, although Prosperity is also sourcing from other locations, including Thailand. The majority of the Company's iron ore sales are to large steel manufacturers in the PRC and, in the fiscal year ended 31 March 2006, Prosperity shipped 3.5 million tonnes of iron ore.

The PRC is the world's fourth largest economy (behind, the US, Germany and Japan) and the largest consumer of cement and iron ore; accounting for 40% and 30% of global demand respectively.

Evolution Securities Limited is the Company's Nominated Adviser and Broker.

* Clinker is a complex calcium alumino-silicate material produced by the calcination of limestone and clays. It is then ground and mixed with gypsum to form cement or, more correctly, Portland Cement.

Prosperity Minerals Holdings Limited**Condensed Consolidated income statement for the third quarter and nine months ended 31 December 2006 - unaudited**

		Three months ended 31-Dec 2006 US\$'000 (unaudited)	Three months ended 31-Dec 2005 US\$'000 (unaudited)	Nine months ended 31-Dec 2006 US\$'000 (unaudited)	Nine months ended 31-Dec 2005 US\$'000 (unaudited)
	<u>Note</u>				
Revenue	3	79,304	79,948	243,802	190,356
Cost of sales		(62,626)	(69,198)	(209,137)	(159,216)
Gross Profit		16,678	10,750	34,665	31,140
Other revenue	4	778	1,108	3,952	2,035
Distribution expenses		(380)	(1,138)	(2,150)	(2,048)
Administrative expenses		(2,406)	(918)	(6,075)	(1,779)
Profit from operations		14,670	9,802	30,392	29,348
Finance costs		(1,608)	(618)	(4,101)	(1,698)
Finance income		368	35	3,078	73
Share of associate profit		1,431	-	2,569	-
Non operating income	5	-	-	3,944	-
Profit before taxation		14,861	9,219	35,882	27,723
Income tax credit	6	-	-	-	1
Profit for the year/period		14,861	9,219	35,882	27,724

Attributable to Equity

holders of the parent

14,861

9,219

35,882

27,724

Earnings per share

Basic and diluted

7

11.52 cents

17.96 cents

31.53 cents

53.99 cents

Prosperity Minerals Holdings Limited**Condensed Consolidated balance sheet at 31 December 2006 - unaudited**

	Note	31 December 2006 US\$'000 (unaudited)	31 March 2006 US\$'000 (audited)
Non-current assets			
Property, plant and equipment		138,456	41
Lease prepayments		11,959	-
Intangible assets	9	15,190	-
Interest in an associate	10	21,145	-
Goodwill	11	67,053	-
		<u>253,803</u>	<u>41</u>
Current assets			
Inventories		8,587	-
Trade and other receivables		56,888	21,223
Other financial assets		-	1,000
Pledged bank deposits	12	12,386	-
Cash and cash equivalents		53,799	4,633
		<u>131,660</u>	<u>26,856</u>
Current liabilities			
Interest bearing loans and borrowings	13	(42,124)	(16,055)
Trade and other payables		(75,112)	(5,885)
Income tax payable		-	(18)
		<u>(117,236)</u>	<u>(21,958)</u>
Net current assets		<u>14,424</u>	<u>4,898</u>
Non-current liabilities			
Deferred tax liabilities		(768)	(5)
Interest bearing loans and borrowings	13	(30,635)	-
Other borrowings	14	(12,724)	-
		<u>(44,127)</u>	<u>(5)</u>
Net assets		<u>224,100</u>	<u>4,934</u>
Capital and reserves			
Share capital		2,351	13
Reserves		221,749	4,921
Total equity		<u>224,100</u>	<u>4,934</u>

Prosperity Minerals Holdings Limited

Condensed Consolidated statement of changes in equity

for the nine months ended 31 December 2006 - unaudited

	Share capital US\$'000	Share premium US\$'000 Note 15(a)	Statutory reserves US\$'000 Note 15(b)	Retained earnings US\$'000	Capital reserve	Merger reserve US\$'000 Note 15(c)	Foreign currency translation reserve US\$'000 Note 15(d)	Total	US\$'000
At 1 April 2005	13	-	-	7,092		-	-		7,105
Net profit for the period	-	-	-	18,505		-	-		18,505
Dividend declared and approved during the period	-	-	-	(20,000)		-	-		(20,000)
At 30 September 2005	13	-	-	5,597		-	-		5,610
Net profit for the period	-	-	-	15,063		-	-		15,063

Dividend declared and approved during the period	-	-	-	(15,739)	-	-	(15,739)
At 31 March 2006	13	-	-	4,921	-	-	4,934
Issue of new shares net of expenses	1,415	189,665	-	-	-	-	191,080
Transfer to statutory reserves	-	-	1,749	(1,749)	-	-	-
Net profit for the period	-	-	-	35,882	-	-	21,021
Dividend declared and approved during the period	-	-	-	(12,664)	3,168	-	(9,496)
Removal of share capital of Pro-Rise Business Limited from aggregation	(13)	-	-	-	-	-	(13)
Acquisition of Pro-Rise Business Limited	936	-	-	-	(932)	-	4
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	1,709	1,709

At 31 December 2006	2,351	189,665	1,749	26,390	3,168	(932)	1,709	224,100
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Prosperity Minerals Holdings Limited**Condensed Consolidated cash flow statement for the nine months ended 31 December 2006****- unaudited**

	31 December 2006 US\$'000 (unaudited)	31 December 2005 US\$'000 (unaudited)
Operating activities		
Profit before taxation	35,882	27,723
Adjustments for:		
-Non operating income	(3,944)	-
-Depreciation	5,253	16
-Amortisation	771	-
-Share of profit of an associate	(2,569)	-
-Finance costs	4,101	1,688
-Exchange (gain)/losses	(1,951)	10
-Finance income	(1,127)	(73)
Operating profit before changes in working capital	36,416	29,364
Decrease in inventories	875	-
Increase in trade and other receivables	(24,569)	(6,980)
Decrease in other financial assets	1,000	-
Increase in amount due from shareholder	-	(26,681)
Decrease in trade and other payables	(22,603)	(5,074)
Decrease in amount due to shareholder	-	(5,418)
Cash used in operations	(8,881)	(14,789)
Receipt of government grant	3,944	-
Tax paid	(18)	-
Net cash used in operating activities	(4,955)	(14,789)

Prosperity Minerals Holdings Limited**Consolidated cash flow statement for the nine months ended 31 December 2006 - unaudited
(continued)**

	31 December 2006 US\$'000 (unaudited)	31 December 2005 US\$'000 (unaudited)
Investing activities		
Payment for purchase of property, plant and equipment	(7,754)	(17)
Acquisition of associate	(18,088)	-
Acquisition of subsidiary	(120,837)	-
Interest received	1,127	73
Net cash (used in)/from investing activities	(145,552)	56
Financing activities		
Decrease/(increase) in pledged bank deposits	4,035	(1,510)
Proceeds from bank and other borrowings	32,011	19,279
Repayment of bank and other borrowings	(21,160)	
Interest paid	(3,323)	(1,688)
Dividend paid	(4,921)	-
Exchange gain/(losses)	1,951	(10)
Proceeds from issue of new shares	191,080	-
Net cash from financing activities	199,673	16,071
Net increase in cash and cash equivalents	49,166	1,338
Cash and cash equivalents at 1 April	4,633	4,582
Cash and cash equivalents at 31 December	53,799	5,920

Prosperity Minerals Holdings Limited

Notes to the condensed consolidated quarterly financial report

1. Background

Prosperity Minerals Holdings Limited ("the Company" or "the Group"), was incorporated and registered in Jersey on 26 January 2006 as a limited liability company with registered number 92284 under the Companies (Jersey) Law 1991. The Company acquired the companies comprising the Pro-Rise Group via a share for share exchange with Pro-Rise Business Limited ("Pro-Rise") on 18 May 2006. Prior to the share for share exchange, Pro-Rise was owned by Madam Ching Fong Hon and Mr David Wong.

The Company's shares were admitted to trading on AIM on 24 May 2006 by way of a placing of shares with institutional investors. The Placing comprised 77,703,000 ordinary shares, following which the issued share capital of the Company was 129,056,392 shares of 1p each.

2. Significant accounting policies

(a) Statement of compliance

The condensed consolidated quarterly financial report has been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted in the EU for interim financial reporting. The condensed consolidated quarterly financial report does not include all of the information required for full annual financial statements.

(b) Basis of preparation

The quarterly financial report is presented in United States dollars, rounded to the nearest thousand. They are prepared on an historical cost basis.

The preparation of the quarterly financial report in conformity with IAS 34 "Interim Financial Reporting" requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

This condensed consolidated quarterly financial report has been prepared on the basis of IFRSs as adopted in the EU in issue that are effective or available for early adoption at the Group's annual reporting date, 31 March 2007. Based on these IFRSs as adopted in the EU, the Board of Directors have made assumptions about the accounting policies expected to be reported ("accounting policies") when the annual financial statements are prepared for the year ending 31 March 2007.

The IFRSs as adopted in the EU that will be effective or available for voluntary early adoption in the annual financial statements for the period ending 31 March 2007 are still subject to change and to the issue of additional interpretation(s) and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this quarterly financial information will be determined only when the financial reports are prepared as at 31 March 2007.

This quarterly financial report for the three months ended 31 December 2006 is unaudited but has been reviewed by the Audit Committee and approved by the Board on 12 March 2007.

The accounting policies and presentation applied to these financial statements are consistent with those disclosed in Part III Accountants' Report of the Company's admission document dated 19 May 2006 for its proposed placing and admission to AIM except where the following accounting policies are to be adopted in the Company's next annual financial statements.

(i) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated quarterly financial report under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of associate's net assets. The consolidated quarterly financial report includes the Group's share of the post-acquisition, post-tax results of the associate for the period, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(ii) Financial statements of foreign operations

The assets and liabilities of entities not denominated in United States dollars are translated to United States dollars at the foreign exchange rate ruling at the balance sheet date. The revenues and expenses of entities not denominated in United States dollars are translated to United States dollars at rates approximating the foreign exchange rates ruling at the dates of transactions.

(iii) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, and an appropriate proportion of production overheads.

Subsequent expenditure

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group. All other expenditure is recognised in profit or loss as an expense as incurred.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives as follows:

Buildings	30 years
Leasehold improvement	5 years
Office equipment, furniture and fixtures	5 years
Plant and machinery	15 years

The useful life is reassessed annually.

(iv) Goodwill

Business combinations are accounted for by applying the purchase method. Goodwill has been recognised on the acquisition of a subsidiary and associate. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment. In respect of the associate, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

(v) Intangible asset

Mining rights are stated at cost less accumulated amortisation and impairment losses. The mining right is amortised on a straight-line basis over the estimated useful life of 20 years.

(vi) Construction in progress

Construction in progress represents buildings under construction and equipment pending installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction as well as interest charges during the period of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use, notwithstanding any delays in the issue of the relevant commissioning certificates by the relevant authorities in the PRC.

No depreciation is charged in respect of construction in progress until it is substantially complete and ready for its intended use.

(vii) Lease prepayments

Lease prepayments represent the purchase cost of land use rights in the PRC. Land use rights are carried at cost less impairment losses and are charged to the profit or loss on a straight-line basis over the period of the right which is 50 years.

(viii) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

(ix) Government grants

Government grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(x) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those other segments.

(xi) Business combination involving entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the business combination, and that control is not transitory.

In the absence of more specific guidance, the Group consistently applies the book value measurement method to all common control transactions.

3. Segment reporting

The Group is principally engaged in the manufacture and sale of cement and the trading of iron ore. The Group's primary format for reporting segment information is business segments. Revenue from external customers (turnover) represents the sales value of goods supplied to customers.

Business segments

(unaudited)

Revenue and expenses	Iron ore		Iron ore		Cement		Cement		Consolidated		Consolidated	
	Three months		Nine months		Three months		Nine months		Three months		Nine months	
	ended 31 December		ended 31 December		ended 31 December		ended 31 December		ended 31 December		ended 31 December	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	40,799	79,948	153,278	190,356	38,504	-	90,524	-	79,303	79,948	243,802	190,356
Other revenue	206	1,108	1,268	2,035	572	-	2,684	-	778	1,108	3,952	2,035
Total	41,005	81,056	154,546	192,391	39,076	-	93,208	-	80,081	81,056	247,754	192,391
Segment results	6,089	10,720	15,242	31,127	10,987	-	21,225	-	17,076	10,720	36,467	31,127
Administrative expense									(2,406)	(918)	(6,075)	(1,779)
Profit from operations									14,670	9,802	30,392	29,348
Net finance income / (costs)									(1,240)	(583)	(1,023)	(1,625)
Share of profit of an associate									1,431	-	2,569	-
Non operating income									-	-	3,944	-
Income tax credit									-	-	-	1
Profit for the period									14,861	9,219	35,882	27,724

4. Other revenue

	Three months ended		Nine months ended	
	31 December		31 December	
	2006	2005	2006	2005
	US\$'000	US\$'000	US\$'000	US\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Tax refund in respect of tax paid in previous year	5	-	1,908	-
Demurrage and despatch income	205	1,108	1,268	2,035
Other	568	-	776	-
	<u>778</u>	<u>1,108</u>	<u>3,952</u>	<u>2,035</u>

5. Non operating income

The Group has been awarded a government grant during the period. The grant received amounted to US\$3,944,000 and related to the proceeds received from a sale of land granted to the Group in a previous year. It was recognised as income at the time it became receivable.

6. Income tax

No provision for income tax is made as the Company and its subsidiaries are not subject to any income tax in their country of incorporation.

7. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent for the third quarter and nine months ended 31 December 2006 of US\$14,861,000 and US\$35,882,000 respectively (third quarter and nine months ended 31 December 2005: US\$9,219,000 and US\$27,724,000) and the weighted average number of ordinary shares of 129,056,390 and 113,798,346 for the three months and nine months ended 31 December 2006 respectively (three months and nine months ended 31 December 2005: both are 51,353,392 shares,

as if the company has been in existence throughout the three and nine months ended 31 December 2005 with 51,353,392 shares issued on incorporation).

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in existence during the periods ended 31 December 2006 and 2005.

8. Dividends

The Board does not recommend payment of a dividend in respect of the three months ended 31 December 2006 (three months ended December 2005: nil). The Board had declared payment of an interim dividend of approximately US\$7,743,000 for the six months ended 30 September 2006. (six months ended 30 September 2005: nil) Mr. David Wong and the other founding shareholder, who together hold 40.9% of the issued share capital of the Company, have waived their entitlement to the interim dividend.

9. Intangible assets

Intangible assets represented the mining rights acquired through the acquisition of its subsidiary as set out in note 11 below. The mining rights are amortised from the date they are available for use and the estimated useful life is 20 years. The amortisation charge for the period is included in "cost of sales" in the condensed consolidated income statement.

10. Interests in an associate

On 13 April 2006, the Group acquired 25% of the associate, Prosperity Conch Cement Company Limited ("PCC") at a consideration of US\$18,500,000 (RMB148,800,000), which resulted in goodwill of US\$9,600,000.

Goodwill has arisen on acquisition of PCC because of its well established market and strong customer network in the Guangdong region.

11. Goodwill

On 13 April 2006, the Group acquired all shares in Yingde Dragon Mountain Cement Company Limited ("YDM") at a total consideration of US\$141,069,000. The company manufactures cement and clinker. From 13 April 2006 to 31 December 2006 the company contributed profit of US\$21,776,000 to the consolidated profit for the period. The acquisitions had the following effect on the Group's asset and liabilities.

Acquiree's net assets at the acquisition date of 13 April 2006

	Recognised values US\$'000 (unaudited)	Fair value adjustments US\$'000 (unaudited)	Carrying amounts US\$'000 (unaudited)
Property, plant and equipment	131,209	-	131,209
Lease prepayments	11,859	(225)	12,084
Intangible assets	15,436	625	14,811
Inventories	9,462	418	9,044
Trade and other receivables	11,105	-	11,105
Pledged bank deposits	16,421	-	16,421
Cash and cash equivalents	4,818	-	4,818
Trade and other payables	(69,062)	-	(64,073)
Interest bearing loans and borrowings	(40,180)	-	(45,169)
Deferred tax liabilities	(762)	(762)	-
Other borrowings	(16,290)	-	(16,290)
Net identifiable assets and liabilities	74,016	56	73,960
Goodwill on acquisition	67,053		
Total purchase price consideration	141,069		
Satisfied by			
Cash	125,655		
Other payables	15,414		
	141,069		
Cash and Cash equivalents acquired	(4,818)		
Cash consideration paid	125,655		
Net cash outflow	120,837		

Goodwill has arisen on the acquisition of YDM because of its well established market and strong customer network in the Guangdong region.

In accordance with IFRS 3 "Business Combinations" the carrying amounts of identifiable assets and liabilities acquired should be adjusted when, subsequent to acquisition, additional evidence becomes available to assist with the estimation of the amounts assigned to those identifiable assets and liabilities when the acquisition was initially accounted for. Such adjustment should be made by the end of the first annual accounting period commencing after acquisition.

12. Pledged bank deposits

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group.

13. Interest bearing loans and borrowings

(a) The analysis of the carrying amount of interest bearing loans and borrowings is as follows:

	31 December 2006 US\$'000 (unaudited)	31 March 2006 US\$'000 (audited)
Current portion:		
Bank borrowings	42,124	16,055
Non-current portion:		
Bank borrowings	30,635	-
	72,769	16,055

The bank borrowings are denominated in RMB and carried at fixed interest rates ranging from 5.022% to 6.03% per annum while the repayment periods are between January 2007 and June 2009. Part of the bank borrowings are secured by the Group's property, plant and equipment with carrying value of US\$22,075,000 at 31 December 2006.

At 31 December 2006, guarantees of US\$67,700,000 (RMB530,000,000) are provided by a third party in favour of banks in respect of banking facilities granted to the Group.

14. Other borrowings

Other borrowings are unsecured, interest free and repayable on 31 March 2009.

15. Reserves

(a) Share premium

The application of the share premium account and the capital redemption reserve is governed by Section 39 of Companies (Jersey) Law 1991. The amount of expenses netted off against the share premium account was US\$18,450,000 (Advisory fees: US\$3,208,000, Accountant's fees: US\$1,662,000, legal fees: US\$2,001,000, sponsor fees: US\$11,551,000 and others of US\$28,000)

(b) Statutory reserves

Transfer from retained earnings to statutory reserve has been made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiary incorporated in the PRC and was approved by the subsidiary's board of directors.

(i) Statutory surplus reserve

The subsidiary in the PRC is required to transfer 10% of their net profit, as determined in accordance with the PRC accounting rules and regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

(ii) Enterprise development fund

The subsidiary in the PRC is required to transfer 5% of its net profit, as determined in accordance with the PRC accounting rules and regulations, to the enterprise development fund. This fund can

only be utilised on capital items for the collective benefits of the subsidiary's employees such as the construction of dormitories, canteen and other staff welfare facilities. This fund is non-distributable other than on liquidation. The transfer to this fund must be made before distribution of a dividend to shareholders.

(c) Merger reserve

The Company was incorporated during the period and became the holding company of the Group. The excess of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in exchange under the combination was transferred to merger reserve.

(d) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

16. Commitments

(a) On 28 June 2006, the Board unanimously approved to proceed with an acquisition in relation to the purchase of 80,000,000 shares of Anhui Chaodong Cement Company Limited at RMB2.38 per share. The Company has been requested by the relevant Chinese authority to improve the offer of the acquisition and has given an indication that an increase of RMB0.10 per share to RMB2.48 per share should satisfy all parties concerned. On 6 November 2006, the Board approved the improved offer for RMB2.48 per share.

The State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Commerce gave their approvals for the acquisition of Anhui Chaodong Cement Company Limited on 29 November 2006 and 28 December 2006 respectively. The Company is waiting for the approval from the China Securities Regulatory Commission.

In addition, the Company has committed to invest a total of RMB37,500,000 (equity contribution) in two joint venture companies with Anhui Chaodong Cement Company Limited.

(b) In November 2006, the Company has approved YDM to commence a residual heat electricity generation installation project with a total capital expenditure of about RMB187,000,000. The construction is expected to be completed in the fiscal year of 2008.

17. Material related party transactions

On 13 April 2006, a wholly owned subsidiary of the Company acquired 25% of the equity interest of YDM from a fellow subsidiary for a consideration of GBP25,000,000.

18. Contingent liabilities

At 31 March 2006, the Group had contingent liabilities in respect of guarantees of US\$103,000,000 given to banks to secure facilities granted to a related party of the Group. The guarantees have been released during the period and the Group had no other contingent liabilities at 31 December 2006.

19. Share option scheme

The Group has established a discretionary share option scheme. As of 31 December 2006, no share options have been awarded under the scheme

20. Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ending 31 March 2007

Up to the date of issue of this quarterly financial report, the International Accounting Standards Board has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 March 2007 and which have not been adopted in this quarterly financial report.

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

IFRS 7, Financial instruments: disclosures	Effective for accounting periods beginning on or after 1 January 2007
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Capital disclosures

The Group is in the process of making an assessment of the impact of these amendments, new standards and new interpretations expected in the period of initial application. As of 31 December 2006, it has concluded that while the adoption of them may result in new or amended disclosures, it is unlikely to have a significant impact on the Group's results of operations and financial position.

21. Quarterly financial report

Copies of this quarterly financial report will be circulated to the shareholders on or around 13 March 2007.