

22 December 2009

**Prosperity Minerals Holdings Limited**  
**Financial results for the first half ended 30 September 2009**

Prosperity Minerals Holdings Limited (“Prosperity”, “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 unaudited results for the six months ended 30 September 2009. All figures are expressed in US dollars unless otherwise stated.

**Highlights for the first half year of trading:**

- **Revenue up 33% to \$491.4m (2008: \$369.3m)**
- **Gross profit up 22% to \$30.2m (2008: \$24.8m)**
- **EBITDA down 35% to \$18.8m (2008: \$28.8m)**
- **Net profit before taxation down 91% to \$1.3m (2008: \$14.4m)**
- **No interim dividend declared (2008: nil); a final dividend will be considered at the time of the Company’s full year results announcement**

**Group financial summary**

US\$ million	Six months ended 30 September		% change
	2009	2008	
Revenue	491.4	369.3	+33%
EBITDA	18.8 <sup>1</sup>	28.8	-35%
Profit from operations	14.6	11.8	+24%
Net profit before taxes	1.3 <sup>1</sup>	14.4	-91%

Notes:

<sup>1</sup> A total non-cash charge provision of \$9.7m was made during the period under review. These non-cash charge provisions included:

- (i) fair value charge for employee share options due to the re-pricing of the options in July 2009, of \$2.5m;
- (ii) fair value loss on warrants of \$1.5m; and
- (iii) share of loss of JV (Guangzhou Nanfang) of \$5.7m.

**Management review and analysis**

- During the period under review both our business units continued to be affected by the global financial crisis, which has led to a weakened international economy and a significant decrease in commodity prices, including the price of cement, steel and iron ore
- Nevertheless, both the cement manufacturing and iron ore trading businesses performed well
- Construction at all three of the Group’s Greenfield Projects is on schedule and inside budget and most of the financing for construction working capital has either been arranged or is being arranged
- The PRC began to experience the full effect of the Government’s RMB4 trillion (\$586 billion) stimulus package from around June 2009, which benefited both the cement and steel industries in the PRC especially with regards to large infrastructure projects and the real estate sector

## I. Cement operations

US\$ million	Six months ended 30 September		% change
	2009	2008	
Segment results*	11.7	5.2	+125%
Share of profits of associates	5.4	3.6	+44%
Tonnage sold at YDM ('000 tonnes)			
- cement	1,816	1,647	+10%
- clinker	1,604	1,055	+52%

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

### Yingde Dragon Mountain Cement Company Limited ("YDM"):

- The first half of the fiscal year is traditionally the low season for cement in Guangdong Province, Prosperity's main market. During the six months ended 30 September 2009, however, demand for cement was improved by a stronger demand in the infrastructure sector and a recovery in commercial and residential real estate projects in Guangdong Province, which has continued to date
- Volumes of both cement and clinker sold during the period under review exceeded internal forecasts
- Coal prices, however, have decreased substantially, which lowered the Group's production costs
- Segment results for the six months ended 30 September 2009 were 125% higher at \$11.7m (2008: \$5.2m). The results include professional and administrative charges of approximately \$500,000, relating to the cement expansion plan, and an operating cost of approximately \$670,000 for the PRC regional headquarters established this year to manage the Group's newly acquired operations

### Prosperity Conch Cement Company Limited ("PCC"):

- PCC operated in the same economic environment as YDM during the period

### Anhui Chaodong Cement Company Limited ("ACC"):

- ACC's performance during the period under review was affected by poor cement prices in Eastern China, higher expenses incurred during the construction of new production facilities and additional funding costs
- Following on from the successful completion of the first new clinker production line with a designed saleable capacity of 1.8 million tonnes per year, finished in December 2008, cement grinding facilities of 2.2 million tonnes per year and the associated residual heat electricity generation units were commissioned in September 2009

### Guangzhou K. Wah Nanfang Cement Limited ("Guangzhou Nanfang"):

- Guangzhou Nanfang continued to consume a significant amount of clinker manufactured by YDM, effectively reducing the supply of clinker to the region, which was a key part of the strategy behind its acquisition. Margins, however, were impacted by higher clinker prices not being matched by the selling prices of cement

**Yunnan Kungang & K. Wah Cement Construction Materials Limited ("Anning") & Baoshan Kungang & K. Wah Cement Construction Materials Co. Limited ("Baoshan"):**

- Operating results for both Anning and Baoshan have continued to improve following Prosperity's investment, the appointment of new management, improvement of production technology and the implementation of new management systems

Overall, all of the Group's cement plants performed in line with management's expectations during the period under review

**II. Iron ore trading**

	Six months ended 30 September		% change
	2009	2008	
<b>Segment results* (US\$ million)</b>	5.2	9.8	-47%
<b>Volume (‘000 tonnes)</b>	5,266	1,954	+169%
<b>Segment results per tonne (US\$)</b>	1.0	5.0	-80%

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

- The volume of iron ore shipped increased significantly to 5.2 million tonnes (2008: 1.9 million tonnes) during the period under review
- Supply from South East Asian countries reduced substantially as lower freight rates improved the economics for long haul shipments from Brazil, Australia and South Africa
- Reduced margins largely reflect lower spot prices
- Lower demand for iron ore in western markets increased supply available to the PRC market while low spot prices for iron ore saw many PRC iron ore producers shut down production, increasing the reliance of steel mills on imported iron ore during the period under review

**Current trading and prospects**

- As announced on 21 December 2009, Prosperity has entered into a conditional sale and purchase agreement to sell its cement division (with the exception of its holdings in ACC) to TCC International Holdings Limited for HK\$3,800m (\$490m) in cash. The transaction is expected to be completed late March 2010
- Demand for cement and iron ore is expected to continue to benefit from the PRC's Government stimulus
- In Guangdong Province the cement market enters its high season in the second half of the fiscal year. The province also had a relatively dry summer and this both increased the demand for cement and hampered the ability of Prosperity's competitors in neighbouring provinces to ship cement into the Company's market at a competitive price
- The first new clinker production line of 1.8 million tonnes per year at the Greenfield Project in Liaoning Province is expected to be commissioned before the end of the current fiscal year
- Construction of the first cement and clinker production lines of 2 million tonnes per year is also under way at the Greenfield Projects in Chongqing Direct Municipal City and Guizhou Province. Construction is progressing well and is expected to be completed in calendar 2010
- Spot prices for iron ore, and ocean freight rates, have risen during the last two months, which has encouraged some domestic iron ore producers to resume operations. In the short term this will reduce the reliance of steel mills on imports. Prosperity believes, however, that the medium to long term prospects for iron ore imports remain strong

**Change of director**

The Company reports that Mr. Jian Ping Wu has stepped down as an executive director of the Company, effective 22 December 2009. He will remain with Prosperity in his current capacity as a

director and general manager of both YDM and PCC, where he will continue to focus his time and resources on YDM and PCC's operations.

**David Wong, Chairman and CEO, said:**

"The Company continued to perform well in what has been an ongoing challenging economic environment. I believe that Prosperity performed better than many of our competitors due to the professionalism and loyalty of our management team. I would also like to extend my gratitude to our shareholders for their continued support.

"The disposal of the cement business will potentially realise an excellent return on equity of 91% (or HK\$1,900m; \$245m), bringing in HK\$3,800m (c. \$490m) of cash to the Group. With no significant debt, we can use this funding to develop other businesses such as our existing iron ore related operations, natural resources and real estate in the PRC. I believe this will, in turn, provide better returns for all our shareholders.

"I also wish to thank Mr. Wu for his valued contribution to the Company as an executive director of Prosperity.

"The Prosperity Board and management team look forward to the next half year and have great confidence in leading the Company to a better and more prosperous future."

**Notes:**

- (i) The average exchange rates for the six months ended 30 September 2009, and the six months ended 30 September 2008 were \$1 = RMB6.8297 and RMB6.9129 respectively
- (ii) The average exchange rate on 30 September 2009 was \$1 = RMB6.8306

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**Notes to Editors:**

Prosperity (AIM: PMHL) operates a cement manufacturing business in the People's Republic of China ("PRC") and an iron ore trading business serving the same market.

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

The Company owns 100% of Yingde Dragon Mountain Cement Company Limited ("YDM"), has a 25% interest in Prosperity Conch Cement Company Limited ("PCC"), and a 33.06% interest in Anhui Chaodong Cement Company Limited ("ACC"). YDM and PCC cement plants, where construction was completed in 2006, 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 the eastern PRC. Anhui Conch Cement Company Limited, being the largest cement operator in China, also owns 75% of PCC and 16.28% of ACC respectively. Prosperity also holds a 40% interest in Guangzhou K. Wah Nanfang Cement Limited ("Guangzhou Nanfang") which has cement grinding facilities in

Guangzhou City, Guangdong Province, a 30% interest in Yunnan Kungang & K. Wah Cement Construction Materials Limited ("Anning") located in Yunnan Province, and a 30% interest in Baoshan Kungang & K. Wah Cement Construction Materials Co. Limited ("Baoshan"), also located in Yunnan Province.

The designed sellable output capacity of clinker\*\* and cement at YDM is 5.9 million tonnes per year, PCC is 7.9 million tonnes per year, ACC is 3.4 million tonnes per year, Guangzhou Nanfang is 0.8 million tonnes per year, Anning is 2.7 million tonnes per year and Baoshan is 1.8 million tonnes per year.

Prosperity also has interests in four cement projects under development. The Company holds a 75% interest in a new cement factory in Liaoning Province, 100% interest in a new cement factory in Chongqing Direct Municipal City; a 100% interest in a new cement factory in Guizhou Province and a 100% interest in a new cement factory in Guangan City, Sichuan Province.

The iron ore trading business has been operating since 1992 and sources iron ore, for shipment and use in the PRC, from major international iron ore producers such as Kumba Iron Ore (South Africa), Vale (Brazil) and Rio Tinto (Australia), as well as from South East Asia, Thailand and Malaysia in particular. 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 2009, Prosperity shipped 4.4 million tonnes of iron ore. This volume increased to 5.2 million tonnes in the six months ended 30 September 2009.

The PRC is the world's third largest economy (behind the US and Japan) and the largest producer and consumer of cement and the biggest buyer of iron ore.

\*\*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 six months ended 30 September 2009

		For the six months ended 30 September	
	Note	2009 US\$'000 (Unaudited)	2008 US\$'000 (Unaudited)
<b>Revenue</b>	4	491,421	369,284
Cost of sales		<u>(461,181)</u>	<u>(344,459)</u>
<b>Gross profit</b>		30,240	24,825
Other operating income	5	2,870	1,685
Distribution expenses		(3,811)	(3,490)
Administrative expenses		<u>(14,744)</u>	<u>(11,193)</u>
<b>Profit from operations</b>		14,555	11,827
Finance expenses		(12,000)	(8,443)
Finance income	6	1,060	476
Negative goodwill arising on acquisition of a subsidiary		-	2,474
Negative goodwill arising on acquisition of an associate		-	49
Share of loss of a jointly controlled entity		(5,676)	(547)
Share of profits less losses of associates		5,411	3,648
Impairment loss on interest in a jointly controlled entity		(578)	-
(Loss)/gain on re-measurement of derivative financial instrument to fair value		<u>(1,501)</u>	<u>4,895</u>
<b>Profit before taxation</b>		1,271	14,379
Income tax	7	<u>(3,091)</u>	<u>(963)</u>
<b>(Loss) / profit for the period</b>		<u>(1,820)</u>	<u>13,416</u>
		=====	=====
<b>Attributable to:</b>			
Equity shareholders of the Company		(1,718)	13,416
Minority interest		<u>(102)</u>	<u>-</u>
(Loss) / profit for the period		<u>(1,820)</u>	<u>13,416</u>
		=====	=====
<b>Dividends payable to equity shareholders of the company attributable to the period:</b>			
Interim dividend declared during the period		-	-
		=====	=====
<b>(Loss) / earnings per share</b>			
Basic and diluted	9	<u>(0.01)</u>	<u>0.10</u>
		=====	=====

The accompanying notes form part of this interim financial report.

Consolidated Statement of Comprehensive Income for the six months ended 30 September 2009

	For the six months ended 30 September	
	2009 US\$'000 (Unaudited)	2008 US\$'000 (Unaudited)
<b>(Loss)/profit for the period</b>	(1,820)	13,416
<b>Other comprehensive income for the period (after tax and reclassification adjustments) (Note)</b>		
Exchange difference on translation of financial statements of foreign operations	466	11,452
<b>Total comprehensive income for the period</b>	(1,354)	24,868
<b>Attributable to :</b>		
Equity shareholders of the Company	(1,258)	24,625
Minority interests	(96)	243
<b>Total comprehensive income for the period</b>	(1,354)	24,868

Note: There is no tax effect relating to the above component of other comprehensive income

## Prosperity Minerals Holdings Limited

Consolidated balance sheet at 30 September 2009

	Note	30 September 2009 US\$'000 (unaudited)	31 March 2009 US\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	214,481	185,407
Mining rights	11	16,555	17,113
Lease prepayments		28,430	22,208
Investment in jointly controlled entity		10,974	17,220
Investment in associates		133,660	128,312
Goodwill		43,411	43,353
Non-current prepayments		32,341	26,235
Amount due from minority shareholder		2,086	-
Deferred tax assets		113	113
		482,051	439,961
<b>Current assets</b>			
Inventories		10,603	10,374
Trade and other receivables		129,060	83,858
Pledged deposits	12	1,715	6,030
Cash and cash equivalents		41,053	49,803
		182,431	150,065
<b>Current liabilities</b>			
Bank loans	13	76,947	25,118
Trade and other payables		119,979	98,908
Income tax payable		1,406	682
Secured note	14	107,356	18,904
		305,688	143,612
<b>Net current (liabilities) / assets</b>		(123,257)	6,453
<b>Total assets less current liabilities</b>		358,794	446,414

## Prosperity Minerals Holdings Limited

Consolidated balance sheet at 30 September 2009 (continued)

		30 September 2009 US\$'000 (unaudited)	31 March 2009 US\$'000 (audited)
	Note		
<b>Non-current liabilities</b>			
Bank loans	13	73,561	80,700
Long term payable		2,086	-
Deferred tax liabilities		4,589	3,795
Secured note	14	-	82,664
		<u>80,236</u>	<u>167,159</u>
		-----	-----
<b>Net assets</b>			
		278,558	279,255
		=====	=====
<b>Capital and reserves</b>			
Share capital	16	2,447	2,415
Reserves		226,477	222,167
Retained earnings		41,496	45,467
		<u>270,420</u>	<u>270,049</u>
Equity attributable to equity holders of the Company		270,420	270,049
Minority interests		<u>8,138</u>	<u>9,206</u>
		-----	-----
<b>Total equity</b>			
		278,558	279,255
		=====	=====

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 2009- unaudited

	Attributable to equity shareholders of the Company							Retained earnings US\$'000	Total US\$'000	Minority interests US\$'000	Total equity US\$'000
	Share capital US\$'000	Share premium US\$'000 Note 16(a)	Statutory reserves US\$'000 Note 16(b)	Merger reserve US\$'000 Note 16(c)	Exchange reserve US\$'000 Note 16(d)	Other reserve US\$'000 Note 16(e)	Capital reserve US\$'000 Note 16(f)				
At 1 April 2008	2,351	189,624	8,139	(26,918)	22,556	-	5,050	58,933	259,735	-	259,735
Shares issued in lieu of dividends	64	6,260	-	-	-	-	-	-	6,324	-	6,324
Capital contribution from minority shareholder	-	-	-	-	-	-	-	-	-	9,450	9,450
Equity settled share-based transactions	-	-	-	-	-	-	1,853	-	1,853	-	1,853
Dividend paid	-	-	-	-	-	-	-	(15,486)	(15,486)	-	(15,486)
Total comprehensive income for the period	-	-	-	-	11,209	-	-	13,416	24,625	243	24,868
At 30 September 2008	2,415	195,884	8,139	(26,918)	33,765	-	6,903	56,863	277,051	9,693	286,744
Transfer to statutory reserves	-	-	2,858	-	-	-	-	(2,858)	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	(149)	(149)
Equity settled share-based transactions	-	-	-	-	-	-	-	-	-	-	-
- Amount recognised during the period	-	-	-	-	-	-	1,437	-	1,437	-	1,437
- Forfeiture of share options	-	-	-	-	-	-	(46)	46	-	-	-
Total comprehensive income for the period	-	-	-	-	145	-	-	(8,584)	(8,439)	(338)	(8,777)
At 31 March 2009	2,415	195,884	10,997	(26,918)	33,910	-	8,294	45,467	270,049	9,206	279,255
Shares issued in lieu of dividends	32	1,489	-	-	-	-	-	-	1,521	-	1,521
Capital contribution from minority shareholder	-	-	-	-	-	-	-	-	-	5,625	5,625
Purchase of minority interests	-	-	-	-	-	-	(103)	-	(103)	(6,597)	(6,700)

Equity settled share-based transactions	-	-	-	-	-	-	2,464	-	2,464	-	2,464
Dividend paid	-	-	-	-	-	-	-	(2,253)	(2,253)	-	(2,253)
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>460</u>	<u>-</u>	<u>-</u>	<u>(1,718)</u>	<u>(1,258)</u>	<u>(96)</u>	<u>(1,354)</u>
At 30 September 2009	<u>2,447</u>	<u>197,373</u>	<u>10,997</u>	<u>(26,918)</u>	<u>34,370</u>	<u>(103)</u>	<u>10,758</u>	<u>41,496</u>	<u>270,420</u>	<u>8,138</u>	<u>278,558</u>
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## Prosperity Minerals Holdings Limited

Consolidated cash flow statement for the six months ended 30 September 2009

	30 September 2009 US\$'000 (unaudited)	30 September 2008 US\$'000 (unaudited)
<b>Operating activities</b>		
Profit before taxation	1,271	14,379
Adjustments for:		
- Negative goodwill arising on acquisition of a subsidiary	-	(2,474)
- Negative goodwill arising on acquisition of an associate	-	(49)
- Depreciation	5,805	5,678
- Amortisation of mining rights and lease prepayments	830	753
- Finance expenses	12,000	8,443
- Loss / (gain) on re-measurement of financial derivatives to fair value	1,501	(4,895)
- Finance income	(1,362)	(476)
- Equity settled share-based transactions	2,464	1,853
- Foreign exchange (gain) / loss	(22)	245
- Impairment loss of a jointly controlled entity	578	-
- Share of loss of a jointly controlled entity	5,676	547
- Share of profits less losses of associates	(5,411)	(3,648)
- Gain on disposal of property, plant and equipment	(60)	(37)
<b>Operating profit before changes in working capital</b>	<b>23,270</b>	<b>20,319</b>
Increase in inventories	(214)	(2,189)
Increase in trade and other receivables	(42,170)	(38,872)
Increase in amounts due from associates	(2,695)	(386)
Increase in amount due from minority shareholder	(2,086)	-
Increase in trade and other payables	6,553	45,902
<b>Cash (used in) / generated from operations</b>	<b>(17,342)</b>	<b>24,774</b>
Tax paid	(1,577)	(2,146)
<b>Net cash (used in) / generated from operating activities</b>	<b>(18,919)</b>	<b>22,628</b>

**Prosperity Minerals Holdings Limited**

Consolidated cash flow statement for the six months ended 30 September 2009 (continued)

	30 September 2009 US\$'000 (unaudited)	30 September 2008 US\$'000 (unaudited)
<b>Investing activities</b>		
Interest received	157	231
Payment for purchase of property, plant and equipment	(16,283)	(8,777)
Proceeds from disposal of property, plant and equipment	253	838
Prepayment for construction projects	(7,063)	-
Prepayment for land use right	(3,826)	-
Prepayment for mining right	(1,300)	-
Net cash outflow from acquisition of associates	-	(57,465)
Net cash outflow from acquisition of subsidiaries	-	(22,375)
Net cash outflow from acquisition of minority interests	(1,075)	-
<b>Net cash used in investing activities</b>	(29,137)	(87,548)
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<b>Financing activities</b>		
Decrease / (increase) in pledged deposits	4,318	(113)
Proceeds from bank and other borrowings	71,576	126,710
Repayment of bank and other borrowings	(27,265)	(47,902)
Interest paid	(8,622)	(3,125)
Dividend paid	(732)	(9,161)
<b>Net cash generated from financing activities</b>	39,275	66,409
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<b>Net (decrease) / increase in cash and cash equivalents</b>	(8,781)	1,489
Cash and cash equivalents at 1 April	49,803	41,698
Effect of foreign exchange rate changes	31	687
<b>Cash and cash equivalents at 30 September</b>	41,053	43,874
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## 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.

#### 2 Basis of preparation

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

The accounting policies presentation applied to these interim financial report are consistent with those disclosed in the Company’s Annual Report dated 9 July 2009 except for the accounting policy changes that are expected to be reflected in the annual financial statements for the twelve months period ending 31 March 2010. Details of these changes in accounting policies are set out in note 3.

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.

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 months period ended 31 March 2009. The interim financial report and notes thereon do not include all of the information required for full annual financial statements prepared in accordance with IFRS.

This interim financial report for the six months ended 30 September 2009 is unaudited but has been reviewed by the Audit Committee and approved by the Board on 21 December 2009.

The interim financial report has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 30 September 2009. The directors are of the opinion that, based on a detailed review of the working capital forecast of the Group for the period ended 30 September 2009, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements as the Group has signed a Sale and Purchase Agreement with a third party to dispose its cement operation on 11 December 2009 (see note 19), of which cash inflow of US\$487 million is expected after the completion of the disposal transaction.

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

### 3 Changes in accounting policies

The International Accounting Standards Board (the “IASB”) has issued one new IFRS, a number of new amendments to IFRS and new Interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s operations:

- IFRS 8, *Operating segments*
- IAS 1 (revised 2007), *Presentation of financial statements*
- Improvements to IFRS (2008)
- Amendments to IAS 27, *Consolidated and separate financial statements - cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to IFRS 2, *Share-based payment – vesting conditions and cancellations*
- IAS 23 (revised 2007), *Borrowing costs*

The amendments to IFRS 2 and IAS23 have had no material impact on the interim financial report as the amendments were consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

- IFRS 8 requires segment disclosure to be based on the way that the Group’s chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group’s chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The adoption of IFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group’s most senior executive management (see note 4).
- As a result of the adoption of IAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- The amendments to IAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries, and associate, whether out of pre- or post-acquisition profits, will be recognised in the company’s profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.
- The “Improvements to IFRS (2008)” comprise a number of minor and non-urgent amendments to a range of IFRS which the IASB has issued as an omnibus batch of amendments. Of these, the following amendment has resulted in changes to the group’s accounting policies:

- As a result of amendments to IAS 28, *Investments in associates*, impairment losses recognised in respect of the associates and jointly controlled entities carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the group allocated impairment losses to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.

#### 4 Segment reporting

The Group manages its business by business lines. On first-time adoption of IFRS 8, *Operating segments* and in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers ("CODM") for the purposes of resources allocation and performance assessment, the Group has identified the following two reportable segments:

- Manufacture and sale of cement; and
- Trading of iron ore

Other operating segments which do not meet the quantitative thresholds prescribed by IFRS 8 for determining reportable segments and combined as "unallocated segments". Such operating segments generate profit/(loss) mainly from the dividend income from the subsidiaries and fair value adjustment of the financial derivatives.

##### (a) Segment results, assets and liabilities

In accordance with IFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's CODM for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit / (loss) is net profit after taxation, adjusted for head office or corporate administration costs which are not specifically attributable to individual segments. Inter-segment revenue is priced with reference to price charged to external parties for similar transactions.

Segment assets and segment liabilities include all current and non-current assets and liabilities, respectively, which are directly managed by the segments.

	Six months ended 30 September					
	2009			2008		
	Trading of iron ore (unaudited) US\$'000	Manufacture and sale of cement (unaudited) US\$'000	Total (unaudited) US\$'000	Trading of iron ore (unaudited) US\$'000	Manufacture and sale of cement (unaudited) US\$'000	Total (unaudited) US\$'000
Revenue from external customers	397,329	94,092	491,421	281,670	87,614	369,284
Inter-segment revenue	-	-	-	-	-	-
Reportable segment revenue	<u>397,329</u>	<u>94,092</u>	<u>491,421</u>	<u>281,670</u>	<u>87,614</u>	<u>369,284</u>
Reportable segment profit / (loss)	<u>3,655</u>	<u>(1,656)</u>	<u>1,999</u>	<u>8,789</u>	<u>1,338</u>	<u>10,127</u>

	Six months ended 30 September 2009			Year ended 31 March 2009		
	Trading of iron ore (unaudited) US\$'000	Manufacture and sale of cement (unaudited) US\$'000	Total (unaudited) US\$'000	Trading of iron ore (audited) US\$'000	Manufacture and sale of cement (audited) US\$'000	Total (audited) US\$'000
Reportable segment assets	78,287	592,634	670,921	222,875	549,552	772,427
Reportable segment liabilities	(83,712)	(506,845)	(590,557)	(232,704)	(462,910)	(695,614)

b) Reconciliation of reportable segment revenue, profit, assets and liabilities:

	Six months ended 30 September	
	2009 US\$'000 (unaudited)	2008 US\$'000 (unaudited)
Revenue		
Reportable segment revenue	491,421	369,284
Elimination of inter-segments	-	-
Consolidated turnover	<u>491,421</u>	<u>369,284</u>
	=====	=====

	Six months ended 30 September	
	2009 US\$'000 (unaudited)	2008 US\$'000 (unaudited)
Profit		
Reportable segment profit	1,999	10,127
Unallocated (loss) / profit	(3,819)	3,289
Elimination of inter-segments	-	-
Consolidated (loss) / profit after taxation	<u>(1,820)</u>	<u>13,416</u>
	=====	=====

	30 September 2009 US\$'000 (unaudited)	31 March 2009 US\$'000 (audited)
<b>Assets</b>		
Reportable segment assets	670,921	772,427
Unallocated assets	209,490	203,639
Elimination of inter-segments	<u>(215,929)</u>	<u>(386,040)</u>
Consolidated total assets	<u>664,482</u>	<u>590,026</u>
	=====	=====
	30 September 2009 US\$'000 (unaudited)	31 March 2009 US\$'000 (audited)
<b>Liabilities</b>		
Reportable segment liabilities	(590,557)	(695,614)
Unallocated liabilities	(1,761)	(1,162)
Elimination of inter-company payable	<u>206,394</u>	<u>386,005</u>
Consolidated total liabilities	<u>(385,924)</u>	<u>(310,771)</u>
	=====	=====

(c) Information about major customers

Revenue from major customers, each of them amounted to 10% or more of the Group's revenue, are set out below:

	Six months ended 30 September	
	2009 US\$'000 (unaudited)	2008 US\$'000 (unaudited)
Customer A	156,188	-
Customer B	66,302	110,253
Customer C	58,792	-
Customer D	-	83,259
Customer E	-	57,142
	=====	=====

5 Other operating income

	Six months ended 30 September	
	2009 US\$'000 (unaudited)	2008 US\$'000 (unaudited)
Demurrage income	154	936
Despatch and delivery income	267	69
Subsidy income-tax refund	2,205	-
Others	244	680
	<u>2,870</u>	<u>1,685</u>
	=====	=====

6 Finance income

	Six months ended 30 September	
	2009 US\$'000 (unaudited)	2008 US\$'000 (unaudited)
Exchange (loss) / gain	(302)	245
Interest income	157	231
Financial guarantee issued	1,205	-
	<u>1,060</u>	<u>476</u>
	=====	=====

7 Income tax

- (i) No provision for Hong Kong Profits Tax has been made for both periods as the Group did not earn any income, which is subject to Hong Kong Profits Tax.
- (ii) Basis of taxation for the individual companies within the Group is as follows:

Prosperity Minerals Macao Commercial Offshore Limited ("PMMCO")	0%
Yingde Dragon Mountain Cement Co., Ltd. ("YDM")	12.5% - 15%

- (a) PMMCO was incorporated in Macao as an offshore limited company and is exempted from income tax in Macao under Decree Law No. 58/991M.
- (b) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("the New Tax Law") which took on 1 January 2008. Further, on 6 December 2007, the State Council released the Implementation Rules to the Corporate Income Tax Law ("the Implementation Rules"). 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 holiday.

## 7 Income tax

The deferred tax assets / liabilities of subsidiaries in the PRC are measured using enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled.

YDM was a sino-foreign enterprise and changed to a foreign-owned enterprise in 2006. Pursuant to the relevant tax laws of the 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 15% for the period from 1 April 2007 to 30 September 2007. Thereafter, with the New Tax Law, the income tax rate is 12.5% for the period from 1 April 2009 to 30 September 2009.

Pursuant to the New Tax Law and its Implementation Rules, dividends payable to foreign investors are subject to a 10% withholding tax, which may be reduced if the foreign jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement. Pursuant to a tax treaty between the PRC and Hong Kong and the grandfathering arrangement, an investment holding company established in Hong Kong will be subject to a reduced withholding tax rate of 5% on dividends it receives from its PRC subsidiaries. Dividends receivable by the Group from subsidiaries established in the PRC in respect of their undistributed profits prior to 31 December 2007 are exempted from withholding tax.

## 8 Dividends

Dividends attributable to the interim period

	Six months ended 30 September	
	2009	2008
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Final dividend in respect of the previous financial year, approved and paid during the interim period of US1.7 cents per share (2008: US12 cents per share)	2,253	15,486
	=====	=====

## 9 (Loss) / earnings per share

### (a) Basic (loss) / earnings per share

The calculation of basic (loss) / earnings per share is based on the (loss) / profit attributable to equity shareholders of the Company of US\$ (1,717,000) (2008: profit of US\$13,416,000) and the weighted average number of ordinary shares of 132,765,352 (2008: 129,419,566) in issue during the six months ended 30 September 2009.

### (b) Diluted (loss) / earnings per share

The diluted (loss) / earnings per share for the six months ended 30 September 2009 and 2008 is the same as the basic (loss) / earnings per share as the outstanding share options and warrants would not have any dilutive effect on the (loss) earnings per share for the six months ended 30 September 2009.

10 Property, plant and equipment

During the six months ended 30 September 2009, the Group acquired items of property, plant and equipment with cost of US\$35,009,000. Items of property, plant and equipment with a net book value of US\$193,000 were disposed of during the six months ended 30 September 2009, resulting in a gain on disposal of US\$60,000.

11 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.

12 Pledged deposits

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

13 Bank loans

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

	30 September 2009 US\$'000 (unaudited)	31 March 2009 US\$'000 (audited)
<b>Bank loans</b>		
Within 1 year or on demand	76,947	25,118
Over 1 year but less than 2 years	13,464	42,687
Over 2 year but less than 5 years	<u>60,097</u>	<u>38,013</u>
	150,508	105,818
	=====	=====

At 30 September 2009, the bank and other loans have interest rates ranging from 7% to 8% (31 March 2009: 7% to 8%) per annum.

Certain of the Group’s banking facilities are subject to the fulfilment of covenants which are commonly found in lending arrangements with financial institutions. At 30 September 2009, the Group had breached certain covenants relating to a bank loan facility which required the group to maintain certain pre-agreed financial ratios. The outstanding balance of the bank loan facility amounted to US\$6,750,000 was scheduled to be repaid within twelve months and has been classified as current liabilities. The outstanding balance has been fully settled subsequent to the balance sheet date.

14 Secured note and financial derivatives

On 9 May 2008 (the “Issue Date”), Upper Value Investments Ltd (“Upper Value”), a wholly-owned subsidiary of the Company, issued a US\$100 million redeemable notes (the “Note”) to certain institutional investors for the acquisition of cement and clinker plants in the PRC (“Acquired Assets”). The Note is guaranteed by the Company and the Company’s subsidiaries, Prosperity Cement Investment Ltd and PMMCO and is secured by charges over the shares, and fixed and floating charges over the assets of the Company’s wholly owned subsidiaries, which hold the Acquired Assets.

The Note carries nominal interest at a rate of 10% per annum payable semi-annually and has a final maturity date 36 months from the Issue Date.

In conjunction with the issuance of the Note, the Company granted warrants to these institutional investors to subscribe for 12,905,639 ordinary shares in the Company at an exercise price, representing a 10% premium to the volume weighted average price per share, over the five trading days immediately preceding the Issue Date, subject to anti-dilution adjustments and strike price resets under certain circumstances. The warrants are exercisable at any time up to five years after the Issue Date.

As at 30 September 2009, the Group had breached certain financial covenants of the Note which required the Group to maintain a pre-agreed gearing and debt service ratios. Included in the amount utilised was US\$67,818,000 which, in accordance with the terms of the Note, was scheduled to be repaid after one year from the balance sheet date, but was classified as current liabilities in the consolidated balance sheet as at 30 September 2009 as the Group did not have the unconditional right at the balance sheet date to defer settlement for at least the next twelve months as a result of the breach of those financial covenants.

Save as disclosed in Note 19, under the terms of the Sale and Purchase Agreement, the Group will dispose of its entire equity interest in Upper Value together with all its third party debts (including the Note) to the acquirer. If the holders of the Note decide to seek repayment of the note upon the completion of the Sale and Purchase Agreement, the outstanding amount of the Note will be paid by Upper Value (and be funded by the acquirer). Otherwise, the acquirer will guarantee the Note in place of the Company.

In addition, deposits of HK\$100,000,000 (equivalent to US\$12,820,000) and HK\$700,000,000 (equivalent to US\$89,744,000) were received by the Group on 14 December 2009 and 21 December 2009 respectively in accordance with the Sale and Purchase Agreement. The Company has unconditional right to use the deposit pending completion. In the event that completion does not take place, the Company will repay the deposits and interest thereon nine months after the termination of the Sale and Purchase Agreement.

#### 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.

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 agreed and promulgated by the Company's remuneration committee.

On 9 July 2009, in order to re-introduce the incentive value to the options granted to certain Directors and employees of the Company, under the Company's Shares Option Scheme, the Board has authorised the exercise price of the subsisting options to be adjusted to 62p (equivalent to US\$1.06). The subsisting options were granted on 9 October 2007 with an exercise price of 160p (equivalent to US\$2.75) over a total of 8,160,000 ordinary shares in the Company.

- (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	4,730,000	Two years from the date of grant	10 years
Number of options forfeited	<u>(70,000)</u>		
	8,160,000		
	=====		

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

	30 September			
	2009	2008		
	Weighted average exercise price	Number of option '000	Weighted average exercise price	Number of option '000
Outstanding at 1 April	160p	8,160	160p	8,230
Granted during the period	N/A	-	N/A	-
Outstanding at 30 September	62p	<u>8,160</u>	160p	<u>8,230</u>
		=====		=====
Exercisable at 30 September		-		-
		=====		=====

The options outstanding at 30 September 2009 had an exercise price of 62p (2008: 160p) and a weighted average remaining contractual life of 8.0 years (2008: 9.0).

16 Reserves

(a) Share premium

The application of the share premium account is governed by Section 39 of Companies (Jersey) Law 1991.

(b) Statutory reserves

Transfers from retained earnings to statutory reserves has been made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries incorporated in the PRC and are approved by the respective board of directors.

(i) Statutory surplus reserve

Subsidiaries in the PRC are 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. Transfers to this reserve must be made before distribution of a dividend to equity holders.

(ii) Enterprise development fund

Subsidiaries in the PRC are required to transfer 5% of their 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 subsidiaries' employees such as the construction of dormitories, canteen and other staff welfare facilities. This fund is non-distributable other than on liquidation. Transfers to this fund must be made before distribution of a dividend to equity holders.

(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) Other reserve

Other reserve of the Group represents the excess of the carrying value of share of net assets of a subsidiary acquired from minority interest over the purchase consideration being paid.

16 Reserves (continued)

(f) Capital reserve

The capital reserve comprises the following:

- (i) the dividend declared to and waived by certain shareholders; and
- (ii) the fair value of the actual or estimated number of unexercised share options, granted to certain directors and employees of the Group.

17 Commitments

Capital commitments of the Group outstanding at 30 September 2009 not provided for in the interim financial report are as follows:

	30 September 2009 US\$'000 (unaudited)	31 March 2009 US\$'000 (audited)
Contracted for	170,624	133,415
Authorised but not contracted for	-	-
	<u>170,624</u>	<u>133,415</u>
	=====	=====

18 Material related party transactions

Other than the transactions and balance disclosed elsewhere in the interim financial report, the Group sold raw materials of US\$1,158,000 to an associate during the period ended 30 September 2009. No sales were made to associates during the period ended 30 September 2008.

The Group has offered a loan of RMB15,250,000 (equivalent to US\$2,233,000) to the minority shareholder of a subsidiary of the Group.

19. Subsequent events

The following significant transactions took place subsequent to 30 September 2009 and up to the date of this report:

On 11 December 2009, a sale and purchase agreement (the "Sale and Purchase Agreement") was entered into between the Company, Pro-Rise Business Limited ("Pro-Rise") and TCC International Holdings Limited (the "acquirer") pursuant to which, subject to fulfilment of various conditions precedent, Pro-Rise would dispose of its entire interests in Upper Value and its subsidiaries except Prosperity Minerals Investment Limited, which holds 33.06% of Anhui Chaodong Cement Co., Ltd. and Prosperity Minerals Management Limited, which carries out certain administrative functions of the Group (the "Disposal Group") to the acquirer together with certain shareholder loan payable by the Disposal Group (the "Disposal"). The aggregate consideration for the Disposal, which is payable in cash, is HK\$3.80 billion (equivalent to US\$487 million), subject to adjustments for outstanding shareholders' loans granted to the Upper Value, its subsidiaries and associates.

20. Comparative figures

As a result of the application of IAS 1 (revised 2007), Presentation of financial statements, and IFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 3.