



14 April 2008

Prosperity Minerals Holdings Limited

Financial results for the third quarter ended 31 December 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 nine months ended 31 December 2007. All figures are expressed in US dollars unless otherwise stated.

Highlights for the third quarter and current trading:

- 120% increase in revenue to US\$174.8 million (2006: US\$79.3 million)
- 66% increase in EBITDA to US\$30.6 million (2006: US\$18.4 million)
- 67% increase in profit before tax to US\$25.5 million (2006: US\$15.3 million)
- Demand for cement and iron ore in the PRC remains strong
- Four cement expansion plans are underway which will increase the designed saleable output of cement and clinker under Prosperity’s control or influence (including the equity interests of partners) by 80% to 30 million tonnes per annum by the end of 2009
- Results for the current financial year will be in line with market expectations

Group financial summary

US\$ million	Three months ended 31 December		% change	Nine months ended 31 December		% change
	2007	2006		2007	2006	
Revenue	174.8	79.3	+120%	383.3	244.1	+57%
EBITDA	30.6	18.4	+66%	64.1	42.9	+49%
Profit from operations	19.8	15.1	+31%	37.4	30.7	+22%
Profit before tax	25.5	15.3	+67%	50.2	36.2	+39%

Management review and analysis

(i) Cement Operations

	Three months ended 31 December		% change	Nine months ended 31 December		% change
	2007	2006		2007	2006	
Segment results* (US\$ million)	17.8	11.4	+56%	27.4	21.6	+26.9%
Share of profits of associates (US\$ million)	7.9	1.5	+427%	14.7	2.5	+488%

* Segment results: operating profit before unallocated administrative income and expenses

Yingde Dragon Mountain Cement Company Limited (“YDM”)

- Segment results:
 - Three months ended 31 December 2007: 56% higher at \$17.8 million (2006: \$11.4 million)
 - Nine months ended 31 December 2007: 27% higher at \$27.4 million (2006: \$21.6 million)
- Demand for cement and clinker remained strong during the period under review
- The residual heat electricity generation units at YDM operated smoothly and further improved the gross profit margin in line with management’s expectations

Prosperity Conch Cement Company Limited (“PCC”)

- PCC operated at full capacity during the period under review
- Strong demand for cement led to a very good performance from PCC during the three months ended 31 December 2007
- PCC’s operations continue to perform well

Anhui Chaodong Cement Company Limited (“ACC”)

- ACC performed in line with management’s expectations

(ii) Iron Ore Trading

	Three months ended		% change	Nine months ended		% change
	31 December			31 December		
	2007	2006		2007	2006	
Segment results* (US\$ million)	7.1	6.1	+16%	21.7	15.2	+43%
Volume (million tonnes)	1.06	0.61	+73%	2.9	2.3	+26%
Segment results per tonne (US\$)	6.7	10.0	-33%	7.5	6.6	+14%

* Segment results: operating profit before unallocated administrative income and expenses

- The Company continues to benefit from sourcing iron ore from suppliers in South East Asian countries, which are geographically closer to the PRC and management is actively seeking new sources in the same region
- Shipments from Thailand in the nine months ended 31 December 2007 increased by 284%
- Shipments from South Africa during the nine months ended 31 December 2007 were up by 10% compared to the same period last year
- Prosperity completed one shipment from Brazil during the three months ended 31 December 2007 whereas there were no shipments from Brazil during the same period the previous year. This shipment decreased the average segment results per tonne but increased overall profit
- Prosperity continues to work at streamlining the logistics and supply chain for iron ore sourced from Malaysia and remains positive about its potential

Current Trading and Prospects

- Demand for cement and clinker in the PRC remains strong, as a result pricing has been firm during the period
- The demand for coal is also strong and consequently prices have risen. This has been exacerbated by high seasonal demand and the severe snow storms in the PRC from mid-January to mid-February 2008. Coal is the main source of energy in cement manufacture and its cost remains an issue for all cement operators in the PRC. Prosperity, however, is working hard to protect its margins
- Electricity supply in Guangdong Province was also affected by the severe snow storms. Guizhou Province and Hunan Province in central PRC normally supply electricity to Guangdong Province. These two provinces were severely affected by the storms to the extent that Guangdong Province had to export electricity to the two provinces during the affected time period. Normality was restored to the electricity supply in Guangdong Province in mid-March 2008. Due to the benefits of the residual heat electricity generation units at YDM, all three clinker production lines remained operational during this time, although some of the cement grinding facilities had to be temporarily switched off. Normal operations resumed at YDM in mid-March
- At PCC, the first residual heat electricity generating unit was commissioned on 31 March 2008 and the second unit is expected to be commissioned in May 2008. Production of cement and clinker at PCC was also affected by the electricity shortage as well as the installation and testing required for the residual heat electricity generation units. The units are expected to further improve PCC's performance

- Construction of the two new projects at ACC, Chao Hu and Liu An, were also affected by the severe snow storms. However, these remain on schedule with the first clinker production line at Chao Hu expected to be completed by the end of 2008. This should increase the saleable output of cement and clinker of ACC by 2 million tonnes per annum to 4.8 million tonnes per annum
- Prosperity is benefiting from its diversified iron ore supply sourced from locations close to the PRC and management intends to increase the proportion of its iron ore supply from South East Asian countries
- 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 and the new iron ore contract price agreed between Brazil's Vale and the large steel mills in the PRC for the next financial year is not expected to have a negative impact on the profitability of Prosperity's iron ore operation
- Prosperity is currently investigating the possibility of selecting an appropriate market for a dual listing of its shares in order to increase value for shareholders
- The Group's results for the current financial year to 31 March 2008 will be in line with market expectations
- The Company plans to return to semi-annual results announcements after the release of its annual results for the year ending 31 March 2008

Update on Cement Expansion Plans

- As previously announced, the Company is undertaking four new cement expansion plans which will increase the designed saleable production capacity of cement and clinker under its control or influence (including the equity interests of partners) by 80% to 30 million tonnes per annum by the end of 2009. These are all situated near the capital cities of the respective provinces in which they are located and are aimed at strategically positioning Prosperity to take advantage of markets in Northern and South Western China. Details of the Company's cement expansion plans are set out in the previous release dated 10 March 2008
- Further to the Company's cement expansion plans previously announced, Prosperity paid RMB38 million (approximately USD5.3 million) on 7 April 2008 for the acquisition of 80% interest in Star Home Limited and thereby obtaining an effective 40% interest in K. Wah Nanfang Cement Limited ("the Guangzhou Company"). The Guangzhou Company owns a cement grinding facility in Guangzhou City, Guangdong Province. The next payment of RMB47 million (approximately USD6.6 million) is payable upon government approval for two new grinding mills
- The Company has made significant progress in arranging finance for its cement expansion plans and further announcements will be made as appropriate

Notes:

The average exchange rate for the three months ended 31 December 2007 and the three months ended 31 December 2006 were \$1 = RMB7.3850 and RMB7.8340 respectively and on 31 December 2007 it was \$1 = RMB7.3141

The average exchange rate for the nine months ended 31 December 2007 and the nine months ended 31 December 2006 were \$1 = RMB7.5733 and RMB7.9543 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 designed 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 to 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

Quarterly financial report

Consolidated income statement for the three and nine months ended 31 December 2007

	Note	For the three months ended 31 December		For the nine months ended 31 December	
		2007 US\$'000 (unaudited)	2006 US\$'000 (unaudited)	2007 US\$'000 (unaudited)	2006 US\$'000 (unaudited)
Revenue		174,841	79,305	383,278	244,113
Cost of sales		<u>(150,267)</u>	<u>(62,186)</u>	<u>(334,035)</u>	<u>(209,111)</u>
Gross profit		24,574	17,119	49,243	35,002
Other operating income	4	895	778	1,795	3,952
Distribution expenses		(599)	(378)	(1,971)	(2,149)
Administrative expenses		<u>(5,095)</u>	<u>(2,406)</u>	<u>(11,666)</u>	<u>(6,075)</u>
Profit from operations		19,775	15,113	37,401	30,730
Finance costs		(2,523)	(1,608)	(6,605)	(4,101)
Finance income		396	368	848	3,078
Non-operating income	5	-	-	-	3,944
Negative goodwill from acquisition of an associate		-	-	3,831	-
Share of profits of associates		<u>7,857</u>	<u>1,463</u>	<u>14,706</u>	<u>2,523</u>
Profit before taxation		25,505	15,336	50,181	36,174
Income tax	6	<u>(2,207)</u>	<u>(293)</u>	<u>(3,349)</u>	<u>(594)</u>
Profit for the period		<u>23,298</u>	<u>15,043</u>	<u>46,832</u>	<u>35,580</u>
Earnings per share					
Basic	8	<u>18.05 cents</u>	<u>11.66 cents</u>	<u>36.29 cents</u>	<u>31.19 cents</u>
Diluted	8	<u>18.02 cents</u>	<u>11.66 cents</u>	<u>36.28 cents</u>	<u>31.19 cents</u>

The accompanying notes form part of this quarterly financial report.

Prosperity Minerals Holdings Limited

Consolidated balance sheet at 31 December 2007

	Note	31 December 2007 US\$'000 (unaudited)	31 March 2007 US\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	170,098	148,226
Mining rights	10	17,193	17,330
Lease prepayments		15,459	15,045
Interests in associates	11	71,260	22,455
Goodwill		<u>36,828</u>	<u>36,828</u>
		310,838	239,884
		-----	-----
Current assets			
Inventories		7,408	10,635
Trade and other receivables		112,734	67,517
Pledged deposits	12	4,283	2,724
Cash and cash equivalents		<u>30,490</u>	<u>51,320</u>
		154,915	132,196
		-----	-----
Current liabilities			
Interest bearing loans and borrowings	13	37,214	45,718
Trade and other payables		107,339	71,482
Income tax payable		<u>2,255</u>	<u>1,307</u>
		146,808	118,507
		-----	-----
Net current assets		<u>8,107</u>	<u>13,689</u>
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Total assets less current liabilities		<u>318,945</u>	<u>253,573</u>
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Prosperity Minerals Holdings Limited

Consolidated balance sheet at 31 December 2007 (continued)

	Note	31 December 2007 US\$'000 (unaudited)	31 March 2007 US\$'000 (audited)
Non-current liabilities			
Interest bearing loans and borrowings	13	76,610	29,712
Long-term payables	14	-	13,578
Deferred tax liabilities		<u>2,281</u>	<u>2,199</u>
		78,891	45,489
		<u>-----</u>	<u>-----</u>
Net assets		<u>240,054</u>	<u>208,084</u>
		<u>=====</u>	<u>=====</u>
Capital and reserves			
Share capital		2,351	2,351
Retained earnings		56,021	34,584
Other reserves		<u>181,682</u>	<u>171,149</u>
Total equity		<u>240,054</u>	<u>208,084</u>
		<u>=====</u>	<u>=====</u>

The accompanying notes form part of this quarterly financial report.

Prosperity Minerals Holdings Limited

Consolidated statement of changes in equity
for the nine months ended 31 December 2007 - unaudited

	Share capital US\$'000	Share premium US\$'000 <i>Note 16(a)</i>	Statutory reserves US\$'000 <i>Note 16(b)</i>	Merger reserve US\$'000 <i>Note 16(c)</i>	Exchange reserve US\$'000 <i>Note 16 (d)</i>	Capital reserve US\$'000 <i>Note 16 (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	-	-	-	-	-	-	35,580	35,580
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	-	-	-	-	2,278	-	-	2,278
Dividend paid to ex-equity shareholder	-	-	-	-	-	-	(4,921)	(4,921)
Transfer to statutory reserves	-	-	1,749	-	-	-	(1,749)	-
Interim dividend paid	-	-	-	-	-	3,168	(7,743)	(4,575)
At 31 December 2006	2,351	189,624	1,749	(26,918)	2,278	3,168	26,088	198,340
Profit for the period	-	-	-	-	-	-	8,496	8,496
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	1,248	-	-	1,248
At 31 March 2007	2,351	189,624	1,749	(26,918)	3,526	3,168	34,584	208,084
Profit for the period	-	-	-	-	-	-	46,832	46,832
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	7,410	-	-	7,410
Final dividend paid	-	-	-	-	-	-	(15,486)	(15,486)
Interim dividend declared	-	-	-	-	-	-	(7,743)	(7,743)
Transfer to statutory reserves	-	-	2,166	-	-	-	(2,166)	-
Equity settled share-based transactions	-	-	-	-	-	957	-	957
At 31 December 2007	2,351	189,624	3,915	(26,918)	10,936	4,125	56,021	240,054

Prosperity Minerals Holdings Limited

Consolidated cash flow statement for the nine months ended 31 December 2007

For the nine months ended 31 December

	2007 US\$'000 (unaudited)	2006 US\$'000 (unaudited)
Operating activities		
Profit before taxation	50,181	36,174
Adjustments for:		
-Non-operating income	-	(3,944)
-Negative goodwill from acquisition of an associate	(3,831)	-
-Depreciation	6,841	4,749
-Amortisation	1,284	927
-Finance costs	6,605	4,101
-Finance income	(848)	(3,078)
-Provision for bad debts	1,000	-
-Equity settled share-based transactions	957	-
Foreign exchange gain	396	1,951
-Share of profits of associates	<u>(14,706)</u>	<u>(2,523)</u>
Operating profit before changes in working capital	47,879	38,357
Decrease in inventories	3,227	876
Increase in trade and other receivables	(46,217)	(24,569)
Decrease in other financial assets	-	1,000
Increase/(decrease) in trade and other payables	<u>29,079</u>	<u>359</u>
Cash generated from operations	33,968	16,023
Receipt of government grant	-	3,944
Tax paid	<u>(2,475)</u>	<u>(18)</u>
Net cash generated from operating activities	<u>31,493</u>	<u>19,949</u>
Investing activities		
Interest received	452	1,127
Payment for purchase of property, plant and equipment	(21,361)	(7,753)
Acquisition of an associate	(28,864)	(18,088)
Acquisition of a subsidiary	<u>-</u>	<u>(120,837)</u>
Net cash used in investing activities	<u>(49,773)</u>	<u>(145,551)</u>

Prosperity Minerals Holdings Limited

Consolidated cash flow statement for the nine months ended 31 December 2007 (continued)

For the nine months ended 31 December

	2007 US\$'000 (unaudited)	2006 US\$'000 (unaudited)
Financing activities		
(Increase)/decrease in pledged deposits	(1,559)	4,035
Proceeds from bank and other borrowings	213,893	61,271
Repayment of bank and other borrowings	(178,894)	(73,333)
Repayment of long-term payables	(15,502)	-
Interest paid	(5,003)	(3,323)
Dividend paid	(15,486)	(4,921)
Proceeds from issue of new shares, net of expenses	<u>-</u>	<u>191,039</u>
Net cash (used in)/generated from financing activities	<u>(2,550)</u>	<u>174,768</u>
Net (decrease)/increase in cash and cash equivalents	(20,830)	49,166
Cash and cash equivalents at 1 April	<u>51,320</u>	<u>4,633</u>
Cash and cash equivalents at 31 December	<u><u>30,490</u></u>	<u><u>53,799</u></u>

Prosperity Minerals Holdings Limited

Notes to the 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 (“the Placing”) 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 share since the Placing.

2 Significant accounting policies

(a) Statement of compliance

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

This quarterly financial report for the nine months ended 31 December 2007 is unaudited but has been reviewed by the Audit Committee and approved by the Board on 10 April 2008.

The preparation of the quarterly 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.

2 Significant accounting policies (continued)

The accounting policies and presentation applied to this quarterly financial report are consistent with those disclosed in the Annual Report of the Company for 2007 where the following accounting policies are to be adopted in the Company's next annual financial statements.

(i) Employee benefit

Share-based payment

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in capital reserve within equity. The fair value is measured at the grant date using the binomial lattice model, taking into account the terms and conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged / credited to profit or loss for the period of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

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 segment. Revenue from external customers represents the sales value of goods supplied to customers.

Business segments

There are no sales between the business segments.

	<i>For the three months ended 31 December</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	121,649	53,192	174,841	40,799	38,506	79,305
Other revenue from external customers	<u>464</u>	<u>431</u>	<u>895</u>	<u>206</u>	<u>572</u>	<u>778</u>
Total	<u>122,113</u>	<u>53,623</u>	<u>175,736</u>	<u>41,005</u>	<u>39,078</u>	<u>80,083</u>
Segment result	7,092	17,778	24,870	6,089	11,430	17,519
Unallocated operating income and expenses			<u>(5,095)</u>			<u>(2,406)</u>
Profit from operations			19,775			15,113
Finance costs			(2,523)			(1,608)
Finance income			396			368
Share of profits of associates			7,857			1,463
Income tax			<u>(2,207)</u>			<u>(293)</u>
Profit for the period			<u>23,298</u>			<u>15,043</u>

	<i>For the nine months ended 31 December</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	261,132	122,146	383,278	153,278	90,835	244,113
Other revenue from external customers	<u>785</u>	<u>1,010</u>	<u>1,795</u>	<u>1,268</u>	<u>2,684</u>	<u>3,952</u>
Total	<u>261,917</u>	<u>123,156</u>	<u>385,073</u>	<u>154,546</u>	<u>93,519</u>	<u>248,065</u>
Segment result	21,671	27,396	49,067	15,242	21,563	36,805
Unallocated operating income and expenses			<u>(11,666)</u>			<u>(6,075)</u>
Profit from operations			37,401			30,730
Finance costs			(6,605)			(4,101)
Finance income			848			3,078
Share of profits of associates			14,706			2,523
Negative goodwill from acquisition of an associate			3,831			-
Non-operating income			-			3,944
Income tax			<u>(3,349)</u>			<u>(594)</u>
Profit for the period			<u>46,832</u>			<u>35,580</u>

4 Other operating income

	<i>For the three months ended 31 December</i>		<i>For the nine months ended 31 December</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	453	24	682	978
Despatch and delivery income	-	181	84	290
Subsidy income – tax refund	-	10	-	1,908
Sales of construction materials	383	-	621	66
Others	59	563	408	710
	<u>895</u>	<u>778</u>	<u>1,795</u>	<u>3,952</u>
	=====	=====	=====	=====

5 Non-operating income

The Group was awarded a government grant of US\$3,944,000 during the nine month period ended 31 December 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 fourth quarter of 2006 as this was the second profit-making year. Therefore, in the fourth quarter of 2007, the tax rate applicable to YDM is 15%.

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 above.

7 Dividend

Dividends attributable to the period

	For the nine months ended 31 December	
	2007	2006
	US\$'000	US\$'000
	(unaudited)	(unaudited)
<i>Interim dividend declared during the period of US\$ 6 cents per share (2006: US\$ 6 cents per share)</i>	7,743	7,743
	=====	=====
	=	=
<i>Final dividend in respect of the previous financial year; approved and paid during the period of US\$12 cents per share (2006: US\$ 9 cents per share)</i>	15,486	4,921
	=====	=====
	=	=

8 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the unaudited profit attributable to equity shareholders of the Company divided by the weighted average number of shares in issue during the period.

	<i>For the three months ended 31 December</i>		<i>For the nine months ended 31 December</i>	
	2007	2006	2007	2006
	US\$'000	US\$'000	US\$'000	US\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit attributable to equity shareholders	23,298	15,043	46,832	35,580
	=====	=====	=====	=====
Weighted average number of ordinary shares	129,056,390	129,056,390	129,056,390	114,080,903
	=====	=====	=====	=====
Basic earnings per share	18.05 cents	11.66 cents	36.29 cents	31.19 cents
	=====	=====	=====	=====

8 Earnings per share (continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the unaudited profit attributable to equity shareholders of the Company divided by the weighted average number of shares after adjusting for the effects of all dilutive potential shares:

	<i>For the three months ended 31 December</i>		<i>For the nine months ended 31 December</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)
Profit attributable to equity shareholders	23,298	15,043	46,832	35,580
Weighted average number of ordinary shares	129,056,390	129,056,390	129,056,390	114,080,903
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	239,465	-	17,458	-
Weighted average number of shares for the purpose of diluted earnings per share	129,295,855	129,056,390	129,073,848	114,080,903
Diluted earnings per share	18.02 cents	11.66 cents	36.28 cents	31.19 cents

9 Property, plant and equipment

Acquisitions

During the nine months ended 31 December 2007, the Group acquired items of property, plant and equipment with cost of US\$21,751,000.

10 Mining rights

Mining rights are amortised from the date they are available for use and over the estimated useful life of 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 representing 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 shares and 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 loans and borrowings is as follows:

	31 December 2007 US\$’000 (unaudited)	31 March 2007 US\$’000 (audited)
Bank loans		
Within 1 year or on demand	37,214	45,718
Over 1 year but less than 3 years	<u>76,610</u>	<u>29,712</u>
	113,824	75,430
	=====	=====

At 31 December 2007, the bank loans bore interest rates ranging from 6% to 7% (31 March 2007: 3% to 7%) per annum.

14 Long-term payables

Long-term payables in 2006 are unsecured, interest free and settled during the period.

15 Equity settled share-based transactions

The Company has a Share Option Scheme whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, to take up options at nil consideration to subscribe for the shares of the Company.

15 Equity settled share-based transactions (continued)

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 were 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.

- (a) The terms and conditions of the grants that existed during the period are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors: - on 9 October 2007	3,500,000	Two years from the date of grant	10 years
Options granted to employees: - on 9 October 2007	<u>4,730,000</u>	Two years from the date of grant	10 years
	<u>8,230,000</u>		

- (b) The number and weighted average exercise prices of share options are as follows:

	<i>For the nine months ended 31 December</i>			
	2007		2006	
	Weighted average exercise price (unaudited)	Number of option '000 (unaudited)	Weighted average exercise price (unaudited)	Number of option '000 (unaudited)
Outstanding at the beginning of the period	-	-	-	-
Granted during the period	160p	<u>8,230</u>	-	<u>-</u>
Outstanding at the end of the period	160p	<u>8,230</u>	-	<u>-</u>
Exercisable at the end of the period	-	<u>-</u>	-	<u>-</u>

The options outstanding at 31 December 2007 had an exercise price of 160p (2006: nil) and a weighted average remaining contractual life of 9.8 years (2006: nil).

15 Equity settled share-based transactions (continued)

(c) Fair value of share options and assumptions:

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

	For the nine month ended 31 December	
	2007	2006
Fair value at measurement date	48.3p	-
Share price	160p	-
Exercise price	160p	-
Expected volatility (expressed as weighted average volatility used in the modeling under binomial lattice model)	40%	-
Option life (expressed as weighted average life used in the modeling under binomial lattice model)	7.6 years	-
Expected dividends	6.5%	-
Risk-free interest rate (based on UK Government Bond)	4.95%	-

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options) of five comparators which major business is production and trading of building cement or cement products or other building supplies and have been listed for more than eight years, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There was no market conditions associated with the share option grants.

16 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.

16 Reserves (continued)

(e) Capital reserve

The capital reserve comprises the following:

- (i) the dividend declared and waived by certain shareholders ; and
- (ii) the fair value of the actual or estimated number of unexercised share option granted to certain directors and employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in notes 2(b)(i).

17 Commitments

Capital commitments of the Group outstanding at 31 December 2007 not provided for in the quarterly financial report are as follows:

	31 December 2007 US\$'000 (unaudited)	31 March 2007 US\$'000 (audited)
Contracted for	67,700	11,038
Authorised but not contracted for	<u>119,400</u>	<u>-</u>
	<u>187,100</u>	<u>11,038</u>
	=====	=====

18 Material related party transactions

Other than the transactions and balance disclosed elsewhere in the quarterly 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 31 December 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 ended 31 December 2007 and which have not been adopted in this quarterly 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 quarterly financial report.

*Effective for
accounting periods
beginning on or after*

IAS 23 (revised): Borrowing costs

1 January 2009