CVM Minerals Limited

南亞礦業有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 705

2008

Annual Report

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BOARD OF DIRECTORS

Executive Directors

Mr. Chong Wee Chong
(Chief Executive Officer)
Mr. Gao Qi Fu
Mr. Lim Ooi Hong

Independent Non-executive Directors

Mr. Tony Tan *(Chairman)*
Ms. Wong Choi Kay
Mr. Chong Lee Chang
Mr. Lam Cheung Shu

COMPANY SECRETARY

Mr. Ngai Wai Fung

AUDIT COMMITTEE

Ms. Wong Choi Kay *(Chairperson)*
Mr. Tony Tan
Mr. Chong Lee Chang

REMUNERATION COMMITTEE

Mr. Tony Tan *(Chairman)*
Ms. Wong Choi Kay
Mr. Chong Wee Chong
Mr. Chong Lee Chang
(with effect from 27 March 2009)

NOMINATION COMMITTEE

Mr. Tony Tan *(Chairman)*
Ms. Wong Choi Kay
Mr. Chong Wee Chong
Mr. Chong Lee Chang
(with effect from 27 March 2009)

AUTHORISED REPRESENTATIVES

Mr. Chong Wee Chong
Mr. Ngai Wai Fung

COMPLIANCE ADVISER

Anglo Chinese Corporate Finance, Limited

LEGAL ADVISERS

As to Hong Kong Law
Richards Butler
in association with Reed Smith LLP

As to Malaysian Law
Ben & Partners

INDEPENDENT AUDITOR

KPMG
Certified Public Accountants

PRINCIPAL BANKERS

Bank Kerjasama Rakyat Malaysia Berhad
Kuwait Finance House (Malaysia) Berhad
RHB Bank Berhad

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

8th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN MALAYSIA

3rd Floor, Wisma Ho Wah Genting
No. 39, Jalan Maharajalela
50150 Kuala Lumpur
Malaysia

STOCK CODE

705

LISTING DATE

22 December 2008

COMPANY WEBSITE

www.cvmminerals.com

FINANCIAL SUMMARY

For the Year Ended 31 December 2008

A five-year financial summary of the results and of the assets and liabilities of CVM Minerals Limited ("CVM" or the "Company") and its wholly owned subsidiary Commerce Venture Magnesium Sdn. Bhd. ("CVMSB") (collectively, the "Group") is set out below. This summary does not form part of the audited financial statements.

	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Result					
Turnover	**—**	—	—	—	—
Other revenue	**25**	—	—	8	—
Other net loss	**(404)**	(75)	—	—	—
Administrative expenses	**(9,151)**	(2,583)	(1,551)	(626)	(111)
Finance Cost	**(968)**	(24)	(13)	—	—
Loss before taxation	**(10,498)**	(2,682)	(1,564)	(618)	(111)
Taxation	**—**	—	—	—	—
Loss for the year	**(10,498)**	(2,682)	(1,564)	(618)	(111)
Loss from ordinary activities attributable to shareholders	**(10,498)**	(2,682)	(1,564)	(618)	(111)
Loss per share (HK cents)	**(3.00)**	(0.79)	(0.21)	(3.95)	(6.83)

	As at 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and Liabilities					
Total assets	**285,945**	143,233	81,880	2,314	428
Total liabilities	**(153,577)**	(75,483)	(15,876)	(2,656)	(358)
Net assets/ (liabilities)	**132,368**	67,750	66,004	(342)	70
Total Equity	**132,368**	67,750	66,004	(342)	70

2008 will be remembered as a milestone year for CVM as we were successfully listed on The Stock Exchange of Hong Kong Ltd. Our status as a Hong Kong listed company has given us a solid platform to realise our vision which is to become a primary producer of magnesium in South East Asia and a significant player in the global magnesium market.

Like many other companies, we were affected by the global financial crisis that began to impact the world economy in late 2008. Though the downturn was less severe in Asia, regional countries including Malaysia could not avoid experiencing economic contractions. Ensuring the progress of the construction of our smelter in the state of Perak in Malaysia, we closely monitored Malaysia's macroeconomic environment, implemented prudent financial policies as well as liaised with relevant business partners. Although operation of the Perak smelter has been slightly delayed, every effort was made to ensure prospective customers were kept abreast of the situation. By continuing to maintain close ties with them, we will be able to immediately serve these businesses once the smelter is operational, thus quickly generating revenue to support our present and long-term development.

Just as the financial markets have been affected by the downturn, so too has the magnesium market. However, we remain confident that in the long term the price fluctuations will not adversely affect our primary business of magnesium ingot production. Magnesium continues to have numerous applications owing to its strength and lightness, as well as its good mechanical and electrical properties. Currently, industries that employ magnesium metals include the automotive, aerospace, IT, communications, electronics and military. We are confident that, with ongoing concern for environmental protection, the demand for magnesium metals will continue to grow. In the automotive sector, for instance, magnesium's light weight can contribute to lighter vehicles, hence greater fuel efficiency.

Looking ahead, we will dedicate our efforts in delivering high quality magnesium ingots to our prospective customers once the Perak smelter begins operation in 2009. At the same time, we will ensure that the most efficient operating procedures are in place so that we are at our competitive best. With an estimated annual production capacity of 15,000 tonnes of magnesium ingots from our first production line, doubling to 30,000 tonnes once the second line is operational, this combined output will place us in a strong position to become one of the leading magnesium producers, not just in Asia, but globally.

APPRECIATION

On behalf of the board of directors of CVM, I would like to extend my gratitude to our business partners and shareholders for their support and confidence in CVM. The management team and all staff members are equally deserving of praise for their diligence and dedication to CVM. In view of the current economic downturn, we will cautiously allocate resources and implement policies that will strengthen CVM's financial position and development ultimately enhancing our value for shareholders over the long term.

On behalf of the board of directors of CVM
Tony Tan
Chairman

Hong Kong, 27 March 2009

The Company, via its wholly owned subsidiary, CVMSB, operates in the state of Perak in Malaysia and aims to become the first primary magnesium producer in South East Asia. CVMSB has been conducting small-scale dolomite quarrying since August 2008. CVMSB has mining rights of 20 years for extracting dolomite limestone from two dolomite hills in Malaysia, with the option to renew for a further period of 10 years. Total dolomite reserve is estimated at approximately 20,005,480 tonnes, sufficient for supporting the manufacturing of magnesium ingots at an annual production capacity of 15,000 tonnes for approximately 116 years.

The Company completed an initial public offering ("IPO") of its shares and became a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 22 December 2008 (the "Listing").

BUSINESS REVIEW

The magnesium smelting plant

The Group is currently constructing a magnesium smelting plant in the state of Perak in Malaysia (the "Smelter"), which will be able to smelt and process dolomite limestone into magnesium ingots. The plan is to build two smelting production lines, while significant progress was made in the construction of the first production line (the "Project") in 2008. This included infrastructural work and fitting out of the Smelter buildings, as well as installation of fixtures and machinery. Of the HK$424.9 million total investment in constructing the first production line of the Smelter (which is expandable to two smelting production lines), approximately HK$237.1 million has been spent as at 31 December 2008.

Each of the first and second production lines of the Smelter has an estimated annual production capacity of 15,000 tonnes of magnesium ingots. When both are in operation, the Group will boost a production capacity of up to 30,000 tonnes of magnesium ingots per year.

With installation and construction affected by, amongst other things, delayed shipment of equipment and machinery from the PRC, the completion date of construction of the Smelter has been extended from March to July 2009, while the first production line of the Smelter is expected to commence operation in August 2009. However, the extension of completion and operation dates is not expected to have any material adverse effect on either the Group's capital expenditure or working capital requirements. For further details, please refer to the announcement dated 27 February 2009 of the Company.

Off-take agreements

With strong business connections in the industry, the Group has already gained a solid foothold in Asia although its smelting operation has yet to commence. CVMSB has signed off-take agreements with five companies namely Corus Metals (M) Sdn. Bhd., Hyosung Corporation, Jaka Resources Pte Ltd, Magnesium.Com Inc and Sumikin Bussan International (M) Sdn. Bhd. The management has kept and will continue to keep the prospective customers well-informed of the construction progress. The close relationship of the Group with its prospective customers will ensure steady and substantial revenue streams moving forward.

Financing of the Project

Up to 31 March 2009, CVMSB had drawn down approximately RM96.9 million under the secondary finance provided by Kuwait Finance House (Malaysia) Berhad ("KFHMB"). CVMSB will continue to draw down monies under the secondary finance of KFHMB until completion of the Smelter in July 2009 when the bank guarantee issued by Bank Kerjasama Rakyat Malaysia

Berhad ("Bank Rakyat") to KFHMB is converted into a term loan financing facility under facility A of the project finance loan provided to CVMSB by Bank Rakyat (the "New CVM Project Finance Loan"). Please refer to the Company's prospectus dated 22 November 2008 (the "Prospectus") for the details of the key terms of the secondary finance of KFHMB and the New CVM Project Finance Loan.

Outstanding licences, approvals and permits

The Company wishes to update that based on the subsisting licences, permits and approvals reviewed, the Malaysian legal advisers of the Company are of the view that, having regard to the current regulatory requirements, the delay in completion of the construction of the Smelter is not expected to have any legal implications on CVMSB. Save for the outstanding licences, permits and approvals to be obtained by CVMSB prior to the commencement of operation of the first production line of the Smelter and as disclosed in the section headed "Regulation of Our Industry" of the Prospectus, the Malaysian legal advisers of the Company opined that there will not be any additional regulatory procedures nor any additional licences, permits and approvals which CVMSB is required to obtain prior to the commencement of operation of the Smelter in light of the present circumstances of the Group.

Outlook

Upon delivery of the first batch of magnesium ingots to its prospective customers in the second half of 2009, the Group will officially begin its quest to become the first primary magnesium producer in South East Asia. The management of the Group will ensure its mining and smelting operations are carried out efficiently and safely, in compliance with the relevant environmental regulations, and satisfying demands of its prospective customers both in terms of quantity and quality.

Heeding the recent global economic downturn, the Group will adopt a prudent development strategy and focus initially on running the first production line of the Smelter cost-effectively. In the long run, the Group will seek to expand sales through diversifying its product offering and establishing more sales channels. It will also seek to maximize profits through vertical integration entailing upstream acquisitions and, at the same time, look for opportunities to acquire dolomite reserves in the region to support expansion of business in the future.

Given the fact that the magnesium metal is 30% lighter than aluminium yet stronger, the management is confident towards the long term demand for magnesium worldwide, driven by increasing awareness of environmental protection and energy conservation. The Group will continue to be prudent in investing and selecting optimal financing options, paving the way for sustainable business growth in the future.

Application of IPO Proceeds

The net proceeds from the Company's IPO was approximately HK$79 million, after a deduction of related expenses. The Company has already applied approximately HK$39 million and HK$4.5 million for the purposes of repayment of short term bank loans to DBS Bank Ltd. and payment of relevant pre-operating expenses in relation to the implementation and development of the Project, respectively, in accordance with the description of the use of proceeds in the supplemental prospectus of the Company dated 15 December 2008 (the "Supplemental Prospectus"). The balance of approximately HK$35.5 million of the net proceeds will be also applied in line with the description in the Supplemental Prospectus. The accounting treatment of the listing proceeds is disclosed in note 21(c) to the financial statements.

FINANCIAL REVIEW

Turnover and other revenue

The Group did not earn any revenue during the year ended 31 December 2008 as the construction of the Smelter is still in development stage. The Group however received interest income of HK$25,132 from money deposited with approved financial institutions in Malaysia during the year ended 31 December 2008.

Administrative expenses

The administrative expenses increased by 254% to approximately HK$9.2 million in 2008 from HK$2.6 million in 2007. This was mainly due to the increase in staff costs, travelling expenses, professional fee, advertisement and promotional expenses, royalty fee and consulting fee incurred by the Group in conjunction with the development of the Project and the Listing.

Staff costs increased to approximately HK$4.1 million in 2008 from HK$1.1 million in 2007, mainly due to increased headcount and the appointment of new directors and senior management in the Company.

Travelling expenses increased to approximately HK$1.2 million in 2008 from HK$0.5 million in 2007 as a result of increase in business trips to the PRC and Hong Kong for the purposes of implementing the Project and the Listing.

During 2008, the Group appointed professional parties for the purposes of, amongst other things, applying for tax incentive from Malaysia's authority and providing secretarial and auditing services to the Company after the Listing. Accordingly, professional fee increased by 800% to approximately HK$1.8 million in 2008 from HK$0.2 million in 2007.

Other administrative expenses increased by approximately 163% to approximately HK$2.1 million in 2008 from HK$0.8 million in 2007. The increase was a result of increased business activities associated with the Project in 2008.

Net foreign exchange loss

The net loss of HK$0.4 million on foreign exchange represented the net impact of unrealised loss between loan drawdown rate and the year end rate for two letters of credits issued by the Company in relation to the Project and gain on foreign exchange on settlement of IPO expenses and the loan due to DBS Bank Ltd.

Going forward, the Group will be exposed to foreign currency risk primarily through exposures in sales and purchases that are denominated in US$ and RMB which fluctuate against RM, CVMSB's functional currency.

Finance costs

The increase in finance costs in 2008 was mainly due to interest and facilities fees in respect of the DBS Bank Ltd.'s short term loan granted to the Company for settling advances from the holding company before the Listing. The short term loan had subsequently been settled by funds raised from the Listing.

Loss before taxation

As CVMSB is yet to commence revenue earning operations and had only incurred expenses during the year as discussed above, the Group incurred a consolidated loss before taxation of approximately HK$10.5 million for the year ended 31 December 2008 (2007: HK$2.7 million).

Loss per share

Loss per share was approximately 3 cents and 0.79 cents in 2008 and 2007 respectively.

Liquidity and financial resources

Net current liabilities of the Group stood at approximately HK$37.8 million as at 31 December 2008. Included in current liabilities was an amount of approximately HK$59.8 million which represented letters of credit issued by KFHMB on behalf of CVMSB for the purpose of the Project and bank loans of approximately HK$25.5 million advanced to CVMSB from KFHMB. The amount due to KFHMB will be fully settled upon completion of the Smelter when the bank guarantee issued by Bank Rakyat to KFHMB is converted into term loan financing facility under facility A of the New CVM Project Finance Loan. The Group had a gearing ratio of 0.69 (which is calculated on the basis of total bank borrowings over shareholders' funds of the Group) as at 31 December 2008.

The Group's bank and cash balances as at 31 December 2008 were approximately HK$32.2 million. The Group maintained a stable financial structure as at 31 December 2008.

Capital expenditure

The capital expenditure incurred by the Company for the purpose of the Project as at 31 December 2008 had increased by 74% to approximately HK$237.1 million from approximately HK$136.5 million as at 31 December 2007. Approximately 93% of the capital expenditure was incurred for the construction of the Smelter.

Charge on assets

Details of securities given by the Group to banks to secure banking facilities are set out in note 20 to the financial statements.

Human resources

As at 31 December 2008, the Group had a total of approximately 18 employees (2007: 11 employees). Total staff costs (including directors' emoluments) for the year ended 31 December 2008 was approximately HK$4.1 million (2007: HK$1.1 million), representing 45% of the Group's total administrative expenses. Employees were remunerated based on their performance, experience and industry practice. Bonuses rewarded based on individual staff performance and in accordance with the Group's overall remuneration policies. The Group's management reviewed the remuneration policies and packages on a regular basis.

Capital commitment and contingent liabilities

In relation to the Project, as at 31 December 2008, the Group had a total capital commitment of approximately HK$187.8 million, of which HK$174.3 million is contracted for and HK$13.5 million is authorised but not contracted for.

As at 31 December 2008, the Company has issued a corporate guarantee totalling RM147.6 million (equivalent to approximately HK$329.9 million) to Bank Rakyat in respect of the New CVM Project Finance Loan.

The directors of the Company (the "Directors") do not consider it probable that a claim will be made against the Company under the corporate guarantee. The maximum liability of the Company at the balance sheet date under the corporate guarantee issued was the outstanding amount of the bank loan facilities drawn down by CVMSB, being RM41 million (equivalent to approximately HK$91.8 million).

The Company is committed to enhancing corporate governance and transparency of the Group by applying the principles in the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has complied with the code provisions in the Code during the period from the date of the Listing on 22 December 2008 to 31 December 2008 (the "Relevant Period").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of practice for carrying out securities transactions by the Directors. After specific enquiry with all members of the board of directors of the Company (the "Board"), the Company confirmed that all Directors have fully complied with the relevant standards stipulated in the Model Code during the Relevant Period.

BOARD OF DIRECTORS

The Board currently comprises seven Directors, three of whom are Executive Directors and four are Independent Non-executive Directors.

Composition of the Board:

Executive Directors:

Name	Other positions in the Company
Mr. Chong Wee Chong	Chief Executive Officer, Member of the Remuneration Committee, Member of the Nomination Committee
Mr. Gao Qi Fu	—
Mr. Lim Ooi Hong	—

Independent Non-executive Directors:

Name	Other positions in the Company
Mr. Tony Tan	Chairman of the Board, Chairman of the Remuneration Committee, Chairman of the Nomination Committee, Member of the Audit Committee
Ms. Wong Choi Kay	Chairperson of the Audit Committee, Member of the Remuneration Committee, Member of the Nomination Committee
Mr. Chong Lee Chang	Member of the Audit Committee, Member of the Remuneration Committee (effective on 27 March 2009), Member of the Nomination Committee (effective on 27 March 2009)
Mr. Lam Cheung Shu	—

Responsibility of the Board:

The Board is responsible for the leadership and control of the Company. The Board determines the overall strategies, monitors and controls operating and financial performance, setting objectives and business development plans and making key decisions of the Company. The day-to-day management and operation are delegated to the Executive Directors and the senior management. The delegated functions are closely supervised by the Board to ensure effectiveness and compliance with the Company's overall strategies.

For the year ended 31 December 2008 and up to 27 March 2009, the Company had held two Board meetings and the attendance records are set out below:

Name	Meeting attendance/ Number of meetings held
Mr. Tony Tan (Chairman)	2/2
Mr. Chong Wee Chong	2/2
Mr. Gao Qi Fu	2/2
Mr. Lim Ooi Hong	2/2
Ms. Wong Choi Kay	2/2
Mr. Chong Lee Chang	2/2
Mr. Lam Cheung Shu	2/2

There are no financial, business, family or other material relationships among members of the Board and between the Chairman and the Chief Executive Officer.

Independence of the Independent Non-executive Directors:

The Company has received confirmation from each of the Independent Non-executive Directors regarding his/her independence pursuant to the requirements of Rule 3.13 of the Listing Rules. Based on these confirmations, the Board considers that each of the Independent Non-executive Directors to be independent.

Terms of Non-executive Directors:

According to the Articles of Association of the Company (the "Articles of Association"), the Independent Non-executive Directors shall retire and will be eligible for re-election at the annual general meetings of the Company at least once every three years.

Board Committees:

Various Board Committees have been set up to assist the Board to manage the overall strategies of the Company. These include the Remuneration Committee, the Nomination Committee and the Audit Committee.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles and duties of Chairman and Chief Executive Officer (CEO) of the Company are segregated and are carried out by different individuals.

The Chairman of the Board, Mr. Tony Tan, is responsible for chairing the Board's meetings and ensuring the overall strategies of the Group are implemented. Mr. Chong Wee Chong, CEO of the Company, is responsible for the day-to-day management and execution of Company's strategies.

REMUNERATION COMMITTEE

The Remuneration Committee comprises four members namely, Mr. Tony Tan (Chairman and Independent Non-executive Director), Mr. Chong Wee Chong (Executive Director), Ms. Wong Choi Kay (Independent Non-executive Director) and Mr. Chong Lee Chang (Independent Non-executive Director, with effect from 27 March 2009).

The role and function of the Remuneration Committee are set out in its terms of reference. Primary terms include recommendations to the Board on policy and structure of remuneration of the Directors and senior management, determination of the remuneration packages of each Director and member of the senior management, ensuring that no Directors or any of their associates are involved in deciding their own remuneration packages and review and approval of performance-based remuneration by reference to corporate goals and objectives and compensation arrangements relating to dismissal or removal of Directors.

Since the Listing and up to 26 March 2009, the Remuneration Committee had held one Remuneration Committee meeting and the attendance records are set out below:

Name	Meeting attendance/Number of meetings held
Mr. Tony Tan (Chairman)	1/1
Mr. Chong Wee Chong	1/1
Ms. Wong Choi Kay	1/1
Mr. Chong Lee Chang (with effect from 27 March 2009)	not applicable

Immediately after the Listing, the Remuneration Committee had reviewed the remuneration of the Board, and, taking into the consideration of current situation of the economy, recommended to the Board that appropriate adjustments be made. At the same time discretionary bonus has been proposed to the Board for recognising the Directors' hard work and contributions to the Company.

NOMINATION COMMITTEE

The Nomination Committee comprises four members namely, Mr. Tony Tan (Chairman and Independent Non-executive Director), Mr. Chong Wee Chong (Executive Director), Ms. Wong Choi Kay (Independent Non-executive Director) and Mr. Chong Lee Chang (Independent Non-executive Director) (with effect from 27 March 2009).

The role and function of the Nomination Committee are set out in its terms of reference. Primary terms include review and supervision of the structure, size and composition of the Board, developing the criteria for identifying and assessing the qualification of and evaluating candidates for directorship, making recommendations to the Board on the selection of nominated directorship and matters related to appointment or re-appointment of Directors.

The existing Executive Directors were nominated through the selection and identification from staff who are experienced in the mining industry, while the Independent Non-executive Directors were chosen from those who are eligible as being appointed as independent Directors with the requisite experience and qualifications.

Pursuant to the Articles of Association, all Directors appointed to fill a casual vacancy should be subject to re-election by the shareholders of the Company (the "Shareholders") at the forthcoming general meeting of the Company after their appointment, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. In addition, at each annual general meeting of the Company, one-third of the Directors shall retire from office by rotation (but will be eligible for re-election) such that all Directors should be subject to retirement by rotation at least once every three years.

Since all Directors were appointed in 2007 (except for Mr. Lam Cheung Shu who was appointed in June 2008) and there was no re-election requirement according to the previous version of the Articles of Association which was valid and applicable before the Listing on 22 December 2008, all Directors (including Mr. Lam Cheung Shu) have offered themselves for re-election at the forthcoming annual general meeting pursuant to the currently applied Articles of Association (with above mentioned re-election requirement) and the Code.

The Nomination Committee follows a set of procedures when recommending candidates for the directorship. The primary criteria of selecting a candidate include accessing the:

– integrity, objectivity, and intelligence of the person, with reputations for sound judgment and open minds, and a demonstrated capacity for thoughtful group decision-making;

– qualification and career experience; and

– understanding of the Company and its Group mission.

When a candidate is proposed for a directorship, he or she shall be evaluated on the basis of the criteria set out in the procedures mentioned above. Selection of the suitable candidate is based on a majority vote. Each committee member will be asked to express his or her view before voting. After the voting, the chairman will present the proposal of the Nomination Committee to the Board.

Since the Listing and up to 26 March 2009, the Nomination Committee had held one Nomination Committee meeting, during which the appointment of Mr. Chong Lee Chang as a member of each of the Nomination Committee and the Remuneration Committee was recommended to the Board for approval. The attendance records are set out below:

Name	Meeting attendance/Number of meetings held
Mr. Tony Tan (Chairman)	1/1
Mr. Chong Wee Chong	1/1
Ms. Wong Choi Kay	1/1
Mr. Chong Lee Chang (with effect from 27 March 2009)	not applicable

AUDIT COMMITTEE

The Audit Committee comprises three members namely, Ms. Wong Choi Kay (Chairperson and Independent Non-executive Director), Mr. Tony Tan (Independent Non-executive Director) and Mr. Chong Lee Chang (Independent Non-executive Director).

The role and function of the Audit Committee are set out in its terms of reference. Primary terms include:

On external audit:

- Make recommendations to the Board on appointment, reappointment and removal of the external auditor and approve the remuneration and terms of engagement of the external auditor;
- Review and monitor the external auditor's independence as well as the objectives and effectiveness of the audit process in accordance with applicable standards;
- Discuss with the external auditor before the audit commences the nature and scope of the audit and reporting obligations and ensure co-ordination where more than one audit firm is involved; and
- Develop and implement policy on the engagement of the external auditor to provide non-audit services.

On annual financial results:

- Monitor integrity of the interim and annual financial statements and interim and annual reports and accounts, and review significant financial reporting judgments contained therein before submission to the Board;
- Review the Group's financial and accounting policies and practices;
- Review external auditor's management letter, any material queries raised by the auditor to the management in respect of accounting records, financial accounts or system of control and management response; and
- Consider any significant or unusual items that are, or may need to be, reflected in the interim and annual reports and accounts and give due consideration to any matters that have been raised by the Group.

On internal control and risk management:

- Review the Group's financial controls and its internal control and risk management system;
- Discuss with management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and its training programmes and budget;
- Consider any findings of major investigation of internal control matters as delegated by the Board or on its own initiative and management's responses thereto;
- Ensure co-ordination between the internal and external auditors and that the internal audit function is adequately resourced and has appropriate standing within the Group; and
- Report to the Board on the matters raised in the Code.

Since the Listing and up to 26 March 2009, the Audit Committee had held one Audit Committee meeting and the attendance records are set out below:

Name	Meeting attendance/ Number of meetings held
Ms. Wong Choi Kay (Chairperson)	1/1
Mr. Tony Tan	1/1
Mr. Chong Lee Chang	1/1

The Audit Committee had considered, reviewed and, or discussed:

1. the auditing and financial reporting matters;
2. the qualified accountant's role based on the latest Listing Rules amendments of the Stock Exchange;
3. the annual financial results, the report on Group's internal controls and risk management prepared by independent professional parties;
4. matters relating to the completion schedule and costs related to the construction of the Smelter;
5. the appointment of an independent internal auditor including the terms of engagement; and
6. the appointment of an independent Hong Kong tax services consultant.

In addition, the Audit Committee has reviewed, discussed and approved the annual results of the Group for the year ended 31 December 2008. It also recommended to the Board that, subject to the approval of the Shareholders at the forthcoming annual general meeting, Messrs. KPMG will be re-appointed as the external auditor of the Company for the year 2009.

Auditors' remuneration

For the year ended 31 December 2008, the fees for audit services and non-audit services rendered by Messrs. KPMG were as follows:

Audit Services

Auditors	Fees ('000)
KPMG Malaysia	RM40
KPMG Hong Kong	HK$700

Non-audit Services

Auditors	Fees ('000)
KPMG Malaysia	HK$884
KPMG Hong Kong	HK$2,717

The non-audit services performed by Messrs. KPMG were related to the Listing.

INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining a sound and effective internal control system for the Company to safeguard investments of the Shareholders and assets of the Company at all times.

The Board has conducted a review of the effectiveness of the system of internal control of the Group in 2008.

Internal Control System

The system of internal control aims to help achieve the Company's business objectives, safeguard assets and maintain proper accounting records for the provision of reliable financial information. The system is designed to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage rather than eliminate risks of failure when business objectives are being sought.

The following are the key processes which the Board has adopted in reviewing the adequacy and integrity of the system of internal control for the Company:

- Monitoring mechanisms and management style

There are periodic meetings of the Board attended by the Directors. The Board Committees and the management of the Company represents the main platform by which the Company's performance and conduct are monitored. The daily running of business is entrusted to the Chief Executive Officer and the management team. Under the purview of the Chief Executive Officer, the respective heads of each operating department of the Company are empowered with the responsibility to manage their respective operations.

The Board is responsible for setting the business direction and for overseeing the conduct of the Company's operations with the aid of the various Board Committees.

- Enterprise risk management framework

The Board recognises that an effective risk management framework will allow the Company to identify, evaluate and manage risks that affect the achievement of the Company's business objectives within defined risk parameters in a timely and effective manner.

Due to the current level of activity whereby the Company has yet to commence any revenue generating operations and the construction of magnesium smelting plant is still in progress, the Board, through scheduled periodic meetings, identifies the risks affecting the Company and evaluates the effectiveness of the existing controls to determine whether mitigation action plans need to be formulated accordingly.

Internal audit:

The Company's internal audit function is outsourced to a professional internal audit service provider and this ensures that the outsourced internal auditor is independent and has no involvement in the operations of the Company. The outsourced internal auditor, responsible for the review and appraisal on the effectiveness of risk management, internal control and corporate governance processes in the Company, reports directly to the Audit Committee.

The Audit Committee has full and direct access to the outsourced internal auditor, reviews the reports on all audits performed and monitors the audit performance. The Audit Committee also reviews the adequacy of the scope, functions, competency and resources of the outsourced internal audit functions.

The outsourced internal auditor will carry out internal audits on various operating units within the Company based on the audit plan approved by the Audit Committee. Based on these audits, the outsourced internal auditors will provide the Audit Committee with periodic reports highlighting observations, recommendations and management action plans to improve the system of internal control.

Weaknesses in the system of internal control that result in material losses:

There were no material losses incurred during the current financial year as a result of weaknesses in internal control. The management will continue to take adequate measures to strengthen the control environment in which the Company operates.

The improvement of the system of internal control is an on-going process and the Board maintains on-going commitment to strengthening the Company's control environment and processes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Each of the Directors understands and acknowledges his or her responsibility for the preparation and the true and fair presentation of the financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the ability of the Company to continue as a going concern. The statement of auditors about their reporting responsibilities on the financial statements is set out in the Report of the Independent Auditor.

EXECUTIVE DIRECTORS

Mr. Chong Wee Chong

Chong Wee Chong, aged 48, Malaysian, is our Executive Director and Chief Executive Officer. He joined our Board on 9 November 2007 and the board of directors of CVMSB on 2 March 2004. Mr. Chong obtained his Bachelor of Science in Actuarial Science in 1986 and the Master of Science in Actuarial Science/Statistics in 1987 from the University of Iowa, USA. He is a Certified Financial Planner and a member of the Financial Planning Association of Malaysia. Mr. Chong has over 10 years of relevant experience in managing natural resources projects in Malaysia and infrastructure projects in the PRC before joining the Group in 2004. Prior to joining the Group, Mr. Chong worked on the commercialisation and management of a number of "large-scale" projects including highways in China and natural resource exploitation (timber and aluminum).

Pursuant to the service contract entered into between the Company and Mr. Chong, Mr. Chong is entitled to receive a salary of US$120,000 plus RM180,000 (or equivalent to HK$1,342,780) per annum. Upon the review of the Remuneration Committee and the Board and as agreed with Mr. Chong, his salary was adjusted to US$44,580 plus RM180,000 (or equivalent to HK$754,504) per annum, with effect from 1 January 2009.

Mr. Gao Qi Fu

Gao Qi Fu (高齊富), aged 68, Chinese, is our Executive Director for Mining and Exploration since 27 December 2007. Mr. Gao graduated from Central South University (formerly known as Central South University of Technology or Central South Mining and Metallurgy College) majoring in non-ferrous metallurgy in 1963.

He has been involved in the task force of CVMSB set up to mine and extract dolomite from the dolomite hills in the state of Perak, Malaysia and to construct the first production line of the Smelter (the "CVMSB Project") since February 2004. Mr. Gao has accumulated more than 40 years of mining and magnesium smelting experience. Prior to joining the Group, he worked for Shenyang Aluminum & Magnesium Engineering & Research Institute, (瀋陽鋁鎂設計研究院)("SAMI") since the 1960s and over the course of his long employment history with SAMI has worked on the feasibilities studies of more than 15 magnesium plants located in amongst others, Hunan, Ningxia, Hebei, Gansu, Heilongjiang, Guangxi and Shanxi in the PRC.

After retirement from SAMI, Mr. Gao has been assisting magnesium plants in the PRC in various areas including plant development, magnesium production reengineering and new product development, such as high grade magnesium metal.

Mr. Gao was also involved in designing the engineering works in relation to the exploration activities of dolomite hills and mines, including the open pit dolomite mines in Linxiang, Hunan and Zhenjiang, Jiangsu. Mr. Gao also published various articles and commentaries which include "Suggestions on the strategic development of the magnesium industry in the PRC", "Evaluation of internal heating method for producing magnesium" and "Current market conditions and future development of the magnesium industry in the PRC". Mr. Gao is also co-author of the publication titled "Pidgeon Production Magnesium Smelting" Guideline issued by the China Magnesium Association ("CMA") in October 2005.

Mr. Gao has held the position of Deputy Head of the CMA Magnesium Production Expert Group set up in 2004, and was accredited professor rank senior engineer in recognition of his expertise in magnesium minerals. In 2007, Mr. Gao also participated in the training programme provided by experts from the CMA to Shanxi Dongyi Coal, Electricity and Aluminium Group Company (山西東義煤電鋁業集團公司). Mr. Gao was responsible for training the staff at the company on environmental compliance issues.

Mr. Gao regularly participates in seminars and training courses organised for the PRC magnesium industry and is a regular speaker on the topic.

Pursuant to the service contract entered into between the Company and Mr. Gao, Mr. Gao is entitled to receive a salary of US$36,000 (or equivalent to HK$280,800) per annum. Upon the review of the Remuneration Committee and the Board and as agreed with Mr. Gao, his salary was adjusted to US$24,000 (or equivalent to HK$187,200) per annum, with effect from 1 January 2009.

Mr. Lim Ooi Hong

Lim Ooi Hong, aged 32, Malaysian, is our Executive Director for Special Projects. He joined our Board on 9 November 2007 and the board of CVMSB on 3 May 2006. Mr. Lim graduated from RMIT University (formerly known as Royal Melbourne Institute of Technology) with a Bachelor's Degree in Business (Business Administration) in 1998. Mr. Lim's contribution to our development began from inception, as he was a member of the task force of CVMSB Project established in February 2004.

Prior to joining our Group, Mr. Lim was involved in special projects relating to the exploration and processing of zircon and kaolin, both non-ferrous metals, in Kalimantan, Indonesia and a tin mining project in Bentong, Pahang.

Pursuant to the service contract entered into between the Company and Mr. Lim, Mr. Lim is entitled to receive a salary of US$60,000 plus RM144,000 (or HK$793,424 equivalent) per annum. Upon the review of the Remuneration Committee and the Board and as agreed with Mr. Lim, his salary was adjusted to US$12,900 plus RM144,000 (or HK$426,044 equivalent) per annum, with effect from 1 January 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tony Tan

Tony Tan, aged 58, Malaysian, has been our Independent Non-executive Director and the Chairman of the Board since 9 November 2007 and the chairman of our Nomination Committee and Remuneration Committee since 14 October 2008. He graduated from the University of Tasmania, Australia with a Bachelor of Arts' Degree in 1975. He was called to the English Bar at Lincoln's Inn of Court, England in July 1979.

Mr. Tan was called to the Malaysian Bar in 1980 and is now an Advocate and Solicitor of the High Court of Malaya. He is an advocate and solicitor of the legal firm of Messrs N.K.Tan & Rahim. He has more than 27 years of experience in commercial law and is well-versed in conveyancing, litigation and general law.

Prior to joining our Group, Mr. Tan has served first as a Non-executive Director and then as an Executive Director of Antah Holdings Berhad, a public listed company listed on the main board of the Bursa Malaysia from 14 July 1999 until 30 August 2001. He was also a director of Naga Sakti Sdn. Bhd., the property arm of Antah and Permanis Sdn. Bhd., the Malaysian franchise holder and bottler of Pepsi-Cola and Seven-Up.

Mr. Tan was also an Independent Non-executive Director of Ho Wah Genting Berhad ("HWGB") a public listed company listed on the main board of the Bursa Malaysia from 4 July 2001 until 12 December 2007. He served as the chairman of the audit committee, nomination and remuneration committee of HWGB until his resignation from the board of directors of HWGB in 12 December 2007.

Pursuant to the letter of appointment, Mr. Tan is entitled to receive a remuneration of US$14,400 (or HK$112,320 equivalent) per annum. Upon the review of the Remuneration Committee and the Board and as agreed with Mr. Tan, his remuneration was adjusted to US$12,000 (or HK$93,600 equivalent) per annum, with effect from 1 January 2009.

Ms. Wong Choi Kay

Wong Choi Kay, aged 42, Malaysian, has been our Independent Non-executive Director since 27 December 2007 and the Chairperson of our Audit Committee since 14 October 2008. Ms. Wong obtained her Bachelor of Arts Degree from Queen's University, Kingston, Canada in 1988. She is a member of the Institute of Chartered Accountants of British Columbia, the Institute of Internal Auditors, a certified fraud examiner of the Association of Certified Fraud Examiners, Texas, USA and a member of the Institute of Corporate Directors, Corporate Governance College, Sauder School of Business, University of British Columbia, Canada.

Ms. Wong has more than 15 years of experience in forensic accounting, organisational design and development and Sarbanes-Oxley financial control reviews. Ms. Wong has provided consulting services to a number of mining companies, principally in the areas of corporate governance and due diligence. Some of the companies she has advised include Energy Metals Corporation, which is involved in uranium exploration and is listed on Nasdaq and the Toronto Stock Exchange ("TSX"), Peregrine Diamonds Ltd which is also listed on the TSX, and Peregrine Metals Ltd which is engaged in gold and copper exploration.

Prior to joining our Group, from 1990 to 1995, Ms. Wong was a senior associate and an internal control specialist at PricewaterhouseCoopers where she advised on various internal control or other specialised engagements for clients involved in mining businesses, including Teck-Cominco (zinc, metallurgical coal, gold, copper and specialty metals; listed on TSX and the New York Stock Exchange), and KAP Resources Ltd. Ms. Wong has also been an Independent Non-executive Director of Nagacorp Ltd. (Stock Code 3918) since February 2005, a company listed on the Stock Exchange.

After leaving PricewaterhouseCoopers, Ms. Wong also worked for the Imperial Parking Group, Great Canadian Gaming Corporation, Vancouver International Airport Authority, Workers Compensation Board of British Columbia and the Royal Canadian Mounted Police. Additionally, Ms. Wong has consulted with a number of resource companies such as Oromin Explorations Inc. Strathmore Minerals Corp., Yukon Zinc Corporation, Madison Minerals Ltd, Entrée Gold, Golden Predator Mines Inc. and Crosshair Explorations & Mining Corp.

Mr. Chong Lee Chang

Chong Lee Chang, aged 50, Malaysian, has been our Independent Non-executive Director since 27 December 2007. He graduated with a BA (honours) degree in law from the Manchester Metropolitan University (formerly known as Manchester Polytechnic) in 1982. He was admitted to the Honourable Society of Lincoln's Inn, London, in 1982 and was enrolled as a Barrister-at-Law in 1983. In 1984, he was admitted as an Advocate and Solicitor of the High Court of Malaya and is currently holding a legal practicing certificate to practice law in Malaysia. Mr. Chong has more than 20 years of experience in legal practice in Malaysia.

Mr. Chong is a senior partner of a Kuala Lumpur based law firm, Messrs. LC Chong & Co. His legal experience has included advising various companies from Asia and United Kingdom, including steel millers from China. He has served as an Executive Director of Antah Holdings Berhad, a public company listed on the main board of Bursa Malaysia from June 2000 to October 2001 and also held directorship in Permanis Sdn. Bhd., the Malaysian franchise holder and bottler of Pepsi-Cola and Seven-up. He was a Director of Midwest Corporation Limited, which has since May 2005 been listed on the Australian Stock Exchange and is engaged in mining, exploring and processing iron ore. He resigned from Midwest Corporation in February 2009 after the company was taken over and delisted from the Australian Stock Exchange. Mr. Chong has also been appointed an Independent Non-executive Director of Emcom International Limited (Stock Code 8220) since 31 March 2009, a company listed on the GEM board of the Stock Exchange.

Mr. Lam Cheung Shu

Lam Cheung Shu (藍章澍), aged 37, Chinese, has been our Independent Non-executive Director since 2 June 2008. Mr. Lam has been working for a number of international financial institutions and has numerous experiences in the private and corporate banking industry. Currently, Mr. Lam is a senior executive at Barclays Private Bank, a division of Barclays Bank PLC, which he joined since January 2005, serving high net worth customers and institutions. Mr. Lam holds a bachelor degree in Mechanical Engineering from Queen Mary College, University of London, U.K.

COMPANY SECRETARY

Mr. Ngai Wai Fung, age 47, was appointed as the company secretary of the Company on 20 December 2007. Mr. Ngai is a director and head of listing services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. Mr. Ngai is currently the vice president of The Hong Kong Institute of Chartered Secretaries (HKICS) and the Chairman of its Membership Committee. He is also a fellow of HKICS and the Institute of Chartered Secretaries and Administrators in United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Association of Chartered Certified Accountants in the United Kingdom, a member of Hong Kong Institute of Directors and a member of Hong Kong Securities Institute. Mr. Ngai holds a Master of Corporate Finance degree from The Hong Kong Polytechnic University, a Master of Business Administration degree from Andrews University of the United States and a Bachelor of Laws (with Honours) degree from the University of Wolverhampton, the United Kingdom. He is also undertaking a PhD (thesis stage) degree in Finance at Shanghai University of Finance and Economics.

SENIOR MANAGEMENT

Mr. Zhou Wu

Zhou Wu (周武), aged 39, Chinese, joined the Group in February 2004 and is the Head of Mining and Exploration of the Company. Mr. Zhou graduated from Xi'an Metallurgy College in 1991 with a Bachelor's Degree majoring in Non-ferrous Minerals and Metals. Since graduation and prior to joining our Group, Mr. Zhou has worked with several magnesium smelting plants in the PRC.

Mr. Wen Guo Qiang

Wen Guo Qiang (溫國強), aged 43, Chinese, joined the Group in March 2004 and is the Head of Magnesium Smelting of the Company. Mr. Wen graduated from the South Eastern University (formerly known as Nanjing Energy Engineering College) in 1986, majoring in engineering (工業熱工). Prior to joining our Group, Mr. Wen has worked at various magnesium plants in the PRC, and has more than 20 years' experience in magnesium and magnesium alloy. He has supervised magnesium mining and exploration activities from a quality control perspective.

Mr. Ha Bin Khean

Ha Bin Khean, FCCA , aged 38, Malaysian, is the Head of Finance of the Company and the qualified accountant of our Group. He was previously seconded from HWGB to the Group in December 2005 and officially joined our Group in September 2007 and is a fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants. Mr. Ha has more than 18 years of experience in accounting and finance industry.

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiary, CVMSB, are mining of dolomite and manufacture of magnesium ingots.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 37.

FINAL DIVIDENDS

At a meeting held on 27 March 2009, the Board did not recommend the payment of any dividend in respect of the year ended 31 December 2008 (2007: Nil).

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of the Group for year ended 31 December 2008 amounted to approximately HK$112,999,467.

Details of the movements in property, plant and equipment of the Group during the year are set out in note 11 to the financial statement.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 21 to the financial statement.

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in note 22 to the financial statement.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2008, calculated under section 79B of the Hong Kong Companies Ordinance, were represented by an accumulated losses of HK$4,358,842 (2007: HK$20,000).

DIRECTORS

The Directors during the year and up to the date of this Annual Report are:

Executive Directors

Mr. Chong Wee Chong	(Chief Executive Officer, appointed on 9 November 2007)
Mr. Gao Qi Fu	(appointed on 27 December 2007)
Mr. Lim Ooi Hong	(appointed on 9 November 2007)

Independent Non-executive Directors

Mr. Tony Tan	(Chairman, appointed on 9 November 2007)
Ms. Wong Choi Kay	(appointed on 27 December 2007)
Mr. Chong Lee Chang	(appointed on 27 December 2007)
Mr. Lam Cheung Shu	(appointed on 2 June 2008)

The biographical details of the Directors and senior management are set out under the section "Directors and Senior Management" of this Annual Report.

In accordance with Article 95 of the Articles of Association, Mr. Chong Wee Chong, Mr. Gao Qi Fu, Mr. Lim Ooi Hong, Mr. Tony Tan, Ms Wong Choi Kay, Mr. Chong Lee Chang and Mr. Lam Cheung Shu, shall retire by rotation and being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has any existing or proposed service contract with the Company or its subsidiary which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as disclosed under the headings "Continuing Connected Transactions" in the Report of the Directors and "Material Related Party Transactions" in note 26 to the financial statements, no Directors or controlling shareholder of the Company or their respective subsidiaries had a material interest, either directly or indirectly, in any contract of significance to the business of the Group and to which the Company, its subsidiary, its follow subsidiaries or its holding company was a party, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Up to the date of this Annual Report, none of the Directors have any beneficial interest in other businesses which constitute, either directly or indirectly, a competing business of the Group.

NON-COMPETITION UNDERTAKING BY THE CONTROLLING SHAREHOLDER

The Company has received an annual confirmation from the controlling shareholder, HWGB in respect of its compliance with the non-competition undertaking since the date of the Listing. The Independent Non-executive Directors have reviewed the said undertaking and are of the view that HWGB has complied with the non-competition undertaking during the period between 22 December 2008 (date of the Listing) and 31 December 2008.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the Independent Non-executive Directors and the Company considers that Mr. Tony Tan, Ms. Wong Choi Kay, Mr. Chong Lee Chang and Mr. Lam Cheung Shu to be independent.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2008, the Group had a total of approximately 18 employees. Total staff costs (including Directors' emoluments), incurred for the year ended 31 December 2008 amounted to approximately HK$4.1 million (2007: HK$1.1 million). Remuneration packages of the Directors are recommended by the Remuneration Committee and approved by the Board. Employee remuneration will be determined by the management with reference to the performance, experience and industry practice.

POST-IPO SHARE OPTION SCHEME

The Company has conditionally adopted its post-IPO share option scheme on 14 October 2008 (the "Scheme"). The purpose of the Scheme is to attract and retain the best quality personnel for the development of the Company's businesses; to provide additional incentives to the employees; to provide eligible participants with the opportunity to acquire proprietary interests in the Company; and to promote the long term financial success of the Company by aligning the interests of grantees to the Shareholders. Under the Scheme, the Board shall be entitled at any time (except for the period as defined under the Listing Rules whereby price sensitive event or a price sensitive matter has been the subject of a decision) within 10 years commencing on the date of adoption of the Scheme to make an offer for the grant of an option to any employee (including any officer or director, whether executive or non-executive, of the Company or its subsidiary), and any consultant, adviser, supplier, customer or subcontractor of the Company or any other person determined by the Board as appropriate.

The shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 10% of the shares of the Company in issue from time to time. The maximum number of shares available for issue under options which may be granted under the Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares of the Company in issue immediately following the commencement of dealings in the shares of the Company on the Stock Exchange, being 45,100,000 shares. The total number of shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each grantee must not exceed 1% of the shares of the Company in issue, such further grant shall be subject to separate approval by the Shareholders in general meeting with the relevant grantee and his associates abstaining from voting.

The subscription price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall not be less than whichever is the higher of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company. An offer shall remain open for acceptance for a period of 28 days from the date of offer (or such longer period as the Board may specify in writing). HK$1.00 is payable by the grantee to the Company on acceptance of the offer of the option. The period within which the shares of the Company must be taken up under an option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

For the year ended 31 December 2008, no option has been granted or agreed to be granted under the Scheme.

INTERESTS AND SHORT POSITION OF DIRECTORS OR CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES OR UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2008, no Directors or chief executive of the Company had an interest or short position in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO"), which is notified to the Company and the Stock Exchange pursuant to the SFO, or is required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or is required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

For information, the following Director has notified the Company and the Stock Exchange regarding the following interest in HWGB, the Company's controlling shareholder, as recorded in the register pursuant to the SFO, as at 31 December 2008:

Name	Nature of interest	Number of shares of HWGB	Approximate percentage of shareholding
Lim Ooi Hong	Beneficial owner	174,000	0.06%

At no time during the year ended 31 December 2008 was the Company or its subsidiary was a party to any arrangement to enable the Directors and the chief executive officer of the Company (including their spouse and children under 18 years of age) to acquire benefits by an acquisition of shares or underlying shares in, or debentures of the Company or its subsidiary.

INTERESTS AND SHORT POSITION IN THE SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, so far as is known to any Directors or the chief executive of the Company, the Shareholders, other than the Directors or the chief executive officer of the Company, who had an interest or short positions in the shares or the underlying shares of the Company, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name	Note	Nature of interest	Number of shares directly or indirectly held	Approximate percentage of shareholding
HWGB		Beneficial owner	186,037,500	41.25%
Tsorng Shin Machinery (M) Sdn. Bhd. ("TSM")		Beneficial owner	67,650,000	15.00%
Teoh Tek Siong	1	Interest in controlled corporation	67,650,000	15.00%
Perbadanan Kemajuan Negeri Perak (or Perak State Development Corporation)		Beneficial owner	33,825,000	7.50%

Note:

1. Mr. Teoh Tek Siong is deemed interest in 67,650,000 shares held by TSM, being a corporation controlled by him, which is 80% owned by him.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Relevant Period, neither the Company nor its subsidiary has purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained the prescribed minimum amount of public float from the date of its Listing and up to the date of this Annual Report as required by the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to issue of this report.

MAJOR CUSTOMERS AND SUPPLIERS

As the Company and its subsidiary have yet to carry on revenue generating activities in the year under review, the Group has yet to derive any revenues from its prospective customers or to render any purchases from its prospective suppliers.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

POST BALANCE SHEET EVENTS

There were no significant post balance sheet events.

GROUP PROPERTIES

The Company has valued its lease land, for the purpose of the Listing, on 31 August 2008. The land was valued at RM68,000,000, approximately HK$153,672,316 (exchange rate is based on the date of the Prospectus). For more details please refer to page III-4 of the Prospectus. As at 31 December 2008, the cost of the land was HK$13,140,017, as set out in note 11 to the financial statements.

	Value amount at HK$153.7 million	Value at cost HK$13.1 million	Additional Depreciation
Depreciation for year 2008	HK$0.61 million	HK$0.14 million	HK$0.47 million

MAJOR PROPERTIES HELD FOR DEVELOPMENT AS AT 31 DECEMBER 2008

Location	Intended use	Development progress	Expected date of completion	Total site area (sq.m.)	Gross floor area (sq.m.)	Group's interest (%)
HS(D) 24477, PT19594, Mukim Asam Kumbang, District of Larut and Matang in the State of Perak, situated in the Kamunting Raya III Industrial Estate, Taiping, Perak, Malaysia	Magnesium smelting plant	Phase 1 86.73%	July 2009	263,046	49,372.90	100
		Phase 2 0%	Not yet commenced		22,013.50	100

CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 26 to the consolidated financial statements also constituted continuing connected transactions of the Group within the meaning of the Listing Rules. These continuing connected transactions which the Group had entered into with HWGB and Ho Wah Genting Poipet Resorts Sdn. Bhd. ("HWGP") in 2008 were for the following purposes:

- Renting of office premises for operations by CVMSB from HWGB
- Sharing of company secretarial services with HWGB
- On demand purchase of air tickets from HWGP, an associate of HWGB in which HWGB has 40% equity interest

Although these transactions were "continuing connected transactions" as defined in the Listing Rules, all of them were either in relation to consumer goods or consumer services, or sharing of administrative services or de minimis transactions exempted under rules 14A.33(1) to 14A.33(3) of the Listing Rules from reporting, announcement and independent Shareholders' approval requirements.

Details of the above-mentioned exempt continuing connected transactions are also disclosed in the Prospectus. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the Relevant Period.

Our Independent Non-executive Directors have reviewed the continuing connected transactions and are of the view that the continuing connected transactions have been entered into under the following circumstances:

(a) in the ordinary and usual course of business;

(b) on normal commercial terms or on terms no less favorable to the Group than terms offered to/by independent third parties; and

(c) in accordance with the relevant agreements governing those transactions on terms that are fair and reasonable and in the interest of the Shareholders as a whole.

AUDITORS

The financial statements for the year ended 31 December 2008 have been audited by KPMG. A resolution for their re-appointment as auditors of the Company for the ensuring year will be proposed at the forthcoming annual general meeting.

On behalf of the Board
CVM Minerals Limited

Tony Tan
Chairman

Kuala Lumpur, Malaysia, 27 March 2009

KPMG

TO THE SHAREHOLDERS OF CVM MINERALS LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of CVM Minerals Limited (the "Company") set out on pages 37 to 88, which comprise the consolidated and company balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KMPG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
27 March 2009

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2008

(Expressed in Hong Kong dollars)

	Note	2008	2007
Turnover	2	**$—**	$—
Other revenue	3	**25,132**	—
Other net loss	4	**(404,353)**	(74,394)
Administrative expenses		**(9,151,230)**	(2,583,335)
Loss from operations		**$(9,530,451)**	$(2,657,729)
Finance costs	5(a)	**(967,803)**	(24,351)
Loss before taxation	5	**$(10,498,254)**	$(2,682,080)
Income tax	6(a)	**—**	—
Loss for the year attributable to equity shareholders of the Company		**$(10,498,254)**	$(2,682,080)
Loss per share	7		
Basic and diluted		**(3.00 cents)**	(0.79 cents)

The notes on pages 44 to 88 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

at 31 December 2008

(Expressed in Hong Kong dollars)

	Note	2008	2007
Non-current assets			
Fixed assets	11		
- Property, plant and equipment		**$220,529,338**	$119,249,065
- Interest in leasehold land held for own use under operating lease		**12,769,458**	13,193,181
Exploration and evaluation assets	12	**3,637,463**	3,839,776
Mining deposit	14	**201,154**	212,342
		$237,137,413	$136,494,364
Current assets			
Prepayments, deposits and other receivables	15	**$16,345,864**	$6,079,543
Amount due from related party	16	**234,203**	176,458
Cash at bank and in hand		**32,227,099**	435,145
Pledged deposits	17	**—**	47,187
		$48,807,166	$6,738,333
Current liabilities			
Obligations under finance leases	18	**$81,145**	$81,011
Other payables and accrued expenses	19	**61,060,734**	1,686,167
Amount due to related party	16	**—**	20,884,293
Bank loans - secured	20	**25,489,567**	—
		$86,631,446	$22,651,471
Net current liabilities		**$(37,824,280)**	$(15,913,138)
Total assets less current liabilities		**$199,313,133**	$120,581,226

(Expressed in Hong Kong dollars)

	Note	2008	2007
Non-current liabilities			
Bank loans - secured	20	**$66,349,854**	$52,117,314
Obligations under finance leases	18	**595,303**	714,075
		$66,945,157	$52,831,389
Net assets		**$132,367,976**	$67,749,837
Capital and reserves			
Share capital	21	**$45,100,000**	$65,671,502
Reserves	22	**87,267,976**	2,078,335
Total equity		**$132,367,976**	$67,749,837

Approved and authorised for issue by the Board of Directors on 27 March 2009.

Director
Chong Wee Chong

Director
Lim Ooi Hong

The notes on pages 44 to 88 form part of these financial statements.

BALANCE SHEET

at 31 December 2008

(Expressed in Hong Kong dollars)

	Note	2008	2007
Non-current assets			
Interest in subsidiary	13	$108,708,213	$—
Current assets			
Prepayments, deposits and other receivables	15	$4,549,282	$—
Cash at bank and in hand		30,516,948	1
		$35,066,230	$1
Current liabilities			
Other payables and accrued expenses	19	$1,017,873	$20,000
Net current assets/(liabilities)		$34,048,357	$(19,999)
Net assets/(liabilities)		$142,756,570	$(19,999)
Capital and reserves			
Share capital	21	$45,100,000	$1
Reserves	22	97,656,570	(20,000)
Total equity/(deficit)		$142,756,570	$(19,999)

Approved and authorised for issue by the Board of Directors on 27 March 2009.

Director	Director
Chong Wee Chong	Lim Ooi Hong

The notes on pages 44 to 88 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2008

(Expressed in Hong Kong dollars)

	Note	2008	2007
Total equity at 1 January		**$67,749,837**	$66,003,728
Net income recognised directly in equity:			
Exchange difference on translation of financial statements of foreign operations	22	**$(3,259,044)**	$4,428,189
Net loss for the year	22	**(10,498,254)**	(2,682,080)
Total recognised income and expense for the year		**$(13,757,298)**	$1,746,109
Movements in equity arising from capital transactions:			
Adjustment arising from the Acquisition (Note)		**$10,285,025**	$—
Shares issued pursuant to the share placing and public offer	22	**68,090,412**	—
Total equity at 31 December		**$132,367,976**	$67,749,837

Note:

This represents the aggregate amount of difference between the share capital of the Company and its subsidiary and the reserve arose from the reverse acquisition on 14 October 2008.

The notes on pages 44 to 88 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2008

(Expressed in Hong Kong dollars)

	Note	2008	2007
Operating activities			
Loss before taxation		$(10,498,254)	$(2,682,080)
Adjustments for:			
- Depreciation	5(c)	114,144	83,253
- Amortisation of interests in leasehold land held for own use under operating leases	5(c)	138,423	138,213
- Loss on disposal of fixed assets	4	—	74,394
- Interest income	3	(25,132)	—
- Finance costs	5(a)	967,803	24,351
- Foreign exchange loss		404,353	—
Operating loss before changes in working capital		$(8,898,663)	$(2,361,869)
Increase in prepayments, deposits and other receivables		(10,526,844)	(5,992,969)
Increase in amount due from related party		(70,781)	—
Decrease in other payables and accrued expenses		(330,267)	(2,490,192)
Decrease in amount due to related party		(20,884,293)	—
Net cash used in operating activities		$(40,710,848)	$(10,845,030)
Investing activities			
Payment for purchase of fixed assets		$(46,168,500)	$(48,651,870)
Proceeds from disposal of fixed assets		—	102,143
Payment for purchase of exploration and evaluation assets		—	(449,019)
Interest received		25,132	—
Decrease/(increase) in pledged deposits		47,187	(47,187)
Net cash used in investing activities		$(46,096,181)	$(49,045,933)

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2008

(Expressed in Hong Kong dollars)

	2008	2007
Financing activities		
Capital element of finance lease rentals paid	**$(80,240)**	$(314,477)
Proceeds from the issue of shares pursuant to share placing and public offer	**114,279,111**	—
Payment of transaction costs on issue of shares	**(39,022,088)**	—
Advances from shareholder	**—**	15,779,242
Proceeds from bank loans, net of transaction costs	**135,024,859**	43,321,570
Repayment of bank loans	**(90,517,507)**	—
Interest paid on finance lease rentals	**(35,297)**	(24,351)
Interest paid on bank loans	**(967,803)**	—
Net cash generated from financing activities	**$118,681,035**	$58,761,984
Net increase/(decrease) in cash and cash equivalents	**$31,874,006**	$(1,128,979)
Cash and cash equivalents at beginning of the year	**435,145**	1,516,781
Effect of foreign exchange rate changes	**(82,052)**	47,343
Cash and cash equivalents at end of the year	**$32,227,099**	$435,145

The notes on pages 44 to 88 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new Interpretations and an amendment to HKFRSs that are first effective for the current accounting period of the Group and the Company. However, none of these developments are relevant to the Group's or the Company's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 28).

(b) Basis of preparation of the financial statements

On 14 October 2008, the Company acquired from Ho Wah Genting Berhad, Tsorng Shin Machinery (M) Sdn. Bhd., Perak State Development Corporation, Dato'Kho Eng Hue @ Koh Eng Hooi, MKW Jaya Sdn. Bhd. and Zhen Development Sdn. Bhd. the entire issued and fully paid-up share capital of Commerce Venture Magnesium Sdn. Bhd. ("CVMSB"), a company incorporated in Malaysia, for a consideration of $67,750,000 (the "Acquisition").

The consideration was satisfied by the allotment and issue of 338,249,999 new ordinary shares and the existing 1 share of the Company ("Consideration Shares") to the then shareholders of CVMSB, credited as fully paid at an issue price of $0.10 per new share.

Under Hong Kong Financial Reporting Standard 3, ("HKFRS 3"), *Business Combinations*, the Acquisition has been accounted for as a reverse acquisition because the issuance of the Consideration Shares resulted in CVMSB becoming the controlling shareholder of the Company. For accounting purpose, CVMSB is treated as the acquirer while the Company is deemed to have been acquired by CVMSB on 14 October 2008. Along this principle, these consolidated financial statements have been prepared as a continuation of CVMSB and accordingly,

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

(i) the assets and liabilities of CVMSB are recognised and measured at the date of Acquisition at their historical carrying values prior to the Acquisition;

(ii) the share capital and share premium accounts reflect the legal equity structure of the Company. Any difference between the Company's legal equity and that of CVMSB is accounted for as an other reserve;

(iii) the accumulated losses and other equity balances recognised in these financial statements are the accumulated losses and other equity balances of CVMSB;

(iv) the identifiable assets and liabilities of the Company were recorded in the consolidated financial statements at fair value on the date of Acquisition; and

(v) comparative information presented is that of CVMSB.

As at 31 December 2008, the Group had net current liabilities of $37,824,280 and loss after taxation of $10,498,254 for the year ended 31 December 2008. In view of these circumstances, the directors have given careful consideration to the future liquidity and performance of the Group in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The directors are of the opinion that the use of the going concern assumption in the preparation of the financial statements is appropriate based on the approved business plan of the Group and available financing arrangements.

In order to finance the construction of the magnesium smelting plant of CVMSB in the state of Perak, Malaysia (the "Perak Magnesium Smelter"), CVMSB obtained a banking facility of RM142 million (equivalent to $317.4 million), comprising of a bank guarantee facility (convertible into term loan facility) of RM115 million (equivalent to $257 million) and a term loan facility of RM27 million (equivalent to $60.4 million) from Bank Pambangunan Malaysia Berhad (BP") in 2006 and the secondary finance from Kuwait Finance House (Malaysia) Berhad ("KFHMB") on 3 July 2008 with banking facility of RM115.6 million (equivalent to $258.4 million). The secondary finance from KFHMB was guaranteed by BP.

During the 3 years ended 31 December 2008, CVMSB has drawn down a total of RM25.5 million (equivalent to $57 million) term loans from the facilities granted by BP.

On 22 September 2008, a banking facility of RM147.6 million (equivalent to $329.9 million), comprising of a bank guarantee facility (convertible into a term loan of up to RM117.8 million (equivalent to $263.3 million)) of RM115 million (equivalent to $257 million) and a term loan facility of RM32 million (equivalent to $71.6 million) was obtained by CVMSB from Bank Kerjasama Rakyat Malaysia Berhad ("Bank Rakyat") to replace the banking facility granted by BP. In addition, the secondary finance from KFHMB was then guaranteed by Bank Rakyat.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

During the year ended 31 December 2008, the loans amounted to RM25.5 million (equivalent to $57 million) which were drawn down from BP were re-financed by the loans from Bank Rakyat. As at 31 December 2008, bank loans of RM31.4 million (equivalent to $70.2 million) and RM12.7 million (equivalent to $28.5 million) were drawn down from Bank Rakyat and KFHMB respectively. Unutilised banking facilities amounted to a total of RM103.5 million (equivalent to $231.2 million) as at 31 December 2008. The directors consider that the unutilised banking facilities and the existing cash are adequate to finance the construction of the Perak Magnesium Smelter and to meet the financial obligations of the Group as at 31 December 2008.

The Group is expected to commence its mining operation in August 2009 and the approved business plan of the Group has estimated that the operation will generate positive cash inflows thereafter.

After taking into account the above factors, the directors are satisfied that the Group will be able to have sufficient funding to enable the Group to operate as a going concern and meet its financial obligations as and when they fall due. Accordingly, the financial statements have been prepared on a going concern basis.

The preparation of the financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 27.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(g)).

(d) Property, plant and equipment

Items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(g)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(p)).

Construction in progress represents property, plant and equipment under construction and equipment pending installation and is stated at cost less impairment losses (see note 1(g)). Cost comprises direct costs of construction. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use was completed.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Property, plant and equipment *(continued)*

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Motor vehicles	5 - 10 years
- Furniture and fittings	10 years

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

When parts of an item of property, plant and equipment have different useful lives, the cost of item is allocated on a reasonable basis between the parts and each part is depreciated separated. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(e) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(d). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(g). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Leased assets *(continued)*

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight line basis over the period of the lease term.

(f) Exploration and evaluation assets

Exploration and evaluation assets comprises costs which are directly attributable to: researching and analysing existing exploration data; conducting geological studies, exploratory drilling and sampling; examining and testing extraction and treatment methods; and compiling pre-feasibility and feasibility studies. Exploration and evaluation assets also includes the costs incurred in the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

Exploration and evaluation expenditure is capitalised if the project is technically and commercially feasible and the Group has sufficient resources and the intention to complete the project. If a project does not prove viable, all irrecoverable costs associated with the project are expensed in the income statement. Capitalised exploration and evaluation expenditures are stated in the balance sheet at cost less accumulated amortisation and impairment losses (see note 1(g)).

Upon the commencement of quarrying activities, the capitalised exploration and evaluation expenditure is amortised using the units of production method based on the proven and probable minerals reserves.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Impairment of assets

(i) Impairment of other receivables

Other receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as default or delinquency in principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of other receivables whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written of against other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previous charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Impairment of assets *(continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under an operating lease;

— exploration and evaluation expenditures; and

— investment in subsidiary.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

Impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Other receivables

Other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(g)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(i) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(j) Other payables

Other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(l) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employee. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(m) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case they are recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Income tax *(continued)*

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investment in a subsidiary to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Income tax *(continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

— the same taxable entity; or

— different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(n) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

Results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange difference is recognised directly in a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to the foreign operation is included in the calculation of profit or loss on disposal.

(p) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Related parties

For the purposes of the financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decision, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(r) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

2 TURNOVER

The principal activities of the Group are the mining of dolomite and manufacture of magnesium ingots. The Group has yet to earn any revenue during the years ended 31 December 2008 and 2007 as the construction of the Perak Magnesium Smelter is still in a development stage.

(Expressed in Hong Kong dollars unless otherwise indicated)

3 OTHER REVENUE

	2008	2007
Interest income	$25,132	$—

4 OTHER NET LOSS

	2008	2007
Net foreign exchange loss	$(404,353)	$—
Loss on disposal of fixed assets	—	(74,394)
	$(404,353)	$(74,394)

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2008	2007
(a) Finance costs:		
Interest on bank loans:		
- wholly repayable within five years	$7,330,102	$—
- wholly repayable after five years	1,589,651	2,311,097
	$8,919,753	$2,311,097
Amortisation of loan transaction costs	4,515,150	—
Other borrowing costs	1,696,338	—
Finance charges on obligations under finance leases	35,352	24,351
	$15,166,593	$2,335,448
Less: Finance costs capitalised into construction in progress *	(14,198,790)	(2,311,097)
	$967,803	$24,351

* Interest on bank loans have been capitalised at a rate of 6.5% - 8.6% (2007: 8.6%) per annum for the year ended 31 December 2008.

(Expressed in Hong Kong dollars unless otherwise indicated)

5 LOSS BEFORE TAXATION *(continued)*

(b) Staff costs:

	2008	2007
Salaries, wages, bonuses and benefits	**$3,910,973**	$958,873
Contributions to defined contribution retirement plan	**218,711**	93,738
	$4,129,684	$1,052,611

Pursuant to the relevant labour laws and regulations in Malaysia, CVMSB participates in a defined contribution retirement benefit scheme ("the Scheme") organised by the Malaysian government whereby CVMSB is required to make contributions to the Scheme at a rate of 12% of the eligible employees' salaries. Contributions to the Scheme vest immediately.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

(c) Other items:

	2008	2007
Auditors' remuneration	**$793,474**	$9,533
Depreciation	**114,144**	83,253
Amortisation of interests in leasehold land held for own use under operating leases	**138,423**	138,213
Operating lease charges:		
- office premises	**192,296**	190,666
- office equipment	**40,731**	10,668

(Expressed in Hong Kong dollars unless otherwise indicated)

6 INCOME TAX

(a) No provision for Hong Kong Profits Tax and Malaysian Income Tax has been made as the Group did not earn any income which is subject to Hong Kong Profits Tax and Malaysian Income Tax during the years ended 31 December 2008 and 2007.

In February 2008, the Hong Kong Government announced a decrease in the Profits Tax rate from 17.5% to 16.5% applicable to the Company's operations in Hong Kong as from the year ended 31 December 2008.

Pursuant to the income tax rules and regulations of Malaysia, CVMSB is liable to Malaysian income tax at a rate of 26% (2007: 27%) for the years ended 31 December 2008.

(b) Reconciliation between tax expense and accounting loss at applicable tax rates

	2008	2007
Loss before taxation	**$(10,498,254)**	$(2,682,080)
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**$(2,409,505)**	$(724,161)
Effect of non-taxable income	**(4,147)**	—
Effect of non-deductible expenses	**2,413,652**	724,161
Actual tax expense	**$—**	$—

(Expressed in Hong Kong dollars unless otherwise indicated)

7 LOSS PER SHARE

Under the reverse acquisition method of accounting, the 338,249,999 ordinary shares issued by the Company to the previous shareholders of CVMSB to effect the Acquisition described in note 1(b) are deemed to be issued on 1 January 2007 for the purposes of calculating loss per share.

The calculation of loss per share is based on the loss attributable to ordinary equity shareholders of the Company of $10,498,254 (2007: $2,682,080) and the weighted average of 341,339,040 ordinary shares (2007: 338,249,999 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2008
Number of shares deemed to be outstanding for the year ended 31 December 2008	338,249,999
Effect of issue of new shares issued pursuant to the share placing and public offer	3,089,041
	341,339,040

Diluted loss per share is the same as the basic loss per share as there were no dilutive shares outstanding during the years ended 31 December 2008 and 2007.

(Expressed in Hong Kong dollars unless otherwise indicated)

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	2007				
	Directors' fees	Salaries, allowances and benefits in kind	Dis-cretionary bonuses	Retirement scheme contributions	Total
Executive Directors					
Chong Wee Chong	$—	$389,549	$17,024	$48,620	$455,193
Lim Ooi Hong	—	82,066	11,349	11,400	104,815
Gao Qi Fu	—	—	—	—	—
Independent Non-executive Directors					
Tony Tan	—	—	—	—	—
Wong Choi Kay	—	—	—	—	—
Chong Lee Chang	—	—	—	—	—
Lam Cheung Shu	—	—	—	—	—
Total	$—	$471,615	$28,373	$60,020	$560,008

(Expressed in Hong Kong dollars unless otherwise indicated)

8 DIRECTORS' REMUNERATION *(continued)*

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows: *(continued)*

	2008				
	Directors' fees	Salaries, allowances and benefits in kind	Dis-cretionary bonuses	Retirement scheme contributions	Total
Executive Directors					
Chong Wee Chong	$730,190	$420,633	$35,052	$54,682	$1,240,557
Lim Ooi Hong	387,635	336,507	23,369	43,185	790,696
Gao Qi Fu	232,581	—	155,060	—	387,641
Independent Non-executive Directors					
Tony Tan	93,032	—	—	—	93,032
Wong Choi Kay	77,527	—	—	—	77,527
Chong Lee Chang	77,527	—	—	—	77,527
Lam Cheung Shu	54,269	—	—	—	54,269
Total	$1,652,761	$757,140	$213,481	$97,867	$2,721,249

(Expressed in Hong Kong dollars unless otherwise indicated)

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2007: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2007: three) individuals are as follows:

	2008	2007
Salaries, allowances and benefits in kind	**$648,512**	$331,455
Discretionary bonuses	**31,431**	13,733
Retirement scheme contributions	**49,032**	21,586
	$728,975	$366,774

The emoluments of the two (2007: three) individuals with the highest emoluments are within the following band:

	Number of individuals	
	2008	2007
$Nil to $500,000	**2**	3

10 SEGMENT REPORTING

The principal activities of the Group comprise mainly the mining of dolomite and manufacture of magnesium ingots operations in Malaysia. The Group did not earn any revenue from these activities during the years ended 31 December 2008 and 2007 as the construction of Perak Magnesium Smelter is still in development stage. Accordingly, no analysis by business segments has been presented.

In presenting information on the basis of geographical segments, segment assets and capital expenditure are based on the geographical location of assets.

	Hong Kong		Malaysia		Total	
	2008	2007	2008	2007	2008	2007
Segment assets	**$35,066,230**	$1	**$250,878,349**	$143,232,696	**$285,944,579**	$143,232,697
Capital expenditure incurred during the year	**—**	—	**112,999,467**	48,651,870	**112,999,467**	48,651,870

(Expressed in Hong Kong dollars unless otherwise indicated)

11 FIXED ASSETS

The Group

	Construction in progress	Motor vehicles	Furniture and fittings	Sub-total	Interests in leasehold land held for own use under operating leases	Total
Cost:						
At 1 January 2007	$64,193,014	$234,140	$152,069	$64,579,223	$12,580,413	$77,159,636
Additions	47,718,488	895,973	37,409	48,651,870	—	48,651,870
Disposals	—	(240,730)	—	(240,730)	—	(240,730)
Exchange differences	6,291,438	41,924	11,921	6,345,283	864,181	7,209,464
At 31 December 2007	$118,202,940	$931,307	$201,399	$119,335,646	$13,444,594	$132,780,240
At 1 January 2008	$118,202,940	$931,307	$201,399	$119,335,646	$13,444,594	$132,780,240
Additions	112,536,721	—	40,549	112,577,270	422,197	112,999,467
Exchange differences	(11,130,941)	(49,069)	(12,378)	(11,192,388)	(726,774)	(11,919,162)
At 31 December 2008	$219,608,720	$882,238	$229,570	$220,720,528	$13,140,017	$233,860,545

(Expressed in Hong Kong dollars unless otherwise indicated)

11 FIXED ASSETS *(continued)*

The Group *(continued)*

	Construction in progress	Motor vehicles	Furniture and fittings	Sub-total	Interests in leasehold land held for own use under operating leases	Total
Accumulated amortisation and depreciation:						
At 1 January 2007	$—	$35,120	$27,358	$62,478	$100,823	$163,301
Charge for the year	—	65,417	17,836	83,253	138,213	221,466
Written back on disposal	—	(64,193)	—	(64,193)	—	(64,193)
Exchange differences	—	2,460	2,583	5,043	12,377	17,420
At 31 December 2007	$—	$38,804	$47,777	$86,581	$251,413	$337,994
Accumulated amortisation and depreciation:						
At 1 January 2008	$—	$38,804	$47,777	$86,581	$251,413	$337,994
Charge for the year	—	92,243	21,901	114,144	138,423	252,567
Exchange differences	—	(6,063)	(3,472)	(9,535)	(19,277)	(28,812)
At 31 December 2008	$—	$124,984	$66,206	$191,190	$370,559	$561,749
Net book value:						
At 31 December 2008	$219,608,720	$757,254	$163,364	$220,529,338	$12,769,458	$233,298,796
At 31 December 2007	$118,202,940	$892,503	$153,622	$119,249,065	$13,193,181	$132,442,246

(Expressed in Hong Kong dollars unless otherwise indicated)

11 FIXED ASSETS *(continued)*

(a) Construction in progress of the Group comprises costs incurred on a Perak Magnesium Smelter plant under construction at 31 December 2008 and 2007.

(b) Construction in progress and interests in leasehold land held for own use under operating leases with aggregate net book value of $232,378,178 (2007: $131,647,534) are pledged to banks for banking facilities granted to the Group as disclosed in note 20.

(c) The analysis of net book value of properties of the Group is as follows:

	2008	2007
Interests in leasehold land held for own use under long operating leases outside Hong Kong	**$12,769,458**	$13,193,181

(d) Fixed assets held under finance leases

The Group leases motor vehicles under finance leases expiring in 7 to 9 years. None of the leases includes contingent rentals.

During the year, additions to motor vehicles of the Group financed by new finance leases were $Nil (2007: $895,973). At the balance sheet date, the net book value of motor vehicle held under finance leases of the Group was $757,254 (2007: $892,503).

(Expressed in Hong Kong dollars unless otherwise indicated)

12 EXPLORATION AND EVALUATION ASSETS

	The Group
Cost:	
At 1 January 2007	$3,156,239
Additions	449,019
Exchange differences	234,518
At 31 December 2007	$3,839,776
At 1 January 2008	$3,839,776
Exchange differences	(202,313)
At 31 December 2008	$3,637,463
Carrying amount:	
At 31 December 2008	$3,637,463
At 31 December 2007	$3,839,776

CVMSB has undertaken various feasibility studies in relation to the mining and extraction of magnesium dolomite since 2004. On 15 June 2006, CVMSB entered into an agreement (the "Mining Agreement") with Harta Perak Corporation Sdn. Bhd. ("HPC"), a subsidiary of the Perak State Development Corporation ("SEDC"), a shareholder of the Company. Pursuant to the Mining Agreement, CVMSB has been granted, at no initial cost, an exclusive right to mine and extract magnesium dolomite from two pieces of land in the state of Perak, Malaysia (the "Dolomite Land") for a period of 20 years, with an option to renew for a further period of 10 years. The Mining Agreement can be early terminated by the Group by signing one month's written notice to HPC. CVMSB is required to pay royalties to HPC based on the volume of dolomite extracted, subject to a monthly minimum payment (see note 24(b)).

Pursuant to two subsequent letters signed on 10 December 2007 and 12 September 2008 respectively, effective from 15 December 2007 onwards, the Company is subject to pay monthly payment of RM15,000 (equivalent to HK$35,052) until the commencement of the mining operation, which is expected to be in or about August 2009.

HPC has been granted title to the land by the Perak State Government of Malaysia for a period of 60 years until 26 November 2067. Pursuant to the relevant laws and regulations in Malaysia, HPC is entitled to extract any rock material in or upon the Dolomite Land.

At 31 December 2008 and 2007, no commercial mining activities had been conducted on the Dolomite Land and no amortisation charge was made during the year.

(Expressed in Hong Kong dollars unless otherwise indicated)

13 INTEREST IN SUBSIDIARY

	The Group	
	2008	2007
Unlisted shares, at cost	**$67,750,000**	$—
Amount due from subsidiary	**40,958,213**	—
	$108,708,213	$—

Details of the subsidiary are as follows:

Name of Company	**Place of incorporation**	**Issued and paid up capital**	**Percentage of equity attributable to the Company - direct**	**Principal activities**
Commerce Venture Magnesium Sdn. Bhd.	Malaysia	RM31,000,000	100%	Mining of dolomite and manufacturing of magnesium ingots

The amount due from subsidiary is unsecured, interest-free and has no fixed terms of repayment.

14 MINING DEPOSIT

The amount represents deposit of RM90,000 (equivalent to $201,154) at 31 December 2008 (2007: RM90,000 (equivalent to $212,342) paid to HPC pursuant to the Mining Agreement (note 12).

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2008	2007	**2008**	2007
Other receivables	**$15,852,212**	$6,007,701	**$4,133,521**	$—
Deposits and prepayments	**493,652**	71,842	**415,761**	—
	$16,345,864	$6,079,543	**$4,549,282**	$—

Apart from the Group's deposits of $77,891 (2007: $71,842) all of the Group's and the Company's prepayments, deposits and other receivables are expected to be recovered within one year.

(Expressed in Hong Kong dollars unless otherwise indicated)

16 AMOUNT DUE FROM/TO RELATED PARTIES

The amount due from/to related party is unsecured, interest-free and has no fixed terms of repayment.

17 PLEDGED DEPOSITS

The Group's deposits of $47,137 as at 31 December 2007 was pledged to a bank for a bank guarantee in favour of a public utility company.

18 OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2008, the Group had obligations under finance leases repayable as follows:

	2008		2007	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
Within 1 year	$81,145	$110,554	$81,011	$116,646
After 1 year but within 2 years	$85,550	$110,554	$85,659	$116,646
After 2 years but within 5 years	283,071	331,665	284,871	349,939
Over 5 years	226,682	238,841	343,545	456,823
	$595,303	$681,060	$714,075	$923,408
	$676,448	$791,614	$795,086	$1,040,054
Less: Total future interest expense		(115,166)		(244,968)
Present value of lease obligations		$676,448		$795,086

(Expressed in Hong Kong dollars unless otherwise indicated)

19 OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2008	2007	**2008**	2007
Payables for construction in progress	**$59,776,324**	$—	**$—**	$—
Other payables and accrued expense	**1,284,410**	1,686,167	**1,017,873**	20,000
	$61,060,734	$1,686,167	**$1,017,873**	$20,000

All of the other payables and accrued expenses are expected to be settled within one year.

20 BANK LOANS - SECURED

The Group

	2008		
	Nominal value	**Less: unamortised transaction costs**	**Total**
Within one year	**$29,725,199**	**$(4,235,632)**	**$25,489,567**
After 1 year but within 2 years	**5,542,311**	**(477,267)**	**5,065,044**
After 2 years but within 5 years	**19,743,303**	**(1,186,974)**	**18,556,329**
After 5 years	**43,639,432**	**(910,951)**	**42,728,481**
Total	**$98,650,245**	**$(6,810,824)**	**$91,839,421**

	2007		
	Nominal value	Less: unamortised transaction costs	Total
Within one year	$—	$—	$—
After 1 year but within 2 years	6,965,250	(450,586)	6,514,664
After 2 years but within 5 years	20,895,750	(1,351,757)	19,543,993
After 5 years	27,861,000	(1,802,343)	26,058,657
Total	$55,722,000	$(3,604,686)	$52,117,314

(Expressed in Hong Kong dollars unless otherwise indicated)

20 BANK LOANS - SECURED *(continued)*

	2008	2007
Transaction costs		
Cost:		
At 1 January	$3,604,686	$3,604,686
Written off to construction in progress	(3,604,686)	—
Cost incurred during the year	7,721,288	—
At 31 December	$7,721,288	$3,604,686
Accumulated amortisation:		
At 1 January	$—	$—
Amortisation for the year	(910,464)	—
At 31 December	$(910,464)	$—
Unamortised transaction costs	$6,810,824	$3,604,686

The bank loans were granted to CVMSB and secured by way of:

(i) assignment of CVMSB's interests in leasehold land held for own use under operating leases of $12,769,458 (2007: $13,193,181);

(ii) first fixed and floating charge on present and future assets of CVMSB by way of debenture;

(iii) assignment of CVMSB's right, entitlement and interest in and to all building contracts, design drawings and other contracts pertaining to the magnesium ingot producing project (the "Project");

(iv) assignment of all rights, interest and benefits under insurances undertaken by CVMSB as part of its operations for the Project;

(v) assignment of all performance bonds or completion guarantee in relation to the Project;

(vi) assignment of all revenue receipts of CVMSB; and

(vii) corporate guarantee by the Company amounting to RM147,600,000 (equivalent to HK$329,892,000 at 31 December 2008.

All of the Group's banking facilities are subject to the fulfilment of covenants, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group is required to comply with the covenants when the Group's operation commences, which is expected to be in August 2009. Further details of the Group's management of liquidity risk are set out in note 23(e).

(Expressed in Hong Kong dollars unless otherwise indicated)

21 SHARE CAPITAL

(a) Authorised and issued share capital

	Note	The Company 2008 Number of shares	The Company 2008 Amount
Authorised:			
Ordinary shares of $0.10 each:			
At 1 January 2008		10,000	$1,000
Increase in authorised share capital		1,199,990,000	119,999,000
At 31 December 2008		1,200,000,000	$120,000,000
Issued and fully paid:			
At 1 January 2008	(c)(i)	1	$1
Shares issue pursuant to the Acquisition	(c)(ii)	338,249,999	33,824,999
Shares issue pursuant to the share placing and public offer	(c)(iii)	112,750,000	11,275,000
At 31 December 2008		451,000,000	$45,100,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Due to use of reverse acquisition accounting method, the amount of equity in the consolidated balance sheet represents the amount of equity of legal subsidiary, CVMSB. The equity structure (i.e. the number and type of shares) reflects the equity structure of the legal parent, the Company.

At 31 December 2007, the share capital of the Group shown on the consolidated balance sheet represented the share capital of CVMSB.

21 SHARE CAPITAL *(continued)*

(b) Increase in authorised share capital

By an ordinary resolution passed on 25 May 2008, the authorised ordinary share capital of the Company was increased to $120,000,000 by the creation of an adiditonal 1,199,990,000 ordinary shares of $0.10 each, ranking pari passu with existing shares of the Company in all respects.

(c) Issue of shares

(i) On 9 November 2007, the Company was incorporated by the allotment and issuance of 1 ordinary share of $0.10 each as an initial capital base of the Company.

(ii) On 14 October 2008, the Company allotted and issued 338,249,999 ordinary shares of $0.10 each to the then shareholders of CVMSB pursuant to the Acquisition.

(iii) On 22 December 2008, an additional 112,750,000 ordinary shares of $0.10 each were issued and offered for subscription at a price of $1.05 each in respect of the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "SEHK"). Proceeds of $11,275,000, representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately $68,090,412, after the share issue expenses of approximately $39,022,088, were credited to share premium.

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group defines "capital" as including all components of equity and bank loans, less unaccrued proposed dividends. On this basis the amount of capital employed at 31 December 2008 was $224,207,397 (2007: $119,867,151).

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

During 2008, the Group has issued new shares for the listing on the SEHK. The proceeds received have been partly utilised to settle its short term bank advances amounting to $39,000,000.

The Group is not subject to externally imposed capital requirements in either the current or prior years.

21 SHARE CAPITAL *(continued)*

(e) Share option scheme

Pursuant to the written resolution passed on 14 October 2008, the Company adopted a share option scheme (the "Scheme") to attract and retain the best quality personnel for the development of the Group's business; to provide additional incentives to the employees; to provide eligible persons with the opportunity to acquire proprietary interests in the Group; and to promote the long term financial success of the Group by aligning the interests of grantees to shareholders. The Scheme will remain in force for a period of 10 years from adoption of such scheme and will expire on 13 October 2018.

Under the Scheme, the Board of Directors of the Company (the "Directors") may at their discretion grant options to (i) Board of Directors or a duly authorised committee; or (ii) any person employed by the Company or any subsidiary; (iii) any consultant, adviser, supplier, customer or subcontractor of the Company or any other person determined by the Directors from time to time to subscribe for the shares of the Company (the "Shares").

Options granted must be taken up within 28 days of the date of grant, upon payment of $1 per option. The maximum number of Shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company on the date of adopting the Scheme. The limit may be refreshed at any time provided that the new limit must not be in aggregate exceed 10% of the issued share capital of the Company as at the date of the shareholders' approval in general meeting. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme of the Company must not in aggregate exceed 10% of the shares in issue from time to time. The maximum number of Shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the Shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing rules. Options granted to substantial shareholders or independent non-executive directors in excess of issued share capital of the Company or with a value in excess of $5 million must be approved in advance by the shareholders of the Company.

Options granted may be exercised at any time from date of grant of the share option to the 10thth anniversary of the date of grant as may be determined by the Directors. The exercise price is determined by the Directors, and will not be less than the higher of the closing price per share as stated in SEHK's daily quotations sheets on the date of the grant of the options, the average closing price per share as stated in the SEHK's daily quotations sheets for the five business days immediately preceding the date of the grant of the options, and the nominal value of a share.

No option was granted by the Company under the Scheme since its date of adoption.

(Expressed in Hong Kong dollars unless otherwise indicated)

22 RESERVES

(a) The Group

	Share premium *(note (a))*	Exchange reserve *(note (b))*	Other reserve *(note (c)(i))*	Accumulated losses	Total
At 1 January 2007	$—	$2,645,170	$—	$(2,312,944)	$332,226
Exchange difference of financial statements of foreign operations	—	4,428,189	—	—	4,428,189
Loss for the year	—	—	—	(2,682,080)	(2,682,080)
At 31 December 2007	$—	$7,073,359	$—	$(4,995,024)	$2,078,335
At 1 January 2008	$—	$7,073,359	$—	$(4,995,024)	$2,078,335
Exchange difference of financial statements of foreign operations	—	(3,259,044)	—	—	(3,259,044)
Adjustment arising from the Acquisition	—	—	30,856,527	—	30,856,527
Share issued pursuant to the share placing and public offer	68,090,412	—	—	—	68,090,412
Loss for the year	—	—	—	(10,498,254)	(10,498,254)
At 31 December 2008	$68,090,412	$3,814,315	$30,856,527	$(15,493,278)	$87,267,976

(Expressed in Hong Kong dollars unless otherwise indicated)

22 RESERVES *(continued)*

(b) The Company

	Share premium *(note (a))*	Other reserve *(note (c)(ii))*	Accumulated losses	Total
At 9 November 2007	$—	$—	$—	$—
Loss for the year	—	—	(20,000)	(20,000)
At 31 December 2007	$—	$—	$(20,000)	$(20,000)
At 1 January 2008	$—	$—	$(20,000)	$(20,000)
Adjustment arising from the Acquisition	—	33,925,000	—	33,925,000
Shares issued pursuant to the share placing and public offer	68,090,412	—	—	68,090,412
Loss for the year	—	—	(4,338,842)	(4,338,842)
At 31 December 2008	$68,090,412	$33,925,000	$(4,358,842)	$97,656,570

Notes:

(a) Share premium

The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

(b) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the subsidiary. The reserve is dealt with in accordance with the accounting policy set out in note 1(o).

(c) Other reserve

(i) Other reserve of the Group represents the reserve arose for the reverse acquisition on 14 October 2008.

(ii) Other reserve of the Company represents the difference between the value of shares of CVMSB acquired over the nominal value of the shares used by the Company as consideration for the reverse acquisition on 14 October 2008. The application of the other reserve is governed by Section 48C of the Hong Kong Companies Ordinance.

22 RESERVES *(continued)*

(b) The Company *(continued)*

Notes: *(continued)*

(d) Distributable reserves

The Company was incorporated on 9 November 2007 and has not carried out any business since the date of its incorporation. Accordingly, there were no realised profits available for distribution to shareholders at 31 December 2008 and 2007.

23 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

Management has adopted certain policies on financial risk management with objective of:

(i) ensuring that appropriate funding strategies are adopted to meet the Group's short term and long term funding requirements taking into consideration the cost of funding, gearing levels and cash flow projections of each project and that of the Group; and

(ii) ensuring that appropriate strategies are also adopted to manage related interest and currency risk funding.

(b) Credit risk

The Group has no significant credit risk during the years ended 31 December 2008 and 2007 as the construction of the Perak Magnesium Smelter is still in development stage, except for the prepayments, deposits and other receivables and listing proceeds receivable from the bookrunner. The exposure to this credit risk is monitored by the management on an ongoing basis and the management do not expect any counterparty to fail to meet its obligations.

23 FINANCIAL INSTRUMENTS *(continued)*

(c) Foreign currency risk

The Group is exposed to foreign currency through construction of the Perak Magnesium Smelter that is denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is United States Dollars. The Group ensures that the net exposure to this foreign currency is kept to an acceptable level by buying and selling United States Dollars at spot rate where necessary to credits short-term imbalances.

(i) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currencies of the entity to which they relate:

	The Group	
	2008	2007
	United States dollars	United States dollars
Payables for construction in progress	**7,696,620**	—

23 FINANCIAL INSTRUMENTS *(continued)*

(c) Foreign currency risk *(continued)*

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's loss after tax and accumulated losses in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. Other components of the equity would not be affected by changes in the foreign exchange rate:

	2008		2007	
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax and accumulated losses**	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses
United States Dollars	**5%**	**$(2,982,440)**	5%	$—
	(5)%	**2,982,440**	(5)%	—

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis excludes differences that would result from the translation of the financial statements of the foreign operations into the Group's presentation currency. The analysis is performed on the same analysis for 2007.

In addition, the operations of the Company's investments in Malaysia are mainly transacted in Ringgit Malaysia ("RM"), which is not freely convertible into foreign currencies. Any distributions from these investments in RM may expose the Company to a certain degree of risk resulting from fluctuation in RM against the Hong Kong dollars.

(Expressed in Hong Kong dollars unless otherwise indicated)

23 FINANCIAL INSTRUMENTS *(continued)*

(d) Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Exposure to interest rate risk

The following table details the interest rate profile of the Group's borrowings at the balance sheet date.

	2008		2007	
	Effective interest rate	**Amount**	Effective interest rate	Amount
Variable rate borrowings:				
- Secured bank loans	**6.5% - 8.6%**	**$91,839,421**	8.6%	$52,117,314
Fixed rate borrowings:				
- Obligations under finance leases	**2.4% - 2.5%**	**676,448**	2.4% - 2.5%	795,086
		$92,515,869		$52,912,400

(ii) Sensitivity analysis

At 31 December 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss before tax and combined equity by approximately $925,159 (2007: $529,914).

The sensitivity analysis above indicates instantaneous change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flows interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's loss after tax (and accumulated losses) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2007.

(Expressed in Hong Kong dollars unless otherwise indicated)

23 FINANCIAL INSTRUMENTS *(continued)*

(e) Liquidity risk

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations as they fall due, and on it ability to obtain external financing, to meet its committed future capital expenditures.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

	2008					
		Contracted undiscounted cash flow				
	Balance sheet carrying amount	Total	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
The Group						
Secured bank loans	$91,839,421	$135,493,670	$32,633,026	$11,755,502	$35,266,507	$55,838,635
Obligations under finance leases	676,448	791,614	110,554	110,554	331,665	238,841
Other payables and accrued expenses	61,060,734	61,060,734	61,060,734	—	—	—
	$153,576,603	$197,346,018	$93,804,314	$11,866,056	$35,598,172	$56,077,476

(Expressed in Hong Kong dollars unless otherwise indicated)

23 FINANCIAL INSTRUMENTS *(continued)*

(e) Liquidity risk *(continued)*

	2007					
		Contracted undiscounted cash flow				
	Balance sheet carrying amount	Total	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
The Group						
Secured bank loans	$52,117,314	$78,207,476	$—	$11,880,643	$32,039,978	$34,286,855
Obligations under finance leases	795,086	1,040,054	116,646	116,646	349,939	456,823
Other payables and accruals	1,686,167	1,686,167	1,686,167	—	—	—
Amount due to related party	20,884,293	20,884,293	20,884,293	—	—	—
	$75,482,860	$101,817,990	$22,687,106	$11,997,289	$32,389,917	$34,743,678

	2008					
		Contracted undiscounted cash flow				
	Balance sheet carrying amount	Total	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
The Company						
Other payables and accrued expenses	$1,017,873	$1,017,873	$1,017,873	$—	$—	$—

(Expressed in Hong Kong dollars unless otherwise indicated)

23 FINANCIAL INSTRUMENTS *(continued)*

(e) Liquidity risk *(continued)*

	2007					
		Contracted undiscounted cash flow				
	Balance sheet carrying amount	Total	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
The Company						
Other payables and accrued expenses	$20,000	$20,000	$20,000	$—	$—	$—

As discussed in note 1(b), the Group has available bank facilities amounting to $329.9 million and the directors consider that the Group is able to meet its financial obligations as and when they fall due.

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008 and 2007.

24 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding as at 31 December 2008 not provided for in the financial statements were as follows:

	2008	2007
Contracted for	**$174,269,212**	$278,991,403
Authorised but not contracted for	**13,561,164**	20,868,888
	$187,830,376	$299,860,291

(b) Future minimum royalty payments

Pursuant to the Mining Agreement (note 12), the royalties to HPC are subject to a monthly minimum payment of RM30,000 (equivalent to $70,105) for a period of 20 years, unless early terminated by the Group by giving one month's written notice to HPC. The total minimum royalties amounted to RM7,200,000 (equivalent to $16,825,339).

24 COMMITMENTS *(continued)*

(c) Operating lease commitments

At 31 December 2008, the total minimum lease payments under non-cancellable operating leases are payable as follows:

	2008	2007
Within 1 year	**$187,743**	$198,185

The Group is the lessee in respect of an office premise held under operating lease. The lease typically run for an initial period of one year, with an option to renew the lease when all terms are renegotiated. The lease does not includes contingent rental.

(d) Environmental contingencies

To date, the Group has not incurred any significant expenditures for environment remediation and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. Laws and regulations protecting the environment have generally become more stringent in recent years and could become more stringent in the future. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include:

(i) the exact nature and extent of the contamination at the mines and processing plants;

(ii) the extent of required cleanup efforts;

(iii) varying costs of alternative remediation strategies;

(iv) changes in environmental remediation requirements; and

(v) the identification of new remediation sites.

The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed for future environmental legislation cannot be reasonably estimated at present and could be material.

(Expressed in Hong Kong dollars unless otherwise indicated)

25 CONTINGENT LIABILITIES

Corporate guarantee issued

As at the balance sheet date, the Company has issued a corporate guarantee totalling RM147,600,000 (equivalent to $329,892,000) to a bank in respect of a bank loan facility granted to CVMSB in 2008.

The directors of the Company do not consider it probable that a claim will be made against the Company under the corporate guarantee. The maximum liability of the Company at the balance sheet date under the corporate guarantee issued is the outstanding amount of the bank loan facilities draw down by CVMSB, being RM41,090,702 (equivalent to $91,839,421).

The Company has no recognised any deferred income in respect of the corporate guarantee as its fair value cannot be reliably measured and its transaction price was $Nil.

26 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2008, in addition to the transactions and balances disclosed in notes 11, 14, 16 and 20, transactions with the following parties are considered as related party transactions.

Name of party	*Relationship*
Ho Wah Genting Berhad (“HWGB”)	Controlling shareholder of the Company
Perak State Development Corporation (“SEDC”)	Shareholder of the Company
Ho Wah Genting Poipet Resorts Sdn. Bhd.(“HWGP”)	Associate of HWGB
Harta Perak Corporation Sdn. Bhd. (“HPC”)	Subsidiary of SEDC

(Expressed in Hong Kong dollars unless otherwise indicated)

26 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

Particulars of significant transactions between the Group and the above related parties are as follows:

(a) Recurring transactions

	2008	2007
Rent paid to:		
HWGB	**$196,296**	$190,666
Secretarial fees payable to:		
HWGB	**$43,714**	$—
Purchase of flight tickets from:		
HWGP	**$851,264**	$244,862
Maintenance fee on Mining Agreement		
HPC	**$429,397**	$—

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business.

(b) Amount due from related party

	2008	2007
HPC	**$234,203**	$176,458

The amount due to related party is unsecured, interest free and has no fixed terms of repayment.

(c) Amounts due to related party

	2008	2007
HWGB	**$—**	$20,884,293

The amounts due to related party is unsecured, interest free and has no fixed terms of repayment.

(Expressed in Hong Kong dollars unless otherwise indicated)

26 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(d) Key management personnel remuneration

	2008	2007
Directors' fees	$1,652,761	$—
Salaries, allowances and benefits in kind	1,405,652	803,070
Discretionary bonus	244,912	42,106
Retirement scheme contributions	146,899	81,606
	$3,450,224	$926,782

27 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. These estimates involve assumptions about such items as risk adjustment to cash flows or discount rates used, future changes in salaries and future changes in prices affecting other costs. The Group's estimates and assumptions are based on the expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

(a) Useful lives of property, plant and equipment

The management determines the estimated useful lives of and related depreciation charges for its property, plant and equipment. This estimate is based on the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of assets

The Group reviews the carrying amounts of the assets at each balance sheet date to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cashflow to assess the differences between the carrying amount and value in use and provided for impairment loss. Any change in the assumptions adopted in the cash flow forecasts would increase or decreased in the provision of the impairment loss and affect the Group's net asset value.

An increase or decrease in the above impairment loss would affect the net profit in future years.

27 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(c) Going concern basis

Management makes an assessment of the Group's ability to continue as a going concern when preparing the financial statements. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, two years from the balance sheet date. The degree of consideration depends on the facts in each case.

The Group is dependent upon the completion of the construction of the smelter plant to meet the Group's future working capital and financing requirements. Management believes that the Group is able to continue as a going concern after taking into account the forecast of the Group's positive operating results and cash flows based on its approved business plan and the available banking facilities granted by a bank. Accordingly, management has prepared the financial statements on a going concern basis. An adverse change in any of the above conditions would require the financial statements to be prepared on an alternative authoritative basis and such basis, together with the fact that the financial statements is not prepared on a going concern basis, would need to be disclosed. If the Group were unable to continue as a going concern, adjustments relating to the recoverability and classification of recorded asset amounts or classification of liabilities may need to be incorporated in the financial statements.

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2008

Up to the date of issue of the financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been adopted in the financial statements.

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 on the Group's or the Company's results of operations and financial position.

In addition, the following developments are expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

		Effective for accounting periods beginning on or after
HKFRS 8	Operating segments	1 January 2009
HKAS 1 (revised 2007)	Presentation of financial statements	1 January 2009