

Prosperity Minerals Holdings Limited

(“Prosperity” or “the Company”)

Financial results for the first half ended 30 September 2010

Prosperity Minerals Holdings Limited (PMHL.L) is an iron ore trading business serving the People's Republic of China (PRC) and a specialised real estate owner and developer in the same market. It is also an investor in two cement manufacturers, also in the PRC. Today, the Company announces its unaudited results for the six months ended 30 September 2010. All figures are expressed in US dollars unless otherwise stated.

Highlights for the first half year of trading:

- **EBITDA, including gain on disposal, of \$237.9m (2009: \$42.9m)**
- **Net profit before taxation, including gain on disposal, of \$234.5m (2009: \$23.6m)**
- **Completed disposal of the majority of the cement operations for HK\$3,800 million (approximately \$489 million), giving rise to a gain on disposal of about \$237m**
- **Entered into an iron ore Master Off-take Agreement for iron ore in Malaysia**
- **Entered into a joint venture agreement to develop a combined recreation, commercial and residential project in Changzhou City, Fujian Province, PRC**
- **Acquired Bliss Hero HK, which holds interests in an existing commercial building and a new commercial and residential development, both located in downtown Guangzhou City, Guangdong Province, PRC**
- **No interim dividend was declared (2009: 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 of A & C |
|--|----------------------------------|----------|---|----------------------|
| | 2010 (A) ¹ | 2009 (B) | 2009 (C) ¹ (Re-presented) | |
| Revenue | 433.1 ² | 491.4 | 492.0 | -12% |
| EBITDA | 237.9 | 18.8 | 42.9 | +454% |
| Profit / (Loss) from operations | (0.2) | 14.6 | 13.7 | -101% |
| Net profit before taxes | 234.5 | 1.3 | 23.6 | +894% |

Notes:

¹ PMHL acquired Bliss Hero HK Group on 16 August 2010. Assets, liabilities, profits & loss of Bliss Hero HK Group are accounted for under merger accounting as it is ultimately controlled by the same controlling parties both before and after the business combination. As a result, financial statement items for the reporting period, and comparative period, are included in the consolidated financial statements of PMHL as if Bliss Hero HK group had been part of PMHL from beginning of the earliest period presented. Hence, the 2009 figures are re-presented

² Please refer to page 8

Management review and analysis

I. Iron ore trading

| | Six months ended 30 September | | % change |
|-------------------------------------|----------------------------------|-------|----------|
| | 2010 | 2009 | |
| Segment results* (US\$ million) | 2.0 | 4.4 | -55% |
| Volume (‘000 tonnes) | 2,732 | 5,266 | -48% |
| Segment results per tonne (US\$) | 0.7 | 0.8 | -13% |

* Segment results: operating profit before taxation

- In the six months ended 30 September 2010, Prosperity shipped 2.7 million tonnes of iron ore (2009: 5.2 million tonnes)
- Last year, the PRC was enjoying the full impact of the RMB 4 trillion stimulus package including increased spending on infrastructure developments. This year, PRC austerity measures aimed at decreasing speculation in the property market led to reduced steel demand and weaker steel prices, especially in the second quarter
- Steel supply was adversely affected by Government action to limit power supply to steelmakers and the official closure of small, obsolete plants which did not meet national energy and efficiency targets
- These steel demand and supply issues, in turn, impacted iron ore demand and, in August, China's imports fell by the largest amount this year so far. The Company has broadly experienced the same trend as the market in its iron ore trading business
- Iron ore prices reduced from July's record levels during the third quarter of 2010 although they remain substantially ahead of the same period last year. However, price volatility increased due to the abandonment of the 40 year annual benchmark pricing. The latter has been replaced by a new quarterly pricing arrangement between major producers and buyers
- From mid-September, the Company has seen a recovery of iron ore import levels to the PRC and greater stability in pricing
- On 31 May 2010, Prosperity entered into a Master Off-take Agreement with Grace Wise Pte Limited (Grace Wise). Please refer to the Company's announcements on 1 June 2010, 24 June 2010 and 13 July 2010 for further details. Prosperity shipped 80,137 tonnes of iron ore from Grace Wise during the period from June to September 2010

II. Real estate development projects

Guangzhou City, Guangdong Province, PRC

- On 16 August 2010, the Company completed the purchase of Bliss Hero Investment Group Limited (Bliss Hero HK) for a consideration of HK\$828 million (approximately \$107 million). The consideration consists of HK\$850 million less the difference in shareholders' loan of HK\$22.3 million that was repaid to Prosperity in October 2010. Bliss Hero HK holds interests in an existing commercial building and a new commercial and residential development, both located in downtown Guangzhou City, Guangdong Province, southern PRC
- Bliss Hero HK owns approximately 11,472 square metres of office and commercial space in SilverBay Plaza. Completed in 2004, SilverBay Plaza had 90% occupancy at 30 September 2010
- Bliss Hero HK also holds a 55 per cent interest in a commercial and residential development project known as Dongfang Wende Plaza which is currently under construction
- The pre-sale of development properties by phases is common practice in the PRC and pre-sale of the first phase is scheduled for the first quarter of calendar 2011
- The management team is confident about both the prospects for this project and property prices in Guangzhou. It expects that the average sales price of residential units will not be lower than the RMB 21,000 per square metre used by the independent valuers, Jones Lang LaSalle Sallmanns, in their valuation dated 30 April 2010

Changzhou City, Fujian Province, PRC

- On 31 May 2010, Prosperity entered into a joint venture agreement to develop a combined recreation, commercial and residential project in Changzhou City, Fujian Province, in south eastern PRC
- The development will offer luxury accommodation and hot spring resort facilities
- Prosperity's maximum investment is RMB 480 million (approximately \$72 million)

III. Cement operations

| US\$ million | Six months ended 30 September | | % change |
|--|----------------------------------|------|----------|
| | 2010 | 2009 | |
| Segment results* | 222.9 | 2.5 | +8,816% |
| Share of (losses) / profits of associates | (0.6) | 5.4 | -111% |

*Segment results: operating profit before taxation. For the six months ended 30 September 2010, segment results are only up to 30 April 2010 when the disposal of cement operations was completed

- On 30 April 2010, Prosperity completed the disposal of the majority of its cement operations to TCC International Holdings Limited for a consideration of HK\$3,800 million (approximately \$489 million)

Anhui Chaodong Cement Company Limited (ACC); 33.06% owned

- Following the successful disposal of the majority of its cement operations, Prosperity retained its 33.06 per cent interest in Shanghai-listed ACC
- Construction of the second new clinker production line of 2 million tonnes per annum was completed in September 2010. ACC currently has a designed sellable output capacity of 3.4 million tonnes of cement and clinker per annum
- For the six months ended 30 September 2010, ACC incurred an attributable loss of \$0.6 million, included in the share of profits less losses of associates (2009: loss of \$2.6 million). The loss was due, principally, to a one-off loss of about \$1.8 million on disposal of a subsidiary

Liaoning Changqing Cement Co. Limited (Liaoning Changqing); 25% owned

- On 1 September 2010, Prosperity completed the purchase of a 25 per cent interest in Liaoning Changqing
- Construction of a new clinker production line was completed in April 2010 and normal production commenced on 2 July 2010. New cement grinding facilities were commissioned in August 2010. Liaoning Changqing currently has a designed sellable output capacity of 2 million tonnes of cement and clinker per annum
- From 1 September 2010 to 30 September 2010, Liaoning Changqing contributed \$37,000, included in the share of profits less losses of associates

Overall, the Company's cement plants performed in line with management's expectations during the period under review.

Current trading and prospects

- Prosperity's iron ore trading volumes have been experiencing a recovery from the lower volumes shipped in the first half. The Company expects more iron ore shipments from Grace Wise in the second half
- Construction of the clubhouse at the property development project in Changzhou City, Fujian Province, commenced in Prosperity's third quarter
- The Company is also considering investing in two high-end residential property developments located in Chongqing Direct Municipal City, south-western PRC and Hangzhou City, Zhejiang Province, eastern PRC. Details will be announced once they are finalised
- Management remains positive about the medium to long term prospects of the PRC real estate market and believes that the PRC Government's measures aimed at cooling speculation will benefit the market over the same period

David Wong, Chairman and CEO, said:

“It has been another very busy and profitable six months for the Group. We completed the sale of the majority of cement assets for some \$490 million, including debt, entered into an agreement to buy iron ore from Malaysia and diversified into the real estate sector with purchases in Guangzhou and the establishment of a new joint venture in Changzhou City. Similarly, in the second half, we are looking at a number of equally exciting projects in both iron ore and property.

The PRC continues to be the world’s fastest growing major economy and in its new five year plan 2011-15, there will be a palpable shift of focus from exports to the expansion of domestic demand and the welfare of China’s more than 1.3 billion inhabitants. We believe this can only be good news for Prosperity’s prime businesses.”

Notes:

- (i) The average exchange rates for the six months ended 30 September 2010, and the six months ended 30 September 2009 were \$1 = RMB6.8071 and 1\$ = RMB6.8297 respectively
- (ii) The exchange rate on 30 September 2010 was \$1 = RMB6.80741

Enquiries:

Prosperity Minerals Holdings Limited Tel: +44 (0) 20 7638 9571
Patrick Li
Sandy Chim
Neelke Kruger-Logan

Daniel Stewart & Company Plc Tel: +44 (0) 20 7776 6550
Emma Earl
Paul Shackleton

Citigate Dewe Rogerson Tel: +44 (0) 20 7638 9571
Martin Jackson
George Cazenove

Notes to Editors:

Prosperity (AIM: PMHL) is:

- an iron ore trading business serving the PRC;
- a specialised real estate owner and developer in the same market; and
- an investor in two cement plants, also in the PRC.

In April 2010, Prosperity disposed of its cement business in the PRC but retained its 33.06% interest in Anhui Chaodong Cement Company Limited (ACC). ACC is located in Anhui Province in eastern PRC. The designed sellable output capacity of ACC is 3.4 million tonnes of cement and clinker** per annum. On 1 September 2010, Prosperity acquired a 25% equity interest in Liaoning Changqing Cement Co. Limited (Liaoning Changqing) in Liaoning Province, northern PRC. Liaoning Changqing completed construction of a new 2 million tonnes per annum cement and clinker production line in April 2010 and normal production commenced on 2 July 2010.

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 in South Africa, Brazil and 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 2010, Prosperity shipped 7.9 million tonnes of iron ore. In the six months ended 30 September 2010, the Company shipped 2.7 million tonnes of iron ore.

The PRC is the World's second largest economy (behind the US) and the largest producer and consumer of cement and the number one global buyer of iron ore.

As from 1 February 2010, Prosperity has operated a real estate investment and development division and recently entered into a number of agreements in order to build up a portfolio of PRC property and development assets.

***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 2010

| | Note | For the six months ended 30 September | |
|---|------|--|---|
| | | 2010 US\$'000 (Unaudited) | 2009 US\$'000 (Unaudited) (Re-presented) |
| Continuing operations | | | |
| Revenue | 4 | 411,783 | 397,897 |
| Cost of sales | | <u>(401,866)</u> | <u>(385,706)</u> |
| Gross profit | | 9,917 | 12,191 |
| Other operating income | 5 | 1,498 | 722 |
| Distribution expenses | | (769) | (2,602) |
| Administrative expenses | | <u>(16,635)</u> | <u>(8,512)</u> |
| (Loss) / profit from continuing operations | | (5,989) | 1,799 |
| Finance expenses | | (1,159) | (1,334) |
| Finance income | 6 | 541 | 58 |
| Share of profits less losses of associates | | (653) | (2,599) |
| Change in fair value of investment properties and investment properties under development | | 1,282 | 7,740 |
| Reversal of impairment of properties under development | | - | 9,958 |
| Loss on re-measurement of derivative financial instrument to fair value | | <u>(1,427)</u> | <u>(1,501)</u> |
| (Loss) / profit before taxation from continuing operations | | (7,405) | 14,121 |
| Income tax | 8 | <u>(212)</u> | <u>(4,477)</u> |
| (Loss) / profit from continuing operations | | <u>(7,617)</u> | <u>9,644</u> |
| Discontinued operations | | | |
| Gain on disposal of subsidiaries, associates and a jointly controlled entity | 7 | 236,994 | - |
| Profit from discontinued operations (net of income tax) | | <u>3,613</u> | <u>1,541</u> |
| Profit from discontinued operations | | <u>240,607</u> | <u>1,541</u> |
| Profit for the period | | <u>232,990</u> | <u>11,185</u> |
| Attributable to: | | | |
| Equity shareholders of the Company | | 232,785 | 5,006 |
| Minority interests | | <u>205</u> | <u>6,179</u> |
| Profit for the period | | <u>232,990</u> | <u>11,185</u> |

Prosperity Minerals Holdings Limited
Interim financial report

Consolidated income statement for the six months ended 30 September 2010 (continued)

Earnings per share

| | | | |
|---------|----|-------|-------|
| Basic | 10 | 1.71 | 0.04 |
| | | ===== | ===== |
| Diluted | 10 | 1.63 | 0.04 |
| | | ===== | ===== |

The accompanying notes form part of this interim financial report.

Consolidated statement of comprehensive income for the six months ended 30 September 2010

| | For the six months ended 30 September | |
|--|--|---|
| | 2010 US\$'000 (Unaudited) | 2009 US\$'000 (Unaudited) (Re-presented) |
| Profit for the period | 232,990 | 11,185 |
| Other comprehensive income for the period (after tax and reclassification adjustments) (Note) | | |
| Exchange difference on translation of financial statements of foreign operations | 651 | 1,031 |
| Available-for-sale investments: net movement in fair value reserve | (27) | - |
| Total comprehensive income for the period | 233,614 ===== | 12,216 ===== |
| Attributable to : | | |
| Equity shareholders of the Company | 233,174 | 6,030 |
| Minority interests | 440 | 6,186 |
| Total comprehensive income for the period | 233,614 ===== | 12,216 ===== |

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

Reconciliation of Revenue, Operating Profit, and Profit before Tax from Continuing and Discontinued Operations for the six months ended 30 September 2010 and 2009

| | Note | For the six months ended 30 September 2010 | | |
|---|------|--|--|-------------------|
| | | Continuing Operations US\$'000 | Discontinued Operations US\$'000 | Total US\$'000 |
| Revenue | | 411,783 | 21,313 | 433,096 |
| Cost of sales | | (401,866) | (14,398) | (416,264) |
| Gross profit | | 9,917 | 6,915 | 16,832 |
| Other operating income | | 1,498 | 363 | 1,861 |
| Distribution expenses | | (769) | (143) | (912) |
| Administrative expenses | | (16,635) | (975) | (17,610) |
| (Loss) / profit from operations | | (5,989) | 6,160 | 171 |
| Finance expenses | | (1,159) | (1,206) | (2,365) |
| Finance income | | 541 | - | 541 |
| Share of profits less losses of associates | | (653) | - | (653) |
| Gain on disposal of subsidiaries, associates and a jointly controlled entity | 7 | - | 236,994 | 236,994 |
| Change in fair value of investment properties and investment properties under development | | 1,282 | - | 1,282 |
| Loss on re-measurement of derivative financial instruments to fair value | | (1,427) | - | (1,427) |
| (Loss) / profit before taxation | | (7,405) | 241,948 | 234,543 |
| Income tax | | (212) | (1,341) | (1,553) |
| (Loss) / profit for the period | | (7,617) | 240,607 | 232,990 |
| | | ===== | ===== | ===== |

| | For the six months ended 30 September 2009 | | |
|--|--|--|-------------------|
| | Continuing Operations US\$'000 | Discontinued Operations US\$'000 | Total US\$'000 |
| Revenue | 397,897 | 94,092 | 491,989 |
| Cost of sales | (385,706) | (75,731) | (461,437) |
| Gross profit | 12,191 | 18,361 | 30,552 |
| Other operating income | 722 | 2,448 | 3,170 |
| Distribution expenses | (2,602) | (1,209) | (3,811) |
| Administrative expenses | (8,512) | (6,814) | (15,326) |
| Profit from operations | 1,799 | 12,786 | 14,585 |
| Finance expenses | (1,334) | (11,013) | (12,347) |
| Finance income | 58 | 1,103 | 1,161 |
| Share of profits less losses of associates | (2,599) | 8,010 | 5,411 |

| | | | |
|---|-----------------------|-----------------------|------------------------|
| Share of profit less losses of a jointly controlled entity | - | (5,676) | (5,676) |
| Impairment of investment in a jointly controlled entity | - | (578) | (578) |
| Change in fair value of investment properties and investment properties under development | 7,740 | - | 7,740 |
| Reversal of impairment of properties under development | 9,958 | | 9,958 |
| Loss on re-measurement of derivative financial instruments to fair value | (1,501) | - | (1,501) |
| Profit before taxation | <u>14,121</u> | <u>4,632</u> | <u>18,753</u> |
| Income tax | <u>(4,477)</u> | <u>(3,091)</u> | <u>(7,568)</u> |
| Profit for the period | <u>9,644</u> ===== | <u>1,541</u> ===== | <u>11,185</u> ===== |

Prosperity Minerals Holdings Limited

Consolidated balance sheet at 30 September 2010

| | Note | 30 September 2010 US\$'000 (unaudited) | 31 March 2010 US\$'000 (unaudited) (Re-presented) |
|---|------|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | 496 | 628 |
| Investment in a jointly controlled entity | | 7,345 | - |
| Investment in associates | 11 | 43,959 | 29,824 |
| Investment properties | | 22,329 | 22,268 |
| Investment properties under development | | 80,941 | 75,886 |
| Available-for-sale investments | | 1,229 | - |
| Non-current prepayments | | 19,829 | 14,650 |
| | | <u>176,128</u> | <u>143,256</u> |
| Current assets | | | |
| Properties under development for sale | | 184,602 | 169,160 |
| Trade and other receivables | | 157,474 | 89,924 |
| Restricted deposits | 12 | 6,561 | 2,029 |
| Cash and cash equivalents | | 250,971 | 65,836 |
| | | <u>599,608</u> | <u>326,949</u> |
| Assets of disposal group classified as held for sales | | - | 653,900 |
| | | <u>599,608</u> | <u>980,849</u> |
| Current liabilities | | | |
| Bank loans | 13 | (32,327) | (41,576) |
| Trade and other payables | | (49,318) | (204,318) |
| Income tax payable | | (106) | (106) |
| | | <u>(81,751)</u> | <u>(246,000)</u> |
| Liabilities directly associated with assets of a disposal group classified as held for sale | | - | (354,473) |
| | | <u>(81,751)</u> | <u>(600,473)</u> |
| Net current assets | | <u>517,857</u> | <u>380,376</u> |
| Total assets less current liabilities | | <u>693,985</u> | <u>523,632</u> |

Prosperity Minerals Holdings Limited

Consolidated balance sheet at 30 September 2010 (continued)

| | Note | 30 September 2010 US\$'000 (unaudited) | 31 March 2010 US\$'000 (unaudited) (Re-presented) |
|---|------|---|---|
| Non-current liabilities | | | |
| Bank loans | 13 | (92,311) | (60,493) |
| Obligation under finance lease | | - | (8) |
| Deferred tax liabilities | | (40,416) | (40,104) |
| | | <u>(132,727)</u> | <u>(100,605)</u> |
| | | ----- | ----- |
| Net assets | | 561,258 | 423,027 |
| | | ===== | ===== |
| Capital and reserves | | | |
| Share capital | | 2,500 | 2,463 |
| Reserves | 15 | 212,743 | 256,080 |
| Retained earnings | | 272,380 | 49,159 |
| Amounts recognised in other comprehensive income and accumulated in equity relating to a disposal group classified as held for sale | | - | 31,345 |
| | | <u>-</u> | <u>31,345</u> |
| Equity attributable to equity holders of the company | | 487,623 | 339,047 |
| Minority interests | | 73,635 | 83,980 |
| | | <u>73,635</u> | <u>83,980</u> |
| Total equity | | 561,258 | 423,027 |
| | | ===== | ===== |

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 2010 - unaudited

| | Attributable to equity shareholders of the Company | | | | | | | | | | | | Total equity |
|---|--|---------------|--------------------|----------------|------------------|---------------|-----------------|-------------------|--------------------|--|----------|--------------------|--------------|
| | Share capital | Share premium | Statutory reserves | Merger reserve | Exchange reserve | Other reserve | Capital Reserve | Retained Earnings | Fair value Reserve | Amount in other comprehensive & accumulated in equity relating to disposal group classified as held for sale | Subtotal | Minority interests | |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | |
| | Note 15 | Note 15 | Note 15 | Note 15 | Note 15 | Note 15 | Note 15 | | | | | | |
| | (a) | (b) | (c) | (d) | (e) | (f) | | | | | | | |
| At 1 April 2009 (as previously reported) | 2,415 | 195,884 | 10,997 | (26,918) | 33,910 | - | 8,294 | 45,467 | - | - | 270,049 | 9,206 | 279,255 |
| Adjusted for business combination under common control | - | - | - | 44,107 | - | - | - | - | - | - | 44,107 | 68,383 | 112,490 |
| At 1 April 2009 (as re-presented) | 2,415 | 195,884 | 10,997 | 17,189 | 33,910 | - | 8,294 | 45,467 | - | - | 314,156 | 77,589 | 391,745 |
| Capital contribution from minority interests | - | - | - | - | - | - | - | - | - | - | - | 5,625 | 5,625 |
| Purchase of minority interests | - | - | - | - | - | (103) | - | - | - | - | (103) | (6,597) | (6,700) |
| Transfer of profit of entity under common control | - | - | - | 6,723 | - | - | - | (6,723) | - | - | - | - | - |
| Transfer of other comprehensive income of entity under common control | - | - | - | 564 | (564) | - | - | - | - | - | - | - | - |
| Shares issued in lieu of dividends | 32 | 1,489 | - | - | - | - | - | - | - | - | 1,521 | - | 1,521 |
| Dividend paid | - | - | - | - | - | - | - | (2,253) | - | - | (2,253) | - | (2,253) |
| Equity settled share-based transactions | - | - | - | - | - | - | 2,464 | - | - | - | 2,464 | - | 2,464 |
| Total comprehensive income for the period (as re-presented) | - | - | - | - | 1,024 | - | - | 5,006 | - | - | 6,030 | 6,186 | 12,216 |
| At 30 September 2009 (as re-presented) | 2,447 | 197,373 | 10,997 | 24,476 | 34,370 | (103) | 10,758 | 41,497 | - | - | 321,815 | 82,803 | 404,618 |
| At 1 October 2009 (As previously reported) | 2,447 | 197,373 | 10,997 | (26,918) | 34,370 | (103) | 10,758 | 41,497 | - | - | 270,421 | 8,138 | 278,559 |
| Adjusted for business combination under common control | - | - | - | 51,394 | - | - | - | - | - | - | 51,394 | 74,665 | 126,059 |
| Balance at 1 October 2009 (as re-presented) | 2,447 | 197,373 | 10,997 | 24,476 | 34,370 | (103) | 10,758 | 41,497 | - | - | 321,815 | 82,803 | 404,618 |
| Transfer to statutory reserves | - | - | 5,301 | - | - | - | - | (5,301) | - | - | - | - | - |
| Transfer of profit of entity under common control | - | - | - | 2,327 | - | - | - | (2,327) | - | - | - | - | - |

| | | | | | | | | | | | | | |
|---|-------|---------|----------|----------|----------|-----|---------|----------|------|----------|----------|---------|----------|
| Transfer of other comprehensive income of entity under common control | - | - | - | 57 | (57) | - | - | - | - | - | - | - | - |
| Shares issued upon exercise of share options | 16 | 1,896 | - | - | - | - | (932) | - | - | - | 980 | - | 980 |
| Equity settled share-based transactions | - | - | - | - | - | - | 659 | - | - | - | 659 | - | 659 |
| Transfer to assets of a disposal group classified as held for sales | - | - | (16,298) | 25,986 | (31,149) | 103 | (9,987) | - | - | 31,345 | - | - | - |
| Total comprehensive income for the period | - | - | - | - | 303 | - | - | 15,290 | - | - | 15,593 | 1,177 | 16,770 |
| At 31 March 2010 (as re-presented) | 2,463 | 199,269 | - | 52,846 | 3,467 | - | 498 | 49,159 | - | 31,345 | 339,047 | 83,980 | 423,027 |
| At 1 April 2010 (As previously reported) | 2,463 | 199,269 | - | (932) | 3,467 | - | 498 | 49,159 | - | 31,345 | 285,269 | 7,929 | 293,198 |
| Adjusted for business combination under common control | - | - | - | 53,778 | - | - | - | - | - | - | 53,778 | 76,051 | 129,829 |
| Balance at 31 March 2010 and 1 April 2010 (as re-presented) | 2,463 | 199,269 | - | 52,846 | 3,467 | - | 498 | 49,159 | - | 31,345 | 339,047 | 83,980 | 423,027 |
| Reclassification of reserves | - | - | - | - | - | - | 9,987 | - | - | (9,987) | - | - | - |
| Consideration for purchase of equity under common control | - | - | - | (57,164) | - | - | - | - | - | - | (57,164) | - | (57,164) |
| Transfer of profit of entity under common control | - | - | - | 207 | - | - | - | (207) | - | - | - | - | - |
| Transfer of other comprehensive income of entity under common control | - | - | - | 668 | (668) | - | - | - | - | - | - | - | - |
| Transfer of minority interests under common control | - | - | - | 2,877 | - | - | - | - | - | - | 2,877 | (2,877) | - |
| Purchase of own shares: | | | | | | | | | | | | | |
| - par value paid | (64) | - | - | - | - | - | - | - | - | - | (64) | - | (64) |
| - premium paid | - | (9,424) | - | - | - | - | - | - | - | - | (9,424) | - | (9,424) |
| Share options cancelled during the year | | | | | | | | | | | | | |
| - cancelled without compensation | - | - | - | - | - | - | (2,898) | 2,898 | - | - | - | - | - |
| - cancelled with compensation | - | - | - | - | - | - | (2,549) | - | - | - | (2,549) | - | (2,549) |
| Dividend paid | - | - | - | - | - | - | - | (12,255) | - | - | (12,255) | - | (12,255) |
| Equity settled share-based transactions | - | - | - | - | - | - | 572 | - | - | - | 572 | - | 572 |
| Issuance of new shares upon exercise of warrants | 101 | 14,672 | - | - | - | - | - | - | - | - | 14,773 | - | 14,773 |
| Disposal of subsidiaries, associates and a jointly controlled entity | - | - | - | - | - | - | - | - | - | (21,364) | (21,364) | (7,908) | (29,272) |
| Total comprehensive income for the period | - | - | - | - | 410 | - | - | 232,785 | (27) | 6 | 233,174 | 440 | 233,614 |
| At as 30 September 2010 | 2,500 | 204,517 | - | (566) | 3,209 | - | 5,610 | 272,380 | (27) | - | 487,623 | 73,635 | 561,258 |

Prosperity Minerals Holdings Limited

Consolidated cash flow statement for the six months ended 30 September 2010

| | For the six months ended 30 September | |
|---|--|---|
| | 2010 US\$'000 (unaudited) | 2009 US\$'000 (unaudited) (Re-presented) |
| Operating activities | | |
| Profit before taxation (including continuing and discontinued operations) | 234,543 | 18,753 |
| - Depreciation | 145 | 5,805 |
| - Amortisation of mining rights and lease prepayments | 16 | 830 |
| - Finance expenses | 2,365 | 12,347 |
| - Loss on re-measurement of financial derivatives to fair value | 1,427 | 1,501 |
| - Gain on disposal of subsidiaries, associates and a jointly controlled entity | (236,994) | - |
| - Interest income | (403) | (1,161) |
| - Equity settled share-based transactions | 1,260 | 2,464 |
| - Foreign exchange gain / (loss) | 138 | (26) |
| - Reversal of impairment on properties under development | - | (9,958) |
| - Change in fair value of investment properties and investment properties under development | (1,282) | (7,740) |
| - Impairment of investment in a jointly controlled entity | - | 578 |
| - Share of loss of a jointly controlled entity | - | 5,676 |
| - Share of profits less losses of associates | 653 | (5,411) |
| - Gain on disposal of property, plant and equipment | - | (60) |
| Operating profit before changes in working capital | 1,868 | 23,598 |
| Decrease / (increase) in inventories | 2,591 | (214) |
| Increase in trade and other receivables | (88,623) | (51,308) |
| Decrease / (increase) in amounts due from associates | 109 | (2,695) |
| Increase in amount due from minority interests | - | (2,086) |
| (Decrease) / increase in trade and other payables | (5,920) | 6,515 |
| Cash used in operations | (89,975) | (26,190) |
| Tax paid | (1,319) | (1,706) |
| Net cash used in operating activities | (91,294) | (27,896) |

Prosperity Minerals Holdings Limited

Consolidated cash flow statement for the six months ended 30 September 2010 (continued)

| | 30 September 2010 US\$'000 (unaudited) | 30 September 2009 US\$'000 (unaudited) (Re-presented) |
|--|---|---|
| Investing activities | | |
| Interest received | 403 | 204 |
| Additional construction cost of properties under development | (17,460) | (2,493) |
| Payment for purchase of property, plant and equipment | (8,125) | (16,361) |
| Proceeds from disposal of property, plant and equipment | - | 253 |
| Proceeds from repayment of amounts due from disposal group upon disposal | 189,778 | - |
| Proceeds from disposal of the subsidiaries, associates and a jointly controlled entity | 205,487 | - |
| Prepayment for real estates projects | (4,840) | (7,063) |
| Prepayment for land use rights | - | (3,826) |
| Prepayment for mining rights | - | (1,300) |
| Capital injection in real estates project | (7,346) | - |
| Acquisition of amount due to ex-shareholder of newly acquired subsidiaries | (52,367) | - |
| Net cash outflow from acquisition of associates | (14,708) | - |
| Net cash outflow from acquisition of subsidiaries | (57,164) | - |
| Net cash outflow from acquisition of minority interests | - | (1,075) |
| Investment in available-for-sales securities | (1,256) | - |
| Net cash generated from (used in) investing activities | 232,402 | (31,661) |
| | ----- | ----- |
| Financing activities | | |
| (Increase) / decrease in restricted deposits | (4,532) | 4,318 |
| Increase / (decrease) in amount due to a director | 2,856 | (1,206) |
| Proceeds from bank and other borrowings | 22,135 | 94,607 |
| Repayment of bank and other borrowings | - | (28,305) |
| Interest paid | (3,239) | (11,671) |
| Payment for cancellation of share options | (3,237) | - |
| Proceeds from issue of new shares | 8,891 | - |
| Purchase of own shares | (9,488) | - |
| Dividend paid | - | (732) |
| Net cash generated from financing activities | 13,386 | 57,011 |
| | ----- | ----- |
| Net increase / (decrease) in cash and cash equivalents | 154,494 | (2,546) |
| Cash and cash equivalents at 1 April | 96,117 | 74,281 |
| Effect of foreign exchange rate changes | 360 | 1,217 |
| Cash and cash equivalents at 30 September | 250,971 | 72,952 |
| | ===== | ===== |

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 applied to this interim financial report are consistent with those disclosed in the Company’s Annual Report dated 6 July 2010.

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 2010. 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 2010 is unaudited but has been reviewed by the Audit Committee and approved by the Board on 26 November 2010.

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, investment properties and investment properties under development.

3 Acquisition of Bliss Hero Hong Kong Limited

Pro-Rise Business Limited (“Pro-Rise”), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement (“the Agreement”) on 31 May 2010 with Cheong Sing Merchandise Agency Limited and Splendid City Limited (“Splendid City”) pursuant to which Pro-Rise conditionally agreed to acquire the entire equity interest in Bliss Hero Hong Kong Limited (“Bliss Hero HK”) which holds certain property interests in Guangzhou City at a cash consideration of HK\$828 million. The consideration for Bliss Hero HK was the sum of (i) the consideration payable for the assignment of all of the amounts advanced by Mr. Wong Ben Koon and/or his associate(s) to the Bliss Hero HK and its subsidiaries (“Bliss Hero Loan”), which are outstanding as at the completion date of the agreement; and (ii) the net asset value (after deducting minority interests) of Bliss Hero HK as at 31 March 2010 after taking into consideration of the property revaluation carried out as at 31 March 2010 by an independent property valuer.

The business combination was effective on 31 August 2010 when all the conditions were satisfied and that the balance of the consideration, other than the adjustments to the Bliss Hero Loan amount, was paid on the same date. Adjustments to the Bliss Hero Loan amount was settled in October 2010 according to the timeframe provided in the Agreement.

Since the Group and Bliss Hero HK were both under the common control of Mr. Wong Ben Koon and Madam Hon Ching Fong prior to the Business Combination, the purchase of Bliss Hero HK is considered as a business combination of entities and businesses under common control, which has been accounted for using merger accounting. The acquired assets and liabilities of Bliss Hero HK are stated at historical cost, and are included in the consolidated financial statements from the beginning of the earliest period presented as if the Bliss Hero HK had always been part of the Group. As a result, the comparative figures in the consolidated financial statements have been restated accordingly.

The following tables summarise the combined results of operations for the period ended 30 September 2009 and the financial positions as at 31 March 2010 of the Group and Bliss Hero HK to reflect the impact of the effect of the Business Combination under common control:

| | The Group (as previously reported before the Business combination) US\$'000 | Bliss Hero HK US\$'000 | The Group (as re-presented after the Business combination) US\$'000 |
|--|---|-------------------------------|--|
| As at 31 March 2010 | | | |
| Financial position: | | | |
| Non-current assets | 44,709 | 98,547 | 143,256 |
| Current assets | 783,466 | 197,383 | 980,849 |
| Total assets | 828,175 | 295,930 | 1,124,105 |
| Non-current liabilities | - | 100,605 | 100,605 |
| Current liabilities | 534,977 | 65,496 | 600,473 |
| Total liabilities | 534,977 | 166,101 | 701,078 |
| Net assets | 293,198 | 129,829 | 423,027 |
| For the period ended 30 September 2009 | | | |
| Results of operations: | | | |
| Revenue (including continuing and discontinued operations) | 491,421 | 568 | 491,989 |
| (Loss) / Profit for the year | (1,820) | 13,005 | 11,185 |

4 Segment reporting

The Group manages its business by business lines. 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 three reportable segments:

- Manufacture and sale of cement,
- Trading of iron ore; and
- Real estates development business

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 segment generate profit/(loss) mainly from the equity investment holding business 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.

| | For the six months ended 30 September | | | | | | | | | |
|------------------------------------|---|---|--|--|----------------------------------|---|---|--|--|----------------------------------|
| | 2010 | | | | | 2009 (Re-presented) | | | | |
| | Trading of iron ore (unaudited) US\$'000 | Manufacture and sale of cement (unaudited) US\$'000 | Real estates development business (unaudited) US\$'000 | All other segments (unaudited) US\$'000 | Total (unaudited) US\$'000 | Trading of iron ore (unaudited) US\$'000 | Manufacture and sale of cement (unaudited) US\$'000 | Real estates development business (unaudited) US\$'000 | All other Segments (unaudited) US\$'000 | Total (unaudited) US\$'000 |
| Revenue from external customers | 411,154 | 21,313 | 629 | - | 433,096 | 397,329 | 94,092 | 568 | - | 491,989 |
| Inter-segment revenue | - | - | - | - | - | - | - | - | - | - |
| Reportable segment revenue | <u>411,154</u> | <u>21,313</u> | <u>629</u> | <u>-</u> | <u>433,096</u> | <u>397,329</u> | <u>94,092</u> | <u>568</u> | <u>-</u> | <u>491,989</u> |
| Reportable segment profit / (loss) | <u>1,979</u> | <u>241,948</u> | <u>575</u> | <u>(998)</u> | <u>243,504</u> | <u>4,404</u> | <u>2,461</u> | <u>17,482</u> | <u>(653)</u> | <u>23,694</u> |

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

| | Six months ended 30 September | |
|--------------------------------------|-------------------------------|----------------|
| | 2010 | 2009 |
| | US\$'000 | US\$'000 |
| | (unaudited) | (unaudited) |
| | | (Re-presented) |
| Revenue | | |
| Reportable segment revenue | 433,096 | 491,989 |
| Discontinued operation revenue | (21,313) | (94,092) |
| Elimination of inter-segment revenue | - | - |
| Consolidated turnover | <u>411,783</u> | <u>397,897</u> |
| | ===== | ===== |

| | Six months ended 30 September | |
|---|-------------------------------|----------------|
| | 2010 | 2009 |
| | US\$'000 | US\$'000 |
| | (unaudited) | (unaudited) |
| | | (Re-presented) |
| Profit | | |
| Reportable segment profit | 243,504 | 23,694 |
| Discontinued operation profit before taxation | (241,948) | (4,632) |
| Unallocated (loss) | (8,961) | (4,941) |
| Elimination of inter-segment profit | - | - |
| Consolidated profit before taxation | <u>(7,405)</u> | <u>14,121</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 | |
|------------|-------------------------------|----------------|
| | 2010 | 2009 |
| | US\$'000 | US\$'000 |
| | (unaudited) | (unaudited) |
| | | (Re-presented) |
| Customer A | - | 156,188 |
| Customer B | 128,239 | 66,302 |
| Customer C | 96,514 | 58,792 |
| Customer D | 108,380 | 37,166 |
| Customer E | 78,021 | 44,177 |
| | ===== | ===== |

5 Other operating income

| | For the six months ended 30 September | |
|------------------------------|--|---|
| | 2010 US\$'000 (unaudited) | 2009 US\$'000 (unaudited) (Re-presented) |
| Demurrage income | 843 | 154 |
| Despatch and delivery income | 266 | 268 |
| Others | 389 | 300 |
| | <u>1,498</u> | <u>722</u> |
| | ===== | ===== |

6 Finance income

| | For the six months ended 30 September | |
|------------------------|--|---|
| | 2010 US\$'000 (unaudited) | 2009 US\$'000 (unaudited) (Re-presented) |
| Exchange gain / (loss) | 138 | (26) |
| Interest income | 403 | 84 |
| | <u>541</u> | <u>84</u> |
| | ===== | ===== |

7 Gain on disposal of subsidiaries, associates and a jointly controlled entity

On 11 December 2009, a sale and purchase agreement (the "Sale and Purchase Agreement") was entered into between the company, 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 Investments Limited 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 "Disposed Group") to the acquirer together with certain shareholder loan payable by the Disposed Group (the "Disposal"). As a result of the Disposal, the Group's business operations in manufacture and sale of cement and clinker were discontinued. The transaction was completed on 30 April 2010 and the net assets of the Disposed Group at the date of disposal as follows:

| | US\$'000 |
|---|----------|
| Net assets disposed of: | |
| Property, plant and equipment | 296,924 |
| Mining rights | 16,271 |
| Land use rights | 35,774 |
| Interests in associates | 116,334 |
| Interest in a jointly controlled entity | 8,707 |
| Non-current prepayments | 46,552 |
| Deferred tax assets | 113 |

| | |
|--|-----------|
| Inventories | 10,566 |
| Trade and other receivables | 72,767 |
| Amount due from an associate | 571 |
| Cash and cash equivalents | 19,800 |
| Restricted deposits | 391 |
| Trade and other payables | (289,979) |
| Bank loans | (154,012) |
| Secured notes | (103,359) |
| Income tax payable | (1,407) |
| Deferred tax liabilities | (5,804) |
| | <hr/> |
| | 70,209 |
| Attributable goodwill | 43,418 |
| Minority interests | (7,908) |
| Merger reserve | 25,986 |
| Statutory reserve | (16,298) |
| Exchange reserve | (31,155) |
| Other reserve | 103 |
| | <hr/> |
| Adjusted net assets of Disposed Group | 84,355 |
| Gain on disposal of subsidiaries, associates and a jointly controlled entity | 236,994 |
| Net consideration | <hr/> |
| | 321,349 |
| | ===== |
| Satisfied by | |
| Cash proceeds | 487,179 |
| Net of Disposed Group Loan | (140,157) |
| Consultancy fee and other direct costs | (19,173) |
| Capital gain tax on disposal | (6,500) |
| Net Consideration | <hr/> |
| | 321,349 |
| | ===== |

8 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% - 25% |

- (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 ("New Tax Law") which has taken effect from 1 January 2008. As a result of the New Tax Law, the statutory income tax rate adopted by Yingde Dragon Mountain Cement Co., Ltd ("YDM") has

changed from 33% to 25% with effect from 1 January 2008. However, pursuant to the grandfathering arrangement under the New Tax Law, the preferential policies enjoyed by YDM remain effective after the implementation of the New Tax Law until the preferential periods are expired. The income tax rate of YDM was 12.5% for the period from 1 January 2009 to 31 December 2009 and has changed to 25% for the period from 1 January 2010 to 30 September 2010.

- (c) 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 received 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.

9 Dividends

Dividends attributable to the interim period

| | For the six months ended 30 September | |
|--|--|----------------|
| | 2010 | 2009 |
| | US\$'000 | US\$'000 |
| | (unaudited) | (unaudited) |
| Final dividend in respect of the previous financial year, approved and paid during the interim period of US9 cents per share (2008: US1.7 cents per share) | 12,255 ===== | 2,253 ===== |

10 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 of US\$232,785,000 (2009 (re-presented) : US\$5,006,000) and the weighted average number of ordinary shares of 136,241,304 (2009: 132,765,352) in issue during the six months ended 30 September 2010.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of US\$232,785,000 (2009 (re-presented) : US\$5,006,000) and the weighted average number of ordinary shares of 142,519,036 (2009: 132,765,352) in issue during the six months ended 30 September 2010.

11 Acquisition of Liaoning Changqing Cement Company Limited (LCCC)

On 31 August 2010, Sintex International Limited, a wholly-owned subsidiary of the Company acquired 25% equity interest of an associate, LCCC, at a consideration of US\$14,690,000 (RMB100,000,000). The principal activity of LCCC is the manufacture and sale of cement and

clinker. The Group accounted for the acquisition of the equity interest in LCCC under the purchase method.

The carrying amounts and fair value of underlying net assets of the Group's interest in LCCC and the goodwill arising are as follows:

| | <i>Recognised values</i> US\$'000 | <i>Fair value adjustments</i> US\$'000 | <i>Carrying amounts</i> US\$'000 |
|--|--|---|---|
| Property, plant and equipment | 88,221 | 1,994 | 86,227 |
| Lease prepayments | 8,958 | (5) | 8,963 |
| Intangible assets – Mining rights | 9,582 | 8,883 | 699 |
| Inventories | 4,351 | - | 4,351 |
| Trade and other receivables | 21,213 | - | 21,213 |
| Cash and cash equivalents | 1,138 | - | 1,138 |
| Trade and other payables | (40,750) | - | (40,750) |
| Interest bearing loans and borrowings | (48,841) | - | (48,841) |
| Deferred tax liabilities – revaluation | (2,718) | (2,718) | - |
| Net identifiable assets and liabilities | <u>41,154</u> | <u>8,154</u> | <u>33,000</u> |
| | ===== | ===== | ===== |
| Share of net assets | 10,288 | | |
| Goodwill arising on acquisition | <u>4,420</u> | | |
| | <u>14,708</u> | | |
| | ===== | | |
| Satisfied by: | | | |
| Cash paid | 14,690 | | |
| Costs directly attributable to the purchase | <u>18</u> | | |
| Net cash outflow | <u>14,708</u> | | |
| | ===== | | |

12 Restricted deposits

Restricted deposits represent the cash margin placed in banks to secure letters of credit facilities of the Group.

13 Bank loans

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

| | 30 September 2010 US\$'000 (unaudited) | 31 March 2010 US\$'000 (unaudited) (Re-presented) |
|-----------------------------------|---|---|
| Bank loans | | |
| Within 1 year or on demand | 32,327 | 41,576 |
| Over 1 year but less than 2 years | 86,311 | 60,493 |
| Over 2 year but less than 5 years | <u>6,000</u> | <u>-</u> |

| | |
|---------|---------|
| 124,638 | 102,069 |
|---------|---------|

At 30 September 2010, the bank and other loans have interest rates ranging from 4% to 7% (31 March 2010: 7% to 8%) per annum.

14 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 from GBP1.60 to GBP0.62 (equivalent to US\$1.06).

On 28 October 2009, certain employees of the Group have been granted 5,820,000 share options over its ordinary shares of GBP0.01 each. The options granted were for nil consideration with an exercise price of GBP0.70 each and are exercisable from 28 October 2011 to 27 October 2013.

- (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 | 1,500,000 | Two years from the date of grant | 10 years |
| Options granted to employees on 28 October 2009 | 5,590,000 | Two years from the date of grant | 4 years |

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

| | 30 September | | | |
|-----------------------------|---------------------------------|-----------------------|---------------------------------|-----------------------|
| | 2010 | | | 2009 |
| | Weighted average exercise price | Number of option '000 | Weighted average exercise price | Number of option '000 |
| Outstanding at 1 April | 67p | 10,000 | 160p | 8,160 |
| Forfeited during the period | 70p | (230) | N/A | - |
| Cancelled during the period | 62p | (2,680) | N/A | - |

| | | | | |
|--------------------------------|-----|-----------------------|-----|-----------------------|
| Outstanding at 30 September | 68p | <u>7,090</u> ===== | 62p | <u>8,160</u> ===== |
| Exercisable at 30 September | 62p | <u>1,500</u> ===== | | <u>-</u> ===== |

The options outstanding at 30 September 2010 had an exercise price of 68p (2009: 62p) and a weighted average remaining contractual life of 3.8 years (2008: 8.0 years).

15 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 purchase consideration being paid 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.

(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.

16 Commitments

Capital commitments of the Group outstanding at 30 September 2010 not provided for in the interim financial report are as follows:

| | 30 September 2010 US\$'000 (unaudited) | 31 March 2010 US\$'000 (audited) |
|-----------------------------------|--|--|
| Contracted for | 71,286 | 25,998 |
| Authorised but not contracted for | - | 33,600 |
| | <u>71,286</u> | <u>59,598</u> |
| | ===== | ===== |

17 Material related party transactions

Other than the transactions and balance disclosed elsewhere in the interim financial report, the Group purchased iron-ore of USD9,218,000 from a related company during the period ended 30 September 2010. No purchases were made from a related company during the period ended 30 September 2009.

18 Significant estimate and judgment

As disclosed in note 7 to the interim financial report for the six months ended 30 September 2010, the directors carefully evaluate tax implications of the disposal of the cement business and a capital gain tax provision of US\$6,500,000 are set up accordingly. The directors consider that the provision made for the six-month period, which are still subject to assessment by the local tax bureau, are sufficient. The provision with respect to the disposal will be reconsidered periodically to take into account all changes in future tax legislations. Should any additional amount of the capital gain tax become payable upon the final determination, additional provision may be required in future accounting periods.

19 Comparative figures

As stated in Note 2, Comparative figures have been represented to reflect the effects of business combination under common control, which is accounted for using merge accounting as if Bliss Hero HK had always been part of the Group.