CVM Minerals Limited

南亞礦業有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 705

2009 Interim Report

CONTENTS

CORPORATE INFORMATION

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

NOMINATION COMMITTEE

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

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

CVM Minerals Limited (the "Company"), via its wholly owned subsidiary, Commerce Venture Magnesium Sdn. Bhd. ("CVMSB"), operates in the state of Perak, Malaysia and aims to become the first primary magnesium producer in South East Asia. CVMSB has accelerated the scale of mining and extraction of dolomite at the Dolomite Hills for stock piling purposes since June 2009.

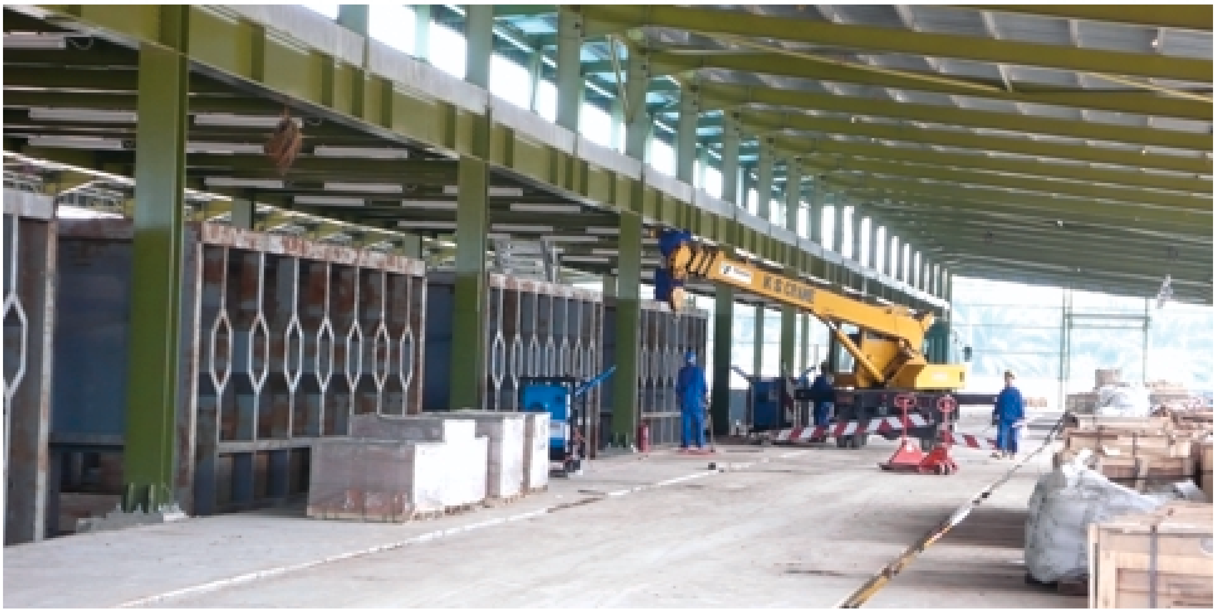
CVMSB has mining rights of 20 years for extracting dolomite limestone from two dolomite hills in Malaysia, with the option to renew for a further period of 10 years. Total dolomite reserve is estimated at approximately 20,005,480 tonnes, sufficient for supporting the manufacturing of magnesium ingots at an annual production capacity of 15,000 tonnes for approximately 116 years.

BUSINESS REVIEW

The magnesium smelting plant

The Company and CVMSB (the "Group") is currently constructing a magnesium smelting plant in the state of Perak, Malaysia (the "Smelter"), which will be able to smelt and process dolomite limestone into magnesium metal. 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 2009. This included infrastructural work and fitting out of the Smelter buildings, as well as installation of fixtures and machinery. Of the HK$487.7 million total investment in the Project (which is expandable to two smelting production lines), approximately HK$409.8 million has been spent as at 30 June 2009.

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



The Company currently expects that the construction of the Smelter and the installation of machinery and equipment will be completed by September 2009 and commercial production of the Smelter will commence by October 2009. Details of the updates on the progress of the construction of the Smelter are set out in the announcements dated 27 February 2009 and 24 July 2009 of the Company.

In addition, on 18 May 2009, CVMSB and Tieforce Engineering (Malaysia) Sdn Bnd entered into a supply contract in relation to the purchase of 1,050 pieces of retorts from Tieforce Engineering (Malaysia) Sdn Bnd for a consideration of RM29,767,500. Please refer to the Company's announcement dated 18 May 2009 for further details.

Financing of the Project

As at 30 June 2009, the Company had drawn down approximately RM96 million under the secondary finance of Kuwait Finance House (Malaysia) Berhad ("KFHMB"). CVMSB will continue to draw down monies under the secondary finance of KFHMB until completion of the Smelter when the facility A of the project finance loan from Bank Rakyat Malaysia Berhad ("Bank Rakyat") is to guarantee the repayment of loan facilities to KFHMB, which will be converted to a term loan facility. On 4 May 2009, CVMSB obtained an additional term financing facility of RM25 million from Bank Rakyat for the purchase of retorts, details of which are disclosed in the announcement dated 18 May 2009 of the Company. Total facilities drawn down from Bank Rakyat as at 30 June 2009 amounted approximately RM115 million bank guarantee plus term loan of RM44.8 million.

Outstanding licenses, approvals and permits

The Company wishes to update that there are no changes to any conditions of subsisting licenses, permits and approvals. The Malaysian legal advisers of the Group are of the view that CVMSB is in compliance with all subsisting conditions of licences, approvals and permits obtained by it.

Outlook

In the 21st century, the world has attached great importance to the usage of magnesium as a safe, environmental friendly and energy-saving material for various industries. The development and application of new technology in numerous types of products has also led to a drastic increase in the demand of magnesium. Accordingly, magnesium has become the third largest engineering metal after steel and aluminum. The research and development of applications of magnesium alloys as a new material have been regarded as an important strategic decision by many developed countries in North America, Europe and Asia Pacific.

Due to the advantages of magnesium alloys over steel and, or aluminum alloys, it is expected that the applications of magnesium alloys will continue to grow in the years to come. As the global economy is recovering from the financial downturn, we believe that the metal industry will benefit directly from the increasing industrial activities in the world market.

We are committed to completing the construction of first production line of the Smelter with an estimated annual production capacity of approximately 15,000 tonnes of magnesium metal and commence operation as soon as the completion of installation of machineries which is currently expected by September 2009. The Group will strive to run efficient mining and smelting operations to meet the requirements of our prospective customers.

The Company plans to diversify its interest in other minerals for long-term growth. As a result, on 29 June 2009, the Company signed a memorandum of understanding with PT Finico Putra Anugerah, a company established under the laws of the Republic of Indonesia, which is engaged in exploration activities, in relation to a possible joint venture to participate in a project to explore and mine manganese ores and other activities related thereto in Indonesia. Please refer to the Company's announcement dated 1 July 2009 for further details.

FINANCIAL REVIEW

Turnover and other revenue

The Group did not earn any revenue during the six months ended 30 June 2009 as the construction of the Smelter is still in a development stage. The Group however received interest income of HK$118,458 from money deposited with approved financial institutions in Malaysia during the six months ended 30 June 2009.

Administrative expenses

The administrative expenses increased by 82% to approximately HK$6.9 million in the first half of 2009 from HK$3.8 million in the same period of 2008. This was mainly due to the increase in staff costs and professional fees incurred by the Group in conjunction with the development of the Project.

Staff costs increased to approximately HK$2 million for the six months ended 30 June 2009 from HK$1.1 million in the same period of 2008, mainly due to increased headcount in CVMSB and shorter employment period for the directors (the "Directors") and senior management of the Company in 2008 as compared to 2009.

The Group appointed professional parties for the purposes of, amongst other things, providing compliance advisory, investor relations consultancy, legal advisory, secretarial and auditing services to the Company after the listing of the Company in Hong Kong. Accordingly, professional fees increased by 184% to approximately HK$2.9 million in first half of 2009 from HK$1 million in the same period of 2008.

Other administrative expenses increased by approximately 21% to approximately HK$2 million for the six months ended 30 June 2009 from HK$1.7 million in the corresponding period in 2008. The increase was a result of increased business activities associated with the Project in 2009.

Net foreign exchange gain

The net gain of HK$2 million on foreign exchange represented the net impact of unrealised gain between loan drawdown rate and the period end rate for two letters of credits issued by the Company in relation to the Project.

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. During the first half of 2009, the Group did not use any financial instruments for any hedging purposes.

Finance cost

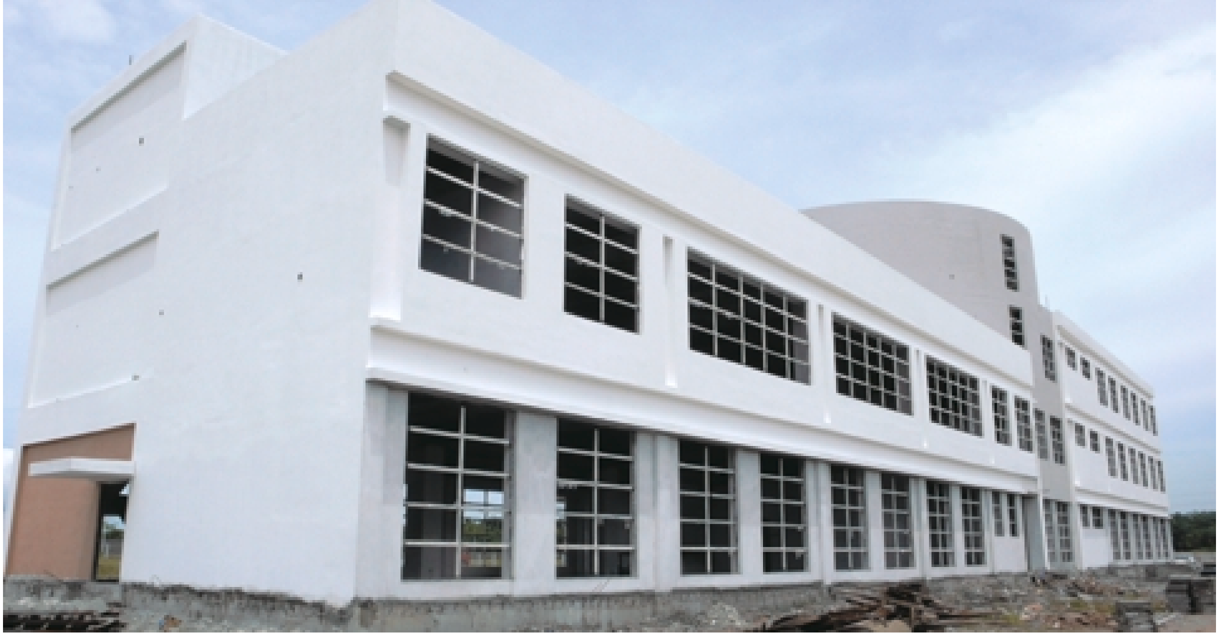
The finance cost represented hire purchase interest in motor vehicles. The interest is reducing over the years of installments.

Loss before taxation

As CVMSB is yet to commence revenue earning operations and had only incurred expenses during the period under review, the Group incurred a consolidated loss before taxation of approximately HK$4.8 million for the six months ended 30 June 2009 (loss before taxation for the same period in 2008: HK$3.8 million).

Loss per share

The loss per share was reduced to approximately HK1.06 cents in the first half of 2009 from HK1.13 cents in the same period of 2008 even though the loss before taxation increased of HK$1 million. This was mainly due to the fact that the weighted average of ordinary shares in 2008 was lower before public offer of the Company took place on 22 December 2008.



Liquidity and financial resources

Net current liabilities of the Group stood at approximately HK$183.2 million as at 30 June 2009. Included in current liabilities was an amount of approximately HK$102.9 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$106.4 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 project finance loan from Bank Rakyat. The borrowings from KFHMB bear an interest rate of 7.6% per annum as at 30 June 2009 base on floating rate of base financing rate plus 2%. The Group had a gearing ratio of 1.64 (which is calculated on the basis of total bank borrowings over shareholders' funds of the Group) as at 30 June 2009.

The Group's bank and cash balances as at 30 June 2009 were approximately HK$13.3 million. The Group's and the Company's prepayments, deposits and other receivables of approximately HK$14.1 million are expected to be recovered within one year.

Capital expenditure

The net capital expenditure incurred by the Company for the purpose of the Project as at 30 June 2009 had increased by 73% to approximately HK$409.3 million from approximately HK$237.1 million as at 31 December 2008. Approximately 96% of the capital expenditure was incurred for the construction of the Smelter.

Charge on assets

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 HK$12,520,588 (31 December 2008: HK$12,769,458).

(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 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 RM172,600,000 (equivalent to HK$380,181,236) at 30 June 2009.

Human resources

As at 30 June 2009, the Group had a total of approximately 32 employees (as at 31 December 2008: 18 employees). Total staff costs (including Directors' emoluments) for the six months ended 30 June 2009 were approximately HK$2 million (2008: HK$1 million), representing 28% of the Group's total administrative expenses. Employees were remunerated based on their performance, experience and industry practice. Bonuses are 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 30 June 2009, the Group had a total capital commitment of approximately HK$76.7 million, of which HK$74.4 million is contracted for and HK$2.3 million is authorised but not contracted for.

As at 30 June 2009, the Company has issued a corporate guarantee totaling RM172.6 million (equivalent to approximately HK$380.2 million) to Bank Rakyat in respect of the New CVM Project Finance Loan.

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 as at the balance sheet date under the corporate guarantee issued was the outstanding amount of the bank loan facilities drawn down by CVMSB, being approximately RM140.3 million (equivalent to approximately HK$309.1 million).

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2009 (Unaudited)	2008 (Unaudited)
Turnover	3	$ —	$ —
Other revenue	4	2,148,297	8,340
Administrative expenses		(6,930,462)	(3,807,488)
Loss from operations		$(4,782,164)	$(3,799,148)
Finance cost	5(a)	(14,750)	(18,923)
Loss before taxation	5	$(4,796,914)	$(3,818,071)
Income tax	6	—	—
Loss for the period attributable to equity shareholders of the Company		$(4,796,914)	$(3,818,071)
Loss per share	7		
Basic and diluted		(1.06 cents)	(1.13 cents)

The notes on pages 16 to 28 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 30 June 2009

(Expressed in Hong Kong dollars)

	Note	As at 30 June 2009 (Unaudited)	As at 31 December 2008 (Audited)
Non-current assets			
Fixed assets	8		
- Property, plant and equipment		**$392,972,845**	$220,529,338
- Interest in leasehold land held for own use under operating lease		**12,520,588**	12,769,458
Exploration and evaluation assets		**3,584,783**	3,637,463
Mining deposit		**198,241**	201,154
		$409,276,457	$237,137,413
Current assets			
Prepayments, deposits and other receivables	9	**$14,200,504**	$16,345,864
Amount due from related party		**130,997**	234,203
Cash at bank and in hand		**13,263,138**	32,227,099
		$27,594,639	$48,807,166
Current liabilities			
Other payables and accrued expenses	10	**$104,258,022**	$61,060,734
Obligations under finance leases	11	**82,142**	81,145
Bank loans - secured		**106,407,504**	25,489,567
		$210,747,668	$86,631,446
Net current liabilities		**$(183,153,029)**	$(37,824,280)
Total assets less current liabilities		**$226,123,428**	$199,313,133

CONSOLIDATED BALANCE SHEET

As at 30 June 2009

(Expressed in Hong Kong dollars)

	Note	As at 30 June 2009 (Unaudited)	As at 31 December 2008 (Audited)
Non-current liabilities			
Bank loans - secured		**$99,770,345**	$66,349,854
Obligations under finance leases	11	**545,069**	595,303
		$100,315,414	$66,945,157
Net assets		**$125,808,014**	$132,367,976
Capital and reserves			
Share capital	12	**$45,100,000**	$45,100,000
Reserves	13	**80,708,014**	87,267,976
Total equity		**$125,808,014**	$132,367,976

The notes on pages 16 to 28 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	**2009**	2008
		(Unaudited)	(Unaudited)
Total equity at 1 January		**$132,367,976**	$67,749,837
Net income recognised directly in equity:			
Exchange difference on translation of financial statements of foreign operations	13	**$(1,763,047)**	$887,085
Net loss for the period	13	**(4,796,915)**	(3,818,071)
Total recognised income and expense for the period		**$(6,559,962)**	$(2,930,986)
Total equity at 30 June		**$125,808,014**	$64,818,851

The notes on pages 16 to 28 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2009 (Unaudited)	2008 (Unaudited)
Operating activities			
Loss before taxation		**$(4,796,914)**	$(3,818,071)
Adjustments for:			
- Depreciation	5(c)	**54,838**	58,408
- Amortisation of interests in leasehold land held for own use under operating leases	5(c)	**62,729**	73,190
- Interest income	4	**(118,458)**	—
- Finance costs	5(a)	**14,750**	18,923
- Foreign exchange gain		**(864,598)**	(8,340)
Operating loss before changes in working capital		**$(5,647,653)**	$(3,675,890)
Decrease/(Increase) in prepayments, deposits and other receivables		**2,009,945**	(8,743,100)
Decrease in amount due from related party		**99,814**	762
Increase in other payables and accrued expenses		**44,066,861**	4,320,692
Increase in amount due to related party		**—**	16,622,059
Net cash used in operating activities		**$40,528,967**	$8,524,523
Investing activities			
Payment for purchase of fixed assets		**$(175,693,231)**	$(19,859,711)
Interest received		**118,458**	—
Decrease in pledged deposits		**—**	47,187
Net cash used in investing activities		**$(175,574,773)**	$(19,812,524)

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	**2009**	2008
		(Unaudited)	(Unaudited)
Financing activities			
Capital element of finance lease rentals paid		**$(40,878)**	$(40,417)
Proceeds from bank loans, net of transaction costs		**115,668,501**	11,590,264
Interest paid on finance lease rentals		**(14,750)**	(18,923)
Net cash generated from financing activities		**$115,612,873**	$11,530,924
Net (decrease)/increase in cash and cash equivalents		**$(19,432,933)**	$242,923
Cash and cash equivalents at beginning of the period		**32,227,099**	435,145
Effect of foreign exchange rate changes		**468,972**	(65,528)
Cash and cash equivalents at end of the period		**$13,263,138**	$612,540

The notes on pages 16 to 28 form part of these financial statements.

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited interim financial report has been prepared in accordance with (a) the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; and (b) the same accounting policies as those adopted in the 2008 annual consolidated financial statements, and comply with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 annual financial statements. The consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standard ("HKFRSs").

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 17).

(Expressed in Hong Kong dollars unless otherwise indicated)

2 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 six months ended 30 June 2009 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	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2009	2008	**2009**	2008	**2009**	2008
Segment assets	**$4,704,657**	$1	**$432,199,479**	$173,724,946	**$436,904,136**	$173,724,947
Capital expenditure incurred during the period	**—**	—	**172,139,044**	19,866,493	**172,139,044**	19,866,493

3 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 six months ended 30 June 2009 as the construction of the Perak Magnesium Smelter is still in a development stage.

4 OTHER REVENUE

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
Interest income	**$118,458**	$—
Net foreign exchange gain	**2,029,839**	8,340
	$2,148,297	$8,340

(Expressed in Hong Kong dollars unless otherwise indicated)

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
(a) Finance costs:		
Interest on bank loans:		
- wholly repayable within five years	$14,926,615	$5,083,839
- wholly repayable after five years	1,192,035	—
	$16,118,650	$5,083,839
Amortisation of loan transaction costs	7,163,992	2,786,197
Other borrowing costs	3,059,903	—
Finance charges on obligations under finance leases	14,750	18,920
	$26,357,295	$7,888,956
Less: Finance costs capitalised into construction in progress *	(26,342,545)	(7,870,036)
	$14,750	$18,920

* Interest on bank loans have been capitalised at a rate of 6.5% - 8.6% (2008: 6.5% - 8.6%) per annum for the six months ended 30 June 2009.

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
(b) Staff costs:		
Salaries, wages, bonuses and benefits	$1,851,696	$938,961
Contributions to defined contribution retirement plan	111,008	103,208
	$1,962,704	$1,042,169

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

5 LOSS BEFORE TAXATION *(continued)*

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

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
(c) Other items:		
Depreciation	**$54,838**	$58,401
Amortisation of interests in leasehold land held for own use under operating leases	**62,729**	73,182
Operating lease charges:		
- office premises	**90,767**	101,745
- office equipment	**16,684**	21,899

6 INCOME TAX

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 for the six months ended 30 June 2009.

7 LOSS PER SHARE

The calculation of loss per share for the six months ended 30 June 2009 is based on the unaudited consolidated net loss attributable to ordinary equity shareholders of the Company of HK$4,796,914 (2008: HK$3,818,071) and the weighted average of 451,000,000 ordinary shares (2008: 338,249,999 shares) in issue during the period.

Diluted loss per share is the same as the basic loss per share as there were no dilutive shares outstanding during the six months ended 30 June 2009 and 2008.

8 ADDITIONS TO FIXED ASSETS

During the period under review, the Group spent approximately HK$175,693,231 (2008: HK$19,989,444) on additions to fixed assets.

(Expressed in Hong Kong dollars unless otherwise indicated)

9 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2009 (Unaudited)	As at 31 December 2008 (Audited)
Other receivables	**$13,977,807**	$15,852,212
Deposits and prepayments	**222,697**	493,652
	$14,200,504	$16,345,864

Apart from the Group's deposits of HK$78,415 as at 30 June 2009 (31 December 2008: HK$77,891), all of the Group's and the Company's prepayments, deposits and other receivables are expected to be recovered within one year.

10 OTHER PAYABLES AND ACCRUED EXPENSES

	As at 30 June 2009 (Unaudited)	As at 31 December 2008 (Audited)
Payables for construction in progress	**$103,183,866**	$59,776,324
Other payables and accrued expenses	**1,074,156**	1,284,410
	$104,258,022	$61,060,734

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

(Expressed in Hong Kong dollars unless otherwise indicated)

11 OBLIGATIONS UNDER FINANCE LEASES

The Group had obligations under finance leases repayable as follows:

	Present value of minimum lease payment		Minimum lease payment	
	30 June 2009 (Unaudited)	31 December 2008 (Audited)	**30 June 2009 (Unaudited)**	31 December 2008 (Audited)
Within 1 year	**$82,141**	$81,145	**$108,953**	$110,554
After 1 year but within 2 years	**$86,480**	$85,550	**$108,953**	$110,554
After 2 years but within 5 years	**285,481**	283,071	**326,859**	331,665
Over 5 years	**173,108**	226,682	**180,905**	238,841
	$545,069	$595,303	**$616,717**	$681,060
	$627,210	$676,448	**$725,670**	$791,614
Less:Total future interest expense			**(98,460)**	(115,166)
Present value of lease obligations			**$627,210**	$676,448

12 SHARE CAPITAL

	As at 30 June 2009 (Unaudited)	As at 31 December 2008 (Audited)
Authorised:		
1,200,000,000 ordinary shares of $0.10 each	**$120,000,000**	$120,000,000
Issued and fully paid:		
451,000,000 ordinary shares of $0.10 each	**$45,100,000**	$45,100,000

(Expressed in Hong Kong dollars unless otherwise indicated)

13 RESERVES

	Share premium	Exchange reserve	Other reserve	Accumulated losses	Total
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 (Audited)	$68,090,412	$3,814,315	$30,856,527	$(15,493,278)	$87,267,976
At 1 January 2009	$68,090,412	$3,814,315	$30,856,527	$(15,493,278)	$87,267,976
Exchange difference of financial statements of foreign operations	—	(1,763,047)	—	—	(1,763,047)
Loss for the period	—	—	—	(4,796,915)	(4,796,915)
At 30 June 2009 (Unaudited)	$68,090,412	$2,051,268	$30,856,527	$(20,290,193)	$80,708,014

(Expressed in Hong Kong dollars unless otherwise indicated)

14 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding as at 30 June 2009 not provided for in the financial statements were as follows:

	As at 30 June 2009 (Unaudited)	As at 31 December 2008 (Audited)
Contracted for	**$74,384,890**	$174,269,212
Authorised but not contracted for	**3,535,093**	13,561,164
	$77,919,983	$187,830,376

(b) Future minimum royalty payments

Pursuant to the Mining Agreement, the royalties to Harta Perak Corporation Sdn. Bhd. ("HPC") are subject to a monthly minimum payment of RM30,000 (equivalent to approximately HK$64,834) 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 approximately HK$15,560,065).

(c) Operating lease commitments

At 30 June 2009, the total minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 June 2009 (Unaudited)	As at 31 December 2008 (Audited)
Within 1 year	**$90,767**	$187,743

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

14 COMMITMENTS *(continued)*

(d) Environmental contingencies

To date, the Group has not incurred any significant expenditure 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.

15 CONTINGENT LIABILITIES

Corporate guarantee issued

As at the balance sheet date, the Company has issued a corporate guarantee totalling RM172.6 million (equivalent to approximately HK$380.2 million) to a bank in respect of a bank loan facility granted to CVMSB in 2008.

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 is the outstanding amount of the bank loan facilities drawn down by CVMSB, being approximately RM140.3 million (equivalent to approximately HK$309.1 million).

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 HK$Nil.

16 MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2009, 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)

16 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

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

(a) Recurring transactions

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
Rent paid to:		
HWGB	**$90,767**	$101,757
Secretarial fees payable to:		
HWGB	**$19,450**	$21,805
Purchase of flight tickets from:		
HWGP	**$141,367**	$295,390
Maintenance fee on Mining Agreement		
HPC	**$213,951**	$218,050

The Directors 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

(b) Amount due from related party

	As at 30 June 2009 (Unaudited)	As at 31 December 2008 (Audited)
HPC	**$130,997**	$234,203

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

(c) Key management personnel remuneration

	Six months ended 30 June	
	2009 (Unaudited)	2008 (Unaudited)
Directors' fees	**$486,491**	$23,240
Salaries, allowances and benefits in kind	**675,920**	671,148
Retirement scheme contributions	**43,352**	49,351
	$1,205,763	$743,739

17 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2009

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 six months ended 30 June 2009 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
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009

INTERIM DIVIDEND

The board of Directors (the "Board") did not recommend payment of an interim dividend in respect of the six months ended 30 June 2009 (2008: HK$Nil).

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2009, the Board is of the view that the Company has complied with all the code provisions stipulated in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). No Director is aware of any information that reasonably reveals that there is any non-compliance with the code provisions on the Code by the Company during any time of the period under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as 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, the Company confirmed that all Directors have fully complied with the relevant standards stipulated in the Model Code during the six months ended 30 June 2009.

AUDIT COMMITTEE REVIEW

The Audit Committee, comprising 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), has reviewed the accounting principles and practices adopted by the Group. It has also discussed and reviewed the internal controls and financial reporting matters, including the review of the unaudited interim financial results of the Group for the six months ended 30 June 2009, with the management of the Company. The Audit Committee is of the opinion that the interim report has complied with applicable accounting standards, the Listing Rules and the legal requirements and that adequate disclosures have been made.

POST-IPO SHARE OPTION SCHEME

The Company has conditionally adopted its post-IPO share option scheme on 14 October 2008 (the "Share Option Scheme"). The purpose of the Share Option 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 of the Company (the "Shareholders"). Under the Share Option 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 Share Option 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 Share Option 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 Share Option 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 of Hong Kong Limited (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 six months ended 30 June 2009, no option has been granted or agreed to be granted under the Share Option 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 30 June 2009, 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 30 June 2009:

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

Save as disclosed above, at no time during the period under review was the Company or its subsidiary a party to any arrangement to enable the Directors and the chief executive 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 30 June 2009, 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 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 has 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

For the six months ended 30 June 2009, neither the Company nor its subsidiary has purchased, sold or redeemed any of the Company's listed securities.

POST BALANCE SHEET EVENTS

There were no significant post balance sheet events.

By order of the Board
CVM Minerals Limited
Tony Tan
Chairman

Kuala Lumpur, Malaysia, 10 August 2009