

3 December 2008

Prosperity Minerals Holdings Limited
Financial results for the first half ended 30 September 2008

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 results for the six months ended 30 September 2008. All figures are expressed in US dollars unless otherwise stated.

Highlights for the first half year of trading:

- Revenue up 77% to \$369.3m (2007: \$208.4m)
- Gross profit up 1% to \$24.8m (2007: \$24.7)
- EBITDA down 7% to \$28.8m (2007: \$30.9m)
- Net profit before taxation down 35% to \$14.4m (2007: \$22.1m)
- \$100m raised by way of Loan Notes with Warrants in May 2008
- Completed acquisition of interests in associated companies in Guangzhou in Guangdong Province, Anning and Baoshan in Yunnan Province; investment commenced in greenfield projects in Chongqing and Dengta in Liaoning Province
- In light of the half year performance, no interim dividend is declared; a final dividend for the year will be considered at the time of the Company’s full year results

Group financial summary

US\$ million	Six months ended 30 September		% change
	2008	2007	
Revenue	369.3	208.4	+77%
EBITDA	28.8	30.9	-7%
Profit from operations	11.8	17.6	-33%
Net profit before taxes	14.4	22.1	-35%

Management review and analysis

I. Funding and expansion of cement operations

- The Company arranged the issue of \$100m Loan Notes with attached Warrants in May 2008 to finance the expansion of its cement operations
- Prosperity completed the acquisition of a 40% interest in Guangzhou K. Wah Nanfang Cement Company Limited (“Guangzhou Nanfang”) in April 2008
- Prosperity completed the acquisition and investment in a 30% interest in Yunnan Kungang & K. Wah Cement Construction Materials Co. Limited (“Anning”) in May 2008
- Prosperity completed the acquisition and investment in a 30% interest in Boashan Kungang & K. Wah Cement Construction Materials Co. Limited (“Baoshan”) in July 2008

- Prosperity commenced initial investment in the greenfield projects in Chongqing Direct Municipal City and Dengta City, Liaoning Province

II. Cement operations

US\$ million	Six months ended 30 September		% change
	2008	2007	
Segment results*	5.2	7.9	-34%
Share of profits of associates	3.6	6.8	-47%
Tonnage sold at YDM (‘000 tonnes)			
- cement	1,647	1,529	+8%
- clinker	1,055	1,188	-11%

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

Yingde Dragon Mountain Cement Company Limited (“YDM”):

- Tonnage of cement and clinker sold at YDM was broadly in line with the same period last year although increasing production costs, particularly coal, reduced profitability
- Segment results for the six months ended 30 September 2008 were 34% lower at \$5.2m (2007: \$7.9m). The results include professional and administrative charges of approximately \$1m relating to the cement expansion plan and an operating cost of approximately \$400,000 for the PRC regional headquarters established this year to manage the Group’s newly acquired operations
- YDM was affected by unusually poor weather conditions in the summer, reduced activity around the Beijing Olympics and a weakened cement market in Guangdong during the period
- Coal expenses increased to 61% of the cost of sales during the six months ended 30 September 2008, up from 46% during the same period last year

Prosperity Conch Cement Company Limited (“PCC”):

- PCC operated in the same challenging environment as YDM during the period
- Planned plant upgrades required temporary shut downs in April and May 2008

Anhui Chaodong Cement Company Limited (“ACC”):

- Performance was affected by the shut down of a clinker production line, of 0.25 million tonnes per annum, due to technical difficulties
- Construction of the first new clinker line, of 1.8 million tonnes per annum designed saleable capacity, at Chao Hu is on schedule and is expected to be completed by the end of 2008

Guangzhou Nanfang:

- Operating results have improved since Prosperity completed its investment and appointed new management
- As planned, the grinding facility sourced clinker principally from YDM
- Guangzhou Nanfang was also affected by the weakened cement market in Guangdong Province during the period

Anning:

- Operating results here have improved substantially following the completion of Prosperity's investment and the appointment of new management
- The utilisation rate increased to a satisfactory level and unit costs decreased
- The sales team, in particular, performed well:
 - cement is being shipped to Sichuan Province by rail
 - an order has been won to supply cement to the new airport project in the Yunnan capital Kunming
 - the Group will also be supplying cement for construction of a large, new steel mill with 6 million tonnes of annual capacity

Baoshan:

- Operating results in Baoshan have improved following the completion of Prosperity's investment and the appointment of new management
- Baoshan is expected to deliver satisfactory profits to the Group in the current fiscal year

III. Iron ore trading

	Six months ended 30 September		% change
	2008	2007	
Segment results* (US\$ million)	9.8	11.2	-13%
Volume (‘000 tonnes)	1,954	1,881	+4%
Segment results per tonne (US\$)	5.0	5.9	-15%

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

- The volume of iron ore shipped during the six months ended 30 September 2008 was broadly in line with last year
- The margin achieved was slightly lower due to a variation in the mix of supply; 40% of the total shipped during the period under review was from long distance supply sources compared to 20% during the same period last year
- Unlike many of its competitors, Prosperity has not suffered loss on any trade due to the significant drop in the spot price of iron ore. The Group engages in back-to-back transactions only and does not hold inventory
- The significant drop in freight rates since July 2008 has had no impact on Prosperity's iron ore shipments as the Company does not engage in the time chartering of vessels

Current trading and prospects

- The demand for cement and iron ore in the PRC is expected to weaken in the current fiscal year due to a marked slowdown in the growth of the PRC economy
- In particular, the cement market in Guangdong Province is also being affected by:
 - a slowdown in its export-oriented economy, which has been adversely affected by the global economic crisis; and
 - the widespread deferment and cancellation of residential and commercial real estate projects; although infrastructure is holding up well
- Production at a clinker line at YDM was temporarily suspended during October 2008 due to regular maintenance and a slow down in demand

- Coal prices have retreated from their peak in August 2008
- In iron ore trading, the Group continues to benefit from its conservative trading model and diversified iron ore supply from locations closer to the PRC combined with the more traditional sources such as South Africa
- Current outlook remains challenging due to a substantial reduction in the levels of iron ore imports
- Management believes the demand for cement and iron ore in the PRC will strengthen in the medium to long term. The increase in spending on infrastructure developments, included in the PRC Government's \$600bn stimulus package, will also have a positive affect on the demand for both cement and iron ore in the PRC

David Wong, Chairman and CEO, said:

"Prosperity is focused on risk management and cost control whilst maintaining the progress of our long term development strategy. I believe the actions taken by management, along with the favourable actions of the PRC Government in terms of interest rate cuts and economic stimulus, position Prosperity well for a return to growth as markets stabilise."

Notes:

- The average exchange rates for the six months ended 30 September 2008, and the six months ended 30 September 2007 were \$1 = RMB6.9129 and RMB7.6357 respectively
- The average exchange rate on 30 September 2008 was \$1 = RMB6.8405

Enquiries:

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

Citigate Dewe Rogerson +44 (0) 20 7638 9571
 Media enquiries: Martin Jackson
 Analyst enquiries: Emma Woollaston

Evolution Securities Limited +44 (0) 20 7071 4300
 Rob Collins
 Tim Redfern

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 eastern PRC.

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

In 2008, the Company acquired and invested in three existing cement manufacturing facilities and two Greenfield projects. Prosperity holds a 40% interest in Guangzhou K. Wah Nanfang Cement Company Limited (“Guangzhou Nanfang”) which has cement grinding facilities in Guangzhou City, Guangdong Province with a designed sellable output capacity of 840,000 tonnes of cement per annum and expansion plans to 2 million tonnes per annum pending governmental approval. The Company also holds a 30% interest in Yunnan Kungang & K. Wah Cement Construction Materials Co. Limited (“Anning”) located in Yunnan Province with a designed sellable output capacity of 2.7 million tonnes of cement and clinker per annum. Also in Yunnan Province, Prosperity holds a 30% interest in Baoshan Kungang & K. Wah Cement Construction Materials Co. Limited (“Baoshan”) that has a designed sellable output capacity of 1.8 million tonnes of cement and clinker per annum. The two Greenfield projects are located in Chongqing Direct Municipal City and Liaoning Province of the PRC.

The iron ore trading business has been operating since 1992 and sources iron ore from international market places for shipment and use in the PRC. Prosperity sources its iron ore from one of the principal international iron ore suppliers in South Africa, as well as from Thailand and Malaysia. The majority of the Company’s iron ore is sold to the large steel manufacturers in the PRC and, in the fiscal year ended 31 March 2008, Prosperity shipped 3.6 million tonnes of iron ore.

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

**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 2008

		For the six months ended 30 September	
	Note	2008 US\$'000 (Unaudited)	2007 US\$'000 (Unaudited)
Revenue	3	369,284	208,437
Cost of sales		<u>(344,459)</u>	<u>(183,768)</u>
Gross profit		24,825	24,669
Other operating income	4	1,685	900
Distribution expenses		(3,490)	(1,372)
Administrative expenses		<u>(11,193)</u>	<u>(6,571)</u>
Profit from operations		11,827	17,626
Finance expenses		(8,443)	(4,082)
Finance income	5	5,371	452
Negative goodwill arising on acquisition of a subsidiary		2,474	-
Negative goodwill arising on acquisition of an associate		49	1,200
Share of loss of a jointly controlled entity		(547)	-
Share of profits of associates		<u>3,648</u>	<u>6,849</u>
Profit before taxation		14,379	22,045
Income tax	6	<u>(963)</u>	<u>(1,142)</u>
Profit for the period		<u>13,416</u>	<u>20,903</u>
Attributable to:			
Equity shareholders of the Company		<u>13,416</u>	<u>20,903</u>
Dividends payable to equity shareholders of the company attributable to the period:	7		
Interim dividend declared during the period		<u>-</u>	<u>7,743</u>
Earnings per share			
Basic and diluted	8	<u>0.10</u>	<u>0.16</u>

The accompanying notes form part of this interim financial report.

Prosperity Minerals Holdings Limited

Consolidated balance sheet at 30 September 2008

		30 September 2008 US\$'000 (unaudited)	31 March 2008 US\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	188,847	173,354
Mining rights	10	17,691	17,575
Lease prepayments		22,898	15,967
Interest in a jointly controlled entity	15	19,656	-
Interests in associates	11	140,365	74,698
Other investments	15	-	827
Goodwill		43,158	41,513
Non-current prepayments		2,863	2,794
Pledged deposits		-	2,139
		<u>435,478</u>	<u>328,867</u>
Current assets			
Inventories		20,201	17,312
Trade and other receivables		98,249	50,283
Pledged deposits	12	2,552	300
Cash and cash equivalents		<u>43,874</u>	<u>41,698</u>
		<u>164,876</u>	<u>109,593</u>
Current liabilities			
Interest bearing loans and borrowings	13	46,398	41,582
Trade and other payables		111,106	57,885
Income tax payable		<u>310</u>	<u>1,575</u>
		<u>157,814</u>	<u>101,042</u>
Net current assets		<u>7,062</u>	<u>8,551</u>
Total assets less current liabilities		<u>442,540</u>	<u>337,418</u>

Prosperity Minerals Holdings Limited

Consolidated balance sheet at 30 September 2008 (continued)

		30 September 2008 US\$'000 (unaudited)	31 March 2008 US\$'000 (audited)
Non-current liabilities			
Interest bearing loans and borrowings	13	57,877	74,960
Secured notes	14	94,708	-
Financial derivatives	14	245	-
Deferred tax liabilities		<u>2,965</u>	<u>2,723</u>
		155,795	77,683
		=====	=====
Net assets		286,745	259,735
		=====	=====
Capital and reserves			
Share capital		2,415	2,351
Reserves		217,774	198,451
Retained earnings		<u>56,863</u>	<u>58,933</u>
Total equity attributable to equity shareholders of the Company		277,052	259,735
Minority interests		<u>9,693</u>	<u>-</u>
Total equity		286,745	259,735
		=====	=====

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 2008 - unaudited

	Attributable to equity shareholders of the Company							Minority interests US\$'000	Total equity US\$'000	
	Share capital US\$'000	Share premium US\$'000 Note 17(a)	Statutory reserves US\$'000 Note 17(b)	Merger reserve US\$'000 Note 17(c)	Exchange reserve US\$'000 Note 17(d)	Capital reserve US\$'000 Note 17(e)	Retained earnings US\$'000			Total US\$'000
At 1 April 2007	2,351	189,624	1,749	(26,918)	3,526	3,168	34,584	208,084	-	208,084
Profit for the period	-	-	-	-	-	-	20,903	20,903	-	20,903
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	3,542	-	-	3,542	-	3,542
Dividend paid	-	-	-	-	-	-	(15,486)	(15,486)	-	(15,486)
At 30 September 2007	2,351	189,624	1,749	(26,918)	7,068	3,168	40,001	217,043	-	217,043
Profit for the period	-	-	-	-	-	-	33,065	33,065	-	33,065
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	15,488	-	-	15,488	-	15,488
Transfer to statutory reserves	-	-	6,390	-	-	-	(6,390)	-	-	-
Equity settled share-based transactions	-	-	-	-	-	1,882	-	1,882	-	1,882
Dividend paid	-	-	-	-	-	-	(7,743)	(7,743)	-	(7,743)
At 31 March 2008	2,351	189,624	8,139	(26,918)	22,556	5,050	58,933	259,735	-	259,735
Allotment of shares from scrip dividends	64	6,261	-	-	-	-	-	6,325	-	6,325
Capital contribution from minority shareholder	-	-	-	-	-	-	-	-	9,450	9,450
Profit for the period	-	-	-	-	-	-	13,416	13,416	-	13,416
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	11,209	-	-	11,209	243	11,452
Equity settled share-based transactions	-	-	-	-	-	1,853	-	1,853	-	1,853
Dividend paid	-	-	-	-	-	-	(15,486)	(15,486)	-	(15,486)
At 30 September 2008	2,415	195,885	8,139	(26,918)	33,765	6,903	56,863	277,052	9,693	286,745

Prosperity Minerals Holdings Limited

Consolidated cash flow statement for the six months ended 30 September 2008

	Note	30 September 2008 US\$'000 (unaudited)	30 September 2007 US\$'000 (unaudited)
Operating activities			
Profit before taxation		14,379	22,045
Adjustments for:			
- Negative goodwill arising on acquisition of a subsidiary		(2,474)	-
- Negative goodwill arising on acquisition of an associate		(49)	(1,200)
- Depreciation		5,678	4,265
- Amortisation of mining rights and lease prepayments		753	911
- Finance expenses		8,443	4,082
- Gain on re-measurement of financial derivatives to fair value		(4,895)	-
- Finance income		(476)	(452)
- Equity settled share-based transactions		1,853	-
- Foreign exchange gain		245	145
- Share of loss of a jointly controlled entity		547	-
- Share of profits of associates		(3,648)	(6,849)
- Gain on disposal of property, plant and equipment		(37)	-
		<hr/>	<hr/>
Operating profit before changes in working capital		20,319	22,947
(Increase)/decrease in inventories		(2,189)	2,456
Increase in trade and other receivables		(41,735)	(10,420)
Increase in amounts due from associates		(386)	-
Increase in trade and other payables		45,902	3,634
		<hr/>	<hr/>
Cash generated from operations		21,911	18,617
Tax paid		(2,146)	(1,775)
		<hr/>	<hr/>
Net cash generated from operating activities		19,765	16,842
		-----	-----
Investing activities			
Interest received		231	307
Payment for purchase of property, plant and equipment		(5,914)	(16,153)
Proceeds from disposal of property, plant and equipment		838	-
Net cash outflow from acquisition of associates		(57,465)	(28,165)
Net cash outflow from acquisition of subsidiaries	15	(22,375)	-
		<hr/>	<hr/>
Net cash used in investing activities		(84,685)	(44,011)
		-----	-----

Prosperity Minerals Holdings Limited

Consolidated cash flow statement for the six months ended 30 September 2008 (continued)

	30 September 2008 US\$'000 (unaudited)	30 September 2007 US\$'000 (unaudited)
Financing activities		
Increase in pledged deposits	(113)	(2,053)
Proceeds from bank and other borrowings	126,710	112,528
Repayment of bank and other borrowings	(47,902)	(79,527)
Repayment of long-term payables	-	(15,171)
Interest paid	(3,125)	(2,493)
Dividend paid	(9,161)	(15,487)
	<hr/>	<hr/>
Net cash generated from/(used in) financing activities	66,409	(2,203)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	1,489	(29,372)
Cash and cash equivalents at 1 April	41,698	51,320
Effect of foreign exchange rate changes	687	-
	<hr/>	<hr/>
Cash and cash equivalents at 30 September	43,874	21,948
	<hr/> <hr/>	<hr/> <hr/>

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 Significant accounting policies

(a) Statement of compliance

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 interim financial report contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance since the annual financial statements for the twelve month period ended 31 March 2008. 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.

(b) Basis of measurement

The interim financial report is presented in United States dollars, rounded to the nearest thousand. It is prepared on the historical cost basis except for derivative financial instruments (see note 2(b)(iii)).

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

This interim financial report for the six months ended 30 September 2008 is unaudited but has been reviewed by the Audit Committee and approved by the Board on 2 December 2008.

The accounting policies presentation applied to these interim financial report are consistent with those disclosed in the Company’s Annual Report dated 7 July 2008 except where the following accounting policies are to be adopted in the Company’s next annual financial statements.

(i) Minority interests

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity

shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between minority interests and the equity shareholders of the Company.

2 Significant accounting policies (continued)

(b) Basis of measurement (continued)

(i) Minority interests (continued)

Where losses applicable to the minority exceed the minority's interest in the equity of the subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet.

(ii) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

A jointly controlled entity is accounted for under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the jointly controlled entity's net assets, unless it is classified as held for sale. The consolidated income statement includes the Group's share of the post acquisition, post tax results of the jointly controlled entities for the period.

(iii) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is re-measured. The gain or loss on the re-measurement to fair value is charged immediately to profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the items being hedged.

3 Segment reporting

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

Business segments

The Group comprises the following main business segments:

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

There are no sales between the business segments.

	Six months ended 30 September					
	2008			2007		
	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	281,670	87,614	369,284	139,483	68,954	208,437
Other revenue from external customers	1,376	309	1,685	321	579	900
Total	283,046	87,923	370,969	139,804	69,533	209,337
Segment result	9,751	5,175	14,926	11,172	7,875	19,047
Unallocated operating income and expenses			(3,099)			(1,421)
Profit from operations			11,827			17,626
Finance expenses			(8,443)			(4,082)
Finance income			5,371			452
Negative goodwill arising on acquisition of a subsidiary			2,474			-
Negative goodwill arising on acquisition of an associate			49			1,200
Share of loss of a jointly controlled entity			(547)			-
Share of profits of associates			3,648			6,849
Income tax			(963)			(1,142)
Profit for the period			13,416			20,903

4 Other operating income

	Six months ended 30 September	
	2008 US\$'000 (unaudited)	2007 US\$'000 (unaudited)
Demurrage income	936	229
Despatch and delivery income	69	84
Others	680	587
	<u>1,685</u>	<u>900</u>
	=====	=====

5 Finance income

	Six months ended 30 September	
	2008 US\$'000 (unaudited)	2007 US\$'000 (unaudited)
Gain on re-measurement of financial derivatives to fair value	4,895	-
Exchange gain	245	145
Interest income	<u>231</u>	<u>307</u>
	<u>5,371</u>	<u>452</u>
	=====	=====

6 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.

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 2008 to 30 September 2008.

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.

7 Dividends

Dividends attributable to the interim period

	Six months ended 30 September	
	2008	2007
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Interim dividend declared and paid after the interim period of Nil cents per share (2007: US6 cents per share)	-	7,743
	=====	=====
The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.		
Final dividend in respect of the previous financial year, approved and paid during the interim period of US12 cents per share (2007: US12 cents per share)	15,486	15,486
	=====	=====

8 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of US\$13,416,000 (2007: US\$20,903,000) and the weighted average number of ordinary shares of 129,419,566 (2007: 129,056,390) in issue during the six months ended 30 September 2008.

(b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 September 2008 is the same as the basic earnings per share as the outstanding share options would not have any dilutive effect on the earnings per share for the six months ended 30 September 2008.

There were no dilutive potential ordinary shares in existence during the six months ended 30 September 2007.

9 Property, plant and equipment

During the six months ended 30 September 2008, the Group acquired items of property, plant and equipment with cost of US\$5,914,000. Items of property, plant and equipment with a net book value of US\$801,000 were disposed of during the six months ended 30 September 2008, resulting in a gain on disposal of US\$37,000.

10 Mining rights

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

11 Interests in associates

On 4 May 2008, Prime York Limited ("PYL"), a wholly-owned subsidiary of the Company acquired and invested in a 30% equity interest of an associate, Yunnan Kungang & K.Wah Cement Construction Materials Co., Limited for a consideration of US\$42,385,000 (RMB296,000,000). The principal activity of the business is the manufacture of cement.

On 20 June 2008, PYL acquired and invested in a 30% equity interest of an associate, Baoshan Kungang & K.Wah Cement Construction Materials Co., Limited for a consideration of US\$14,762,000 (RMB102,000,000). The principal activity of the business is the manufacture of cement.

12 Pledged deposits

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

13 Interest bearing loans and borrowings

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

	30 September 2008 US\$'000 (unaudited)	31 March 2008 US\$'000 (audited)
Bank loans		
Within 1 year or on demand	46,398	41,582
Over 1 year but less than 2 years	41,796	25,346
Over 2 year but less than 5 years	<u>16,081</u>	<u>49,614</u>
	104,275	116,542
	=====	=====

At 30 September 2008, the bank and other loans have interest rates ranging from 7% to 8% (31 March 2008: 7% to 8%) per annum.

14 Secured notes and financial derivatives

On 9 May 2008 (the "Issue Date"), Upper Value Investments Ltd, 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 in, and fixed and floating charges over the assets of the Company's wholly owned subsidiaries which will hold the Acquired Assets.

The Note carries 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.

15 Acquisition of subsidiaries

- (a) On 28 April 2008, Way Zone Limited, a wholly-owned subsidiary of the company, acquired an 80% equity interest in Star Home Limited (“SHL”) for a consideration of US\$12,122,000 (RMB85,000,000).

SHL is an investment holding company and holds a jointly controlled entity which manufactures cement. From 28 April 2008 to 30 September 2008, SHL contributed loss of US\$547,000 to the consolidated profit for the six months ended 30 September 2008.

- (b) In May 2008, Kiton Limited, a wholly-owned subsidiary of the Company acquired an additional 43% equity interest in Liaoning Prosperity Cement Company Limited (“LPCC”). The total equity interest in LPCC was increased to 55%.

The aggregate acquisition consideration was US\$11,554,000 satisfied in cash of which US\$827,000 was paid before 31 March 2008. LPCC has not yet commenced business as at period end.

The acquisitions had the following effect on the Group’s assets and liabilities

	Recognised values US\$'000	Fair value adjustments US\$'000	Carrying amounts US\$'000
Property, plant and equipment	9,390		9,390
Leased prepayments	6,481		6,481
Trade and other receivables	4,471		4,471
Cash at bank and in hand	685		685
Interest in a jointly controlled entity	19,989	(1,530)	21,519
Trade and other payables	(20)		(20)
Shareholder loan	<u>(25,912)</u>		<u>(25,912)</u>
 Net identified assets and liabilities	 15,084 =====		 16,614 =====
 Share of net assets	 5,631	Note (i)	
Shareholder loan acquired	20,730		
Negative goodwill arising on acquisition	<u>(2,474)</u>		
	23,887 =====		
 Satisfied by:			
Cash paid	23,676		
Costs directly attributable to the purchase	<u>211</u>		
	23,887 =====		

15 Acquisition of subsidiaries (continued)

Cash and cash equivalents acquired		685
Cash consideration paid		(23,887)
Less: cash consideration paid In prior period	Note (ii)	<u>827</u>
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary		<u>22,375</u> =====

Note (i): The minority shareholder of SHL had no binding obligation to make additional investment to cover excess of losses applicable to it. As a result, the entire net liabilities of US\$5,923,000, was attributable to the Group at acquisition date.

Note (ii): During the year ended 31 March 2008, the Group acquired a 12% equity interest in LPCC for a consideration of US\$827,000.

16 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.

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

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

16 Equity settled share-based transactions (continued)

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

	30 September			
	2008		2007	
	Weighted average exercise price	Number of option '000	Weighted average exercise price	Number of option '000
Outstanding at 1 April	160p	8,230	N/A	-
Granted during the year	N/A	-	N/A	-
Outstanding at 30 September	160p	8,230	N/A	-
Exercisable at 30 September		-		-

The options outstanding at 30 September 2008 had an exercise price of 160p (2007: nil) and a weighted average remaining contractual life of 9.0 years (2007: nil).

17 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 equityholders.

(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 equityholders.

(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.

17 Reserves (continued)

(e) 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.

18 Commitments

Capital commitments of the Group outstanding at 30 September 2008 not provided for in the interim financial report are as follows:

	30 September 2008 US\$'000 (unaudited)	31 March 2008 US\$'000 (audited)
Capital contribution contracted for	49,980	-
Contracted for	87,019	110,054
Authorised but not contracted for	50,413	77,031
	<u>187,412</u>	<u>187,085</u>
	=====	=====

19 Material related party transactions

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

20 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ended 30 September 2008

Up to the date of issue of this interim financial report, the International Accounting Standards Board has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 March 2009 and which have not been adopted in this interim financial report.

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

In addition, IFRS 8, "Operating Segments", which is effective for annual periods beginning on or after 1 January 2009, may result in new or amended disclosures in the interim financial report.