



11 December 2007

Prosperity Minerals Holdings Limited

Financial results for the second quarter and first half ended 30 September 2007

Prosperity Minerals Holdings Limited (“Prosperity”, or “the Company” or “the Group”), which operates a cement manufacturing business in the People’s Republic of China (“PRC”) and an iron ore trading business serving the same market, today announces its results for the three months and six months ended 30 September 2007. All figures are expressed in US dollars unless otherwise stated.

Highlights for the second quarter and current trading:

- Revenue up 40% to US\$104 million (2006: US\$74.4m)
- EBITDA up 91% to US\$14.9 million (2006: US\$7.8m)
- Profit before tax up 115% to US\$11.2 million (2006: US\$5.2m)
- Interim dividend of 6 cents per ordinary share (2006: 6 cents per share)
- Demand for cement and iron ore in the PRC remains strong
- Anhui Chaodong expansion plans on track
- Results for the current financial year in line with market expectations

Group financial summary

US\$ million	Three months ended 30 September		% change	Six months ended 30 September		% change
	2007	2006		2007	2006	
Revenue	104.0	74.4	+40%	208.4	164.8	+26%
EBITDA	14.9	7.8	+91%	33.5	24.5	+37%
Profit from operations	9.2	5.0	+84%	17.6	15.6	+13%
Profit before tax	11.2	5.2	+115%	24.7	20.8	+19%
Dividend (per share)				6 cents (proposed)	6 cents	-

An interim dividend of 6 cents per ordinary share is being proposed which is covered 3.04 times by basic and diluted earnings. It is payable on 25 January 2008 to ordinary shareholders on the Company’s register at the close of business on 21 December 2007. The ex-dividend date is 19 December 2007.

Management review and analysis

(i) Cement Operations

	Three months ended 30 September		% change	Six months ended 30 September		% change
	2007	2006		2007	2006	
Segment results* (US\$ million)	5.7	5.5	+4%	9.6	10.1	-5%
Share of profits of associates (US\$ million)	3.1	0.6	+417%	6.8	1.1	+518%
Tonnage sold at YDM (‘000 tonnes)						
- cement	695	759	-8%	1,529	1,197	+28%
- clinker	464	680	-32%	1,188	1,337	-11%

* Segment results: operating profit before unallocated income and expenses

- The Group’s principal market, Guangdong Province, experienced a hot and dry summer during July and August, which provided an excellent environment for the cement market. Demand was strong with cement prices continuing to increase. However, the hot weather also increased the demand for electricity in the Province while the shortage of rain water negatively affected hydro-electricity generation plants in northern Guangdong Province. The net effect was temporary electricity shortages, affecting all factories in Guangdong
- In addition, the demand for coal in Guangdong and the PRC was robust which led to further price increases

Yingde Dragon Mountain Cement Company Limited (“YDM”)

- At YDM, the residual heat electricity generation unit was commissioned on 8 September 2007. However, the testing period for the unit, together with the temporary electricity shortages in Guangdong Province, necessitated the temporary closure of some of YDM’s production lines during the period under review. Going forward, the residual heat electricity generation unit will provide an annual saving of about \$8 million and will help to decrease the effect of any electricity shortages and the rising cost of coal. This will provide YDM with a competitive advantage over other cement factories in the Province
- Segment results
 - Three months ended 30 September 2007: 4% higher at \$5.7 million (2006: \$5.5 million)
 - Six months ended 30 September 2007: 5% lower at \$9.6 million (2006: 10.1 million)

Prosperity Conch Cement Company Limited (“PCC”)

- During the period under review, although also being affected by electricity shortages in Guangdong Province, all clinker lines and cement grinding mills at PCC otherwise operated at capacity

- PCC continues to perform well

Anhui Chaodong Cement Company Limited (“ACC”)

- Construction of the first new clinker line at Chao Hu is on schedule and is expected to be completed by end of the calendar year of 2008
- ACC performed in line with management’s expectations

(ii) Iron Ore Trading

	Three months ended 30 September		% change	Six months ended 30 September		% change
	2007	2006		2007	2006	
Segment results* (US\$ ‘000)	7,831	1,908	+310%	14,579	9,153	+59%
Volume (‘000 tonnes)	1,036	667	+55%	1,881	1,732	+9%
Segment results per tonne (US\$)	7.6	2.9	+162%	7.8	5.3	+47%

* Segment results: operating profit before unallocated income and expenses

- The Company successfully improved its profit and profit margin by sourcing iron ore from suppliers in South East Asian countries, which are geographically closer to the PRC and is actively seeking new sources in the same region
- Shipments from Thailand are doing well and experienced a near four-fold increase in year-on-year tonnage for the six months ended 30 September 2007
- Prosperity continues to work at streamlining the logistics and supply chain for iron ore sourced from Malaysia and remains positive about its potential
- The Company completed one shipment from Brazil during the three months ended 30 September 2007
- Shipments from South Africa decreased year-on-year by 6% for the six months ended 30 September 2007

Current Trading and Prospects

- Demand for cement in the PRC remains strong with prices maintaining their upward trend. The cement price is expected to continue to increase when the cement market enters its high season in the next quarter
- Demand for coal is also expected to strengthen, particularly during the winter months. However, cement in Guangdong Province is also entering its high season in the coming quarter and management believes it will be able to pass on the increase in coal prices to consumers

- The successful commissioning of the residual heat electricity generation unit at YDM on 8 September 2007 and the increase in cement prices provides a positive trading outlook for YDM
- The residual heat electricity generation unit at PCC is expected to be commissioned early in 2008. This is expected to further improve PCC's performance
- Construction of the two new projects at ACC, Chao Hu and Liu An, are on schedule and the first clinker production line at Chao Hu is expected to be completed by end of the 2008 calendar year. This should increase the saleable output of cement and clinker by 2 million tonnes per annum
- The Company continues to assess future growth opportunities for its cement operations in the PRC
- Prosperity continues to benefit from its diversified iron ore supply in locations closer to the PRC and will continue in its efforts to increase its iron ore supply from South East Asian countries
- High freight rates during the period under review will continue to affect the profit margin on long distance supply from South Africa and Brazil. However, this also tends to drive up the spot price for iron ore in the PRC which favours our short distance supply
- Prosperity continues to assess the acquisition of iron ore mining assets in South East Asian countries
- Management believes the demand for iron ore in the PRC will remain strong
- The Group's results for the current financial year to 31 March 2008 are expected to be in line with market expectations

Notes:

The average exchange rate for the three months ended 30 September 2007 and the three months ended 30 September 2006 were \$1 = RMB7.5767 and RMB7.9724 respectively and on 30 September 2007 it was \$1 = RMB7.5462

The average exchange rate for the six months ended 30 September 2007 and the six months ended 30 September 2006 were \$1 = RMB7.6357 and RMB7.9953 respectively.

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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, has a 25% interest in PCC, and a 33.06% interest in Anhui Chaodong. YDM and PCC cement plants, where construction was completed last year, employ modern suspension pre-heater dry processing and are located on adjacent sites in Guangdong Province in the south east of the country. ACC is located in Anhui Province in eastern PRC.

The design sellable output capacity of the clinker* and cement plant at YDM is 5.9 million tonnes per annum, PCC is 7.9 million tonnes per annum, and ACC is 2.8 million tonnes per annum. Anhui Conch Cement Company Limited, being the largest cement operator in China, also owns 75% of PCC and 16.28% of ACC respectively.

The iron ore trading business has been operating since 1992 and sources iron ore from international market places for shipment and use in the PRC. Prosperity sources its iron ore from one of the principal international iron ore suppliers in South Africa, as well as from Thailand and Malaysia. The majority of the Company's iron ore is sold to the large steel manufacturers in the PRC and, in the fiscal year ended 31 March 2007, Prosperity shipped 3.2 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 calcinations of limestone and clays. It is then ground and mixed with gypsum to form cement or, more correctly, Portland Cement.

Prosperity Minerals Holdings Limited

Interim financial report

Consolidated income statement for the three and six months ended 30 September 2007

	Note	For the three months ended 30 September		For the six months ended 30 September	
		2007 US\$'000 (unaudited)	2006 US\$'000 (unaudited)	2007 US\$'000 (unaudited)	2006 US\$'000 (unaudited)
Revenue		104,049	74,407	208,437	164,808
Cost of sales		(90,536)	(66,798)	(183,768)	(146,925)
Gross Profit		13,513	7,609	24,669	17,883
Other operating income	4	653	898	900	3,174
Distribution expenses		(677)	(1,120)	(1,372)	(1,771)
Administrative expenses		(4,242)	(2,391)	(6,571)	(3,669)
Profit from operations		9,247	4,996	17,626	15,617
Finance costs		(1,346)	(1,014)	(4,082)	(2,493)
Finance income		199	610	452	2,710
Non-operating income	5	-	-	-	3,944
Negative goodwill from acquisition of an associate		-	-	3,831	-
Share of profits of associates		3,091	639	6,849	1,060
Profit before taxation		11,191	5,231	24,676	20,838
Income tax	6	(714)	(211)	(1,142)	(301)
Profit for the period		10,477	5,020	23,534	20,537
Earnings per share					
Basic and diluted	8	8.12 cents	3.89 cents	18.24 cents	19.27 cents

The accompanying notes form part of this interim financial report.

Prosperity Minerals Holdings Limited

Consolidated balance sheet at 30 September 2007

	Note	30 September 2007 US\$'000 (unaudited)	31 March 2007 US\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	165,728	148,226
Mining rights	10	17,089	17,330
Lease prepayments		15,211	15,045
Interests in associates	11	61,986	22,455
Goodwill		36,828	36,828
		<u>296,842</u>	<u>239,884</u>
Current assets			
Inventories		8,179	10,635
Trade and other receivables		77,937	67,517
Pledged deposits	12	4,777	2,724
Cash and cash equivalents		21,948	51,320
		<u>112,841</u>	<u>132,196</u>
Current liabilities			
Interest bearing loans and borrowings	13	33,012	45,718
Trade and other payables		76,799	71,482
Income tax payable		718	1,307
		<u>110,529</u>	<u>118,507</u>
Net current assets		<u>2,312</u>	<u>13,689</u>
Total assets less current liabilities		<u>299,154</u>	<u>253,573</u>

Prosperity Minerals Holdings Limited

Consolidated balance sheet at 30 September 2007 (continued)

	Note	30 September 2007 US\$'000 (unaudited)	31 March 2007 US\$'000 (audited)
Non-current liabilities			
Interest bearing loans and borrowings	13	77,238	29,712
Long-term payables	14	-	13,578
Deferred tax liabilities		2,243	2,199
		<hr/>	<hr/>
		79,481	45,489
		<hr/>	<hr/>
Net assets		<hr/>	<hr/>
		219,673	208,084
		<hr/>	<hr/>
Capital and reserves			
Share capital		2,351	2,351
Retained earnings		42,631	34,584
Other reserves		174,691	171,149
		<hr/>	<hr/>
Total equity		<hr/>	<hr/>
		219,673	208,084
		<hr/>	<hr/>

The accompanying notes form part of this interim financial report.

Prosperity Minerals Holdings Limited

Consolidated statement of changes in equity
for the six months ended 30 September 2007 - unaudited

	Share capital US\$'000	Share premium US\$'000 <i>Note 15(a)</i>	Statutory reserves US\$'000 <i>Note 15(b)</i>	Merger reserve US\$'000 <i>Note 15(c)</i>	Exchange reserve US\$'000 <i>Note 15 (d)</i>	Capital reserve US\$'000 <i>Note 15 (e)</i>	Retained earnings US\$'000	Total US\$'000
At 1 April 2006	13	-	-	-	-	-	4,921	4,934
Issue of shares net of expenses	1,415	189,624	-	-	-	-	-	191,039
Profit for the period	-	-	-	-	-	-	20,537	20,537
Removal of share capital of Pro-Rise Business Limited from aggregation	(13)	-	-	-	-	-	-	(13)
Acquisition of subsidiaries	936	-	-	(26,918)	-	-	-	(25,982)
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	668	-	-	668
Dividend paid to ex-equity shareholder	-	-	-	-	-	-	(4,921)	(4,921)
At 30 September 2006	2,351	189,624	-	(26,918)	668	-	20,537	186,262
Transfer to statutory reserves	-	-	1,749	-	-	-	(1,749)	-
Profit for the period	-	-	-	-	-	-	23,539	23,539
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	2,858	-	-	2,858
Interim dividend paid	-	-	-	-	-	3,168	(7,743)	(4,575)
At 31 March 2007	2,351	189,624	1,749	(26,918)	3,526	3,168	34,584	208,084
Profit for the period	-	-	-	-	-	-	23,534	23,534
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	3,542	-	-	3,542
Final dividend paid	-	-	-	-	-	--	(15,487)	(15,487)
At 30 September 2007	2,351	189,624	1,749	(26,918)	7,068	3,168	42,631	219,673

Prosperity Minerals Holdings Limited

Consolidated cash flow statement for the six months ended 30 September 2007

	30 September 2007 US\$'000 (unaudited)	30 September 2006 US\$'000 (unaudited)
Operating activities		
Profit before taxation	24,676	20,838
Adjustments for:		
-Non-operating income	-	(3,944)
-Negative goodwill from acquisition of an associate	(3,831)	-
-Depreciation	4,265	3,239
-Amortisation	911	600
-Finance costs	4,082	2,493
-Finance income	(452)	(2,710)
-Share of profits of associates	(6,849)	(1,060)
Operating profit before changes in working capital	22,802	19,456
Decrease/(increase) in inventories	2,456	(1,206)
Increase in trade and other receivables	(10,420)	(29,824)
Decrease in other financial assets	-	1,000
Increase in trade and other payables	3,634	19,738
Cash generated from operations	18,472	9,164
Receipt of government grant	-	3,944
Tax paid	(1,775)	(18)
Net cash generated from operating activities	16,697	13,090
Investing activities		
Interest received	307	779
Payment for purchase of property, plant and equipment	(16,153)	(5,637)
Acquisition of an associate	(28,165)	(18,088)
Acquisition of a subsidiary	-	(120,837)
Net cash used in investing activities	(44,011)	(143,783)

Prosperity Minerals Holdings Limited

Consolidated cash flow statement for the six months ended 30 September 2007
(continued)

	30 September 2007 US\$'000 (unaudited)	30 September 2006 US\$'000 (unaudited)
Financing activities		
(Increase)/decrease in pledged deposits	(2,053)	4,222
Proceeds from bank and other borrowings	112,528	25,145
Repayment of bank and other borrowings	(79,527)	(37,267)
Repayment of long-term payables	(15,171)	-
Interest paid	(2,493)	(2,493)
Dividend paid	(15,487)	(4,921)
Exchange gain	145	1,931
Proceeds from issue of new shares, net of expenses	-	191,039
Net cash (used in)/generated from financing activities	(2,058)	177,656
Net (decrease)/increase in cash and cash equivalents	(29,372)	46,963
Cash and cash equivalents at 1 April	51,320	4,633
Cash and cash equivalents at 30 September	21,948	51,596

Prosperity Minerals Holdings Limited

Notes to the interim 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 and there have been no further issues of shares since the Placing.

2 Significant accounting policies

(a) Statement of compliance

The interim financial report has been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRSs”) and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting.

The interim financial report contains 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 since the annual financial statements for the twelve month period ended 31 March 2007. The interim financial report and notes thereon do not include all of the information required for full annual financial statements prepared in accordance with IFRSs.

(b) Basis of measurement

The interim financial report is presented in United States dollars, rounded to the nearest thousand. It is prepared on the historical cost basis.

The preparation of the interim financial report in conformity with IAS 34, Interim Financial Reporting, requires management to make judgments, 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 interim financial report for the six months ended 30 September 2007 is unaudited but has been reviewed by the Audit Committee and approved by the Board on 1 December 2007.

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

There are no sales between the business segments.

	<i>Three months ended 30 September</i>					
	<i>2007</i>			<i>2006</i>		
	Trading of iron ore US\$'000	Manufacture and sale of cement US\$'000	Total US\$'000	Trading of iron ore US\$'000	Manufacture and sale of cement US\$'000	Total US\$'000
Revenue from external customers	72,390	31,659	104,049	44,380	30,027	74,407
Other revenue from external customers	115	538	653	566	332	898
Total	72,505	32,197	104,702	44,946	30,359	75,305
Segment result	7,831	5,658	13,489	1,908	5,479	7,387
Unallocated operating income and expenses			(4,242)			(2,391)
Profit from operations			9,247			4,996
Finance costs			(1,346)			(1,014)
Finance income			199			610
Share of profits of associates			3,091			639
Income tax expense			(714)			(211)
Profit for the period			10,477			5,020

	<i>Six months ended 30 September</i>					
	<i>2007</i>			<i>2006</i>		
	Trading of iron ore US\$'000	Manufacture and sale of cement US\$'000	Total US\$'000	Trading of iron ore US\$'000	Manufacture and sale of cement US\$'000	Total US\$'000
Revenue from external customers	139,483	68,954	208,437	112,479	52,329	164,808
Other revenue from external customers	321	579	900	1,062	2,112	3,174
Total	139,804	69,533	209,337	113,541	54,441	167,982
Segment result	14,579	9,618	24,197	9,153	10,133	19,286
Unallocated operating income and expenses			(6,571)			(3,669)
Profit from operations			17,626			15,617
Finance costs			(4,082)			(2,493)
Finance income			452			2,710
Share of profits of associates			6,849			1,060
Negative goodwill from acquisition of an associate			3,831			-
Non-operating income			-			3,944
Income tax expense			(1,142)			(301)
Profit for the period			23,534			20,537

4 Other operating income

	<i>Three months ended 30 September</i>		<i>Six months ended 30 September</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	US\$'000	US\$'000	US\$'000	US\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Demurrage income	107	489	229	954
Despatch and delivery income	-	78	84	109
Subsidy income – tax refund	-	118	-	1,898
Others	546	213	587	213
	<u>653</u>	<u>898</u>	<u>900</u>	<u>3,174</u>

5 Non-operating income

The Group was awarded a government grant of US\$3,944,000 during the period ended 30 September 2006.

6 Income tax

- (i) No provision for Hong Kong Profits Tax is made for both periods as the Group did not earn any income which is subject to Hong Kong Profits Tax.
- (ii) Prosperity Minerals Macao Commercial Offshore Limited (“PMMCO”) was incorporated in Macao as an offshore limited company and is exempted from income tax in Macao under Decree Law No. 58/99/M.
- (iii) Yingde Dragon Mountain Cement Company Limited (“YDM”) was a sino-foreign enterprise and changed to a foreign-owned enterprise in 2006. Pursuant to relevant tax laws of the People’s Republic of China (“PRC”), YDM is entitled to exemption from the PRC income tax for the first period/year and second year and a 50% relief for the next three years resulting in a 15% income tax rate, commencing from the first profit-making period/year of operations. Accordingly, the income tax rate is 0% for the third quarter of 2006 as this was the second profit-making year. Therefore, in the third quarter of 2007, the tax rate applicable to YDM is 15%.
- (iv) On 16 March 2007, the Fifth Plenary Session of the Tenth National People’s Congress passed the Corporate Income Tax Law of the PRC (“new tax law”) which will take effect on 1 January 2008. As a result of the new tax law, it is expected that the income tax rate applicable to YDM will be reduced from 33% to 25% after the five-year tax holidays as mentioned in (iii) above.

7 Dividend

Dividends attributable to the interim period

	<i>30 September</i> 2007 US\$'000 (unaudited)	<i>30 September</i> 2006 US\$'000 (unaudited)
Interim dividend declared and paid after the interim period of US\$6 cents per share (30 September 2006: US\$6 cents per share)	7,743	7,743

The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

Final dividend in respect of the previous financial year, approved and paid during the year of US\$12 cents per share (31 March 2006: US\$9 cents per share)

	15,487	4,921
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8 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company divided by the weighted average number of shares in issue during the period, calculated as follows:

	<i>Three months</i> <i>ended 30 September</i>		<i>Six months</i> <i>ended 30 September</i>	
	2007 US\$'000 (unaudited)	2006 US\$'000 (unaudited)	2007 US\$'000 (unaudited)	2006 US\$'000 (unaudited)
Profit attributable to equity shareholders	10,477	5,020	23,534	20,537
Weighted average number of ordinary shares	129,056,390	129,056,390	129,056,390	106,552,242

Basic earnings per share	8.12 cents	3.89 cents	18.24 cents	19.27 cents
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8 Earnings per share (continued)

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in existence during the periods ended 30 September 2007 and 30 September 2006.

9 Property, plant and equipment

Acquisitions

During the six months ended 30 September 2007, the Group acquired items of property, plant and equipment with cost of US\$17,996,000.

10 Mining rights

Mining rights are amortised from the date they are available for use and over the estimated useful life is 20 years. The amortisation charge for the period is included in “cost of sales” in the consolidated income statement.

11 Interests in associates

On 1 June 2007, the Group acquired 80,000,000 non-tradable ordinary shares which represented the then 40% equity interest in Anhui Chaodong Cement Company Limited (“Chaodong”), a company listed on the Shanghai Stock Exchange of the PRC, at a consideration of RMB198,400,000 (US\$25,436,000).

On 4 July 2007, the Ministry of Commerce approved the Share Reform of Chaodong. Pursuant to the Share Reform, the non-tradable shares held by the Group were converted into tradable share but an additional 42,000,000 ordinary shares were issued to existing tradable shareholders on 16 July 2007. As a result, the Group’s interest in Chaodong was diluted from 40% to 33.06%.

12 Pledged deposits

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

13 Interest bearing loans and borrowings

The analysis of the carrying amount of interest bearing borrowings is as follows:

	<i>30 September</i> 2007 US\$'000 (unaudited)	<i>31 March</i> 2007 US\$'000 (audited)
Bank loans		
Within 1 year or on demand	27,923	45,718
Over 1 year but less than 3 years	77,238	29,712
	<hr/> 105,161	<hr/> 75,430
Others – within 1 year	<hr/> 5,089	<hr/> -
	<hr/> <hr/> 110,250	<hr/> <hr/> 75,430

At 30 September 2007, the bank and other loans have interest rates ranging from 6% to 7% (31 March 2007: 3% to 7%) per annum.

14 Long-term payables

Long-term payables are unsecured, interest free and repayable on or before 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.

(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 respective board of directors.

(i) Statutory surplus reserve

The subsidiary in the PRC is required to transfer 10% of its 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 excess of the consolidated net assets represented by the shares in subsidiaries 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.

(e) Capital reserve

The capital reserve represents the dividend declared and waived by certain shareholders.

16 Commitments

Capital commitments of the Group outstanding at 30 September 2007 not provided for in the interim financial report are as follows:

	30 September 2007 US\$'000 (unaudited)	31 March 2007 US\$'000 (audited)
Contracted for	-	11,038

17 Share options scheme

The Group has established a discretionary share options scheme. At 30 September 2007, no share options have been awarded under the scheme.

On 9 October 2007, certain directors and employees of the company have been granted options over ordinary shares of 1p each. In total, 8,230,000 options have been granted for nil consideration with an exercise price of 160p. All these options are exercisable from 9 October 2009 to 9 October 2017 and are subject to certain performance conditions to be agreed by the Company's remuneration committee in due course.

18 Material related party transactions

Other than the transactions and balance disclosed elsewhere in the interim financial report, the Group does not have other material related party transaction.

19 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ended 30 September 2007

Up to the date of issue of this interim 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 ended 30 September 2007 and which have not been adopted in this interim financial report.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact of the Group's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the interim financial report.

*Effective for
accounting periods
beginning on or after*

IFRS 8: Operating segments	1 January 2009
IAS 23 (revised): Borrowing costs	1 January 2009
IAS 1 (revised): Presentation of financial statements	1 January 2009