CVM Minerals Limited

南亞礦業有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 705

09

ANNUAL REPORT

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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
(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
P.C. Woo & Co.
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
Public Bank Berhad
RHB Bank Berhad
Standard Chartered Bank (Hong Kong) Limited

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

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN MALAYSIA

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50150 Kuala Lumpur
Malaysia

BRANCH OFFICE IN HONG KONG

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18 Harbour Road
Wanchai
Hong Kong

STOCK CODE

705

LISTING DATE

22 December 2008

COMPANY WEBSITE

www.cvmminerals.com

FINANCIAL SUMMARY

For the Year Ended 31 December 2009

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				
	2009	2008	2007	2006	2005
	$'000	$'000	$'000	$'000	$'000
Result					
Turnover	—	—	—	—	—
Other revenue	**2,163**	25	—	—	8
Other net income/(loss)	**3,931**	(404)	(75)	—	—
Administrative expenses	**(20,109)**	(9,151)	(2,583)	(1,551)	(626)
Finance cost	**(78)**	(968)	(24)	(13)	—
Loss before taxation	**(14,093)**	(10,498)	(2,682)	(1,564)	(618)
Taxation	**(11)**	—	—	—	—
Loss for the year	**(14,104)**	(10,498)	(2,682)	(1,564)	(618)
Loss from ordinary activities attributable to shareholders	**(14,104)**	(10,498)	(2,682)	(1,564)	(618)
Loss per share (cents)	**(0.78)**	(0.77)	(0.79)	(0.21)	(3.95)

	As at 31 December				
	2009	2008	2007	2006	2005
	$'000	$'000	$'000	$'000	$'000
Assets and Liabilities					
Total assets	**492,567**	285,945	143,233	81,880	2,314
Total liabilities	**(373,176)**	(153,577)	(75,483)	(15,876)	(2,656)
Net assets/ (liabilities)	**119,391**	132,368	67,750	66,004	(342)
Total Equity	**119,391**	132,368	67,750	66,004	(342)

CHAIRMAN'S STATEMENTS

Dear Shareholders,

On behalf of the Board of Directors of CVM Minerals Limited, I hereby present the Annual Report and the financial statements of the Group for the financial year ended 31 December 2009.

FINANCIAL PERFORMANCE

The Group registered a loss after taxation of $14.1 million, compared with $10.5 million the previous financial year. The Group's loss was mainly due to the construction of the magnesium smelting plant (the "Smelter") of the Group's wholly owned subsidiary, Commerce Venture Magnesium Sdn. Bhd. ("CVMSB") has not been completed during the year and the Group only incurred expenses and did not report any revenue. As construction of the Smelter moves to an advanced stage, higher numbers of staff were employed during the year under review. The Group continues to adopt a conservative approach towards its financial matters and human resources to ensure its future growth.

On 10 February 2010, the Company completed the Placing and Subscription exercise where 80,000,000 new shares were issued and the net proceeds from the Placing and Subscription exercise were approximately $126 million for general working capital purposes of the Group.

OPERATIONS REVIEW

The construction of the Smelter progressed well in 2009 with all the principal buildings having been fully completed. Furthermore all major machinery components have been delivered to the site and were substantially assembled. The various workshops, namely magnesium deoxidization, material calcinations, material glomeration and magnesium refining workshops, together with the power distribution station are substantially completed.

We anticipate that with the completion of the construction of the Smelter and testing of its components, CVMSB will be in a position to produce 15,000 metric tonnes of magnesium ingots per annum.

PROSPECTS

As the world's economy improves, the price of magnesium metal in the global market is on an increasing trend. The Group is confident of its future outlook in view that it is the only magnesium metal producer in the South East Asian region. We have also been in close contact with our prospective customers who have been briefed on the construction progress of the Smelter. Site visits to the Smelter for these customers have also been arranged and we have received their positive initial feedback. As the Smelter is completed in 2010, we anticipate that the future prospect of the Group to be bright.

CHAIRMAN'S STATEMENTS

Looking ahead, the Group intends to fabricate and maintain the retorts, which is an essential part of the smelting process and to manufacture Light Density Air Bubble Bricks which are used in the construction and industrial building sectors. This will also diversify the Group's finished products range and supplement its future revenues.

Barring unforeseen circumstances and with the Smelter becoming operational and generating revenue, the Group is expected to perform better in the coming financial year.

APPRECIATION

Lastly, on behalf of the Board, I wish to thank all our shareholders, suppliers, contractors, bankers, consultants, business associates and government regulatory authorities for their continued support rendered to the Group.

I would also like to extend my gratitude to my fellow Board members, management team and all the employees for their remarkable commitment and dedication to the Group.

On behalf of the Board of Directors of CVM

TONY TAN
Chairman

Kuala Lumpur, Malaysia, 22 February 2010

MANAGEMENT DISCUSSION AND ANALYSIS

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 dolomite quarrying for stock piling since June 2009.

CVMSB has been granted mining rights of 20 years for extracting dolomite limestone from two dolomite hills in Perak, Malaysia, with an 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 AND OUTLOOK

Updates on the progress of the magnesium smelting plant

As referred to in the announcement of the Company dated 7 April 2010 (the "Announcement"), save for certain outstanding technical issues to be dealt with in, amongst others, the dolomite quicklime storage yard and the waste heat boiler house in the material calcination workshop, the construction and installation works at the Smelter have been substantially completed, with final touch-ups to the major buildings and planning a final Hot-Testing phase on the various workshops. Trial tests on site utility systems including water and electricity supply and drainage are being performed. The plan of the Group is to build two smelting production lines, while approximately $474.3 million has been spent in the construction of the first production line (the "Project") as at 31 December 2009. This included infrastructural work and fitting out of the smelter buildings, as well as installation of fixtures and machinery.

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

CVMSB is currently arranging to complete the Hot-Test procedures in the relevant workshops. As it enters into the commercial production phase, it will focus on the generation of magnesium ingot samples for the five prospective customers with whom it has entered into off-take agreements, validating production quality and pushing to settle and enter into definitive supply agreements with these five prospective customers and/or others, with the goal that production orders will be generated from them. This process will commence and continue throughout the second quarter of 2010.

In addition, on 18 May 2009, CVMSB and Tieforce Engineering (Malaysia) Sdn Bhd entered into a supply contract in relation to the purchase of 1,050 pieces of retorts from Tieforce Engineering (Malaysia) Sdn Bhd for a consideration of RM29,767,500 (equivalent to $67,371,063). Please refer to the Company's announcement dated 18 May 2009 for further details.

CVMSB expects the first shipment of ferrosilicon and flux, the two major raw materials for producing magnesium ingots, to arrive at the Smelter from the People's Republic of China ("PRC") by end of April 2010.

On the sales and marketing side, CVMSB has signed one supply agreement with Sumikin Bussan Corporation, for a minimum purchase quantity of 3,500 tonnes of magnesium ingots per year. However, definitive purchases will need to be the subject of separate underlying purchase orders, expected only after the quality of the sample magnesium ingots has been successfully validated.

The specifications of the magnesium ingots to be produced by CVMSB will have to meet customers' requirements. The production and shipment schedules of the Company may be affected if the magnesium ingots' specifications do not meet their requirements or if customers make further requirements in the future.

Business outlook

According to *Asian Metal*, prompted by the recovery of the global economy, magnesium price (especially in the PRC) has been increasing and achieved a robust growth in the fourth quarter of 2009.

The demand for magnesium products from overseas market has also been recovering and it is expected that the export market will improve next year.

Magnesium has a bright prospect where it is increasingly specified for automotive, transportation, electronics, aerospace, and general engineering applications. Magnesium has the ability to combine high strength and lighter weight with the design versatility of the extrusion process, providing a platform that will shape and drive groundbreaking product designs and manufacturing innovations.

The underlying reasons for the recent and future growth in the automotive sector are simply a desire for lighter vehicles. Lighter vehicles require smaller engines, which in turn produce less pollution and are more efficient, as required by current and future emission regulations. There is another sub-sector, wrought magnesium products - essentially magnesium alloy sheet and extruded products - that is also considered to be entering a period of exceptional growth.

Financing of the Project

As at 31 December 2009, CVMSB had drawn down approximately RM99.6 million (equivalent to approximately $225.4 million) under the secondary financing of Kuwait Finance House (Malaysia) Berhad ("KFHMB"). CVMSB will continue to draw down monies under the secondary financing of KFHMB until completion of the Smelter when the bank guarantee from Bank Kerjasama Rakyat Malaysia Berhad ("Bank Rakyat") is converted to a term loan facility.

MANAGEMENT DISCUSSION AND ANALYSIS

On 4 May 2009, CVMSB obtained an additional term financing facility of RM25 million (equivalent to approximately $56.6 million) from Bank Rakyat for the purchase of retorts, details of which are disclosed in the Company's announcement dated 18 May 2009. Total facilities drawn down from KFHMB and Bank Rakyat as at 31 December 2009 amounted to approximately RM99.6 million (equivalent to approximately $225.4 million) and RM55.5 million (equivalent to approximately $125.6 million) respectively.

Outstanding licenses, approvals and permits

As referred to in the Announcement, save for the certificates of fitness for certain machinery, the relevant employment visas and permits for the foreigners/foreign workers to be employed, the Malaysian legal advisers of the Company have opined that CVMSB has obtained all major/material licences, approvals and permits with a view to commencing the operation of the Smelter.

Manganese ores

The Company plans to diversify its interest in other minerals for long-term growth. As a result, on 29 June 2009, the Company has signed a memorandum of understanding (the "MOU") 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. There is no material development on the MOU since the last announcement (please refer to the Company's announcement dated 1 July 2009 for further details) as the relevant license to explore and mine manganese is still pending approval from the relevant authorities.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover and other revenue

The Group did not earn any revenue during the year ended 31 December 2009 as the production will only commence in the second quarter of 2010. The Group however received interest income of $145,316 from money deposited with approved financial institutions in Malaysia during the year ended 31 December 2009.

In addition, the Group is also entitled to receive approximately $2 million of government grants from the Malaysian Industrial Development Authority for training of its Malaysian workers in 2009.

Administrative expenses

The administrative expenses increased by 118% to approximately $20.1 million in 2009 from $9.2 million in 2008. This was mainly due to the increase in staff costs, professional fees and plant expenses incurred by the Group in conjunction with the development of the Project.

Staff costs increased to approximately $5.2 million for the year ended 31 December 2009 from $4.1 million in 2008, mainly due to increased headcount in CVMSB. Due to the downturn of the global economy and in view of the fact that the plant has yet to be in operations in generating any income, the directors and senior management have voluntarily reduced their remuneration package. In particular, the directors' remuneration has been reduced by approximately 34% in 2009 as compared to 2008.

The Group appointed professional parties for the purposes of, amongst other things, providing compliance advisory, and investor relations consultancy, legal advisory and secretarial services to the Company after the listing of the Company in Hong Kong. Accordingly, professional fees increased by 211% to approximately $5.6 million in 2009 from $1.8 million in 2008.

The Group incurred an additional $4.0 million training cost during the year for staff technical training in China. Other than the above, there were no significant changes in other administrative expenses for the year ended 31 December 2009 as compared to 2008.

Net foreign exchange gain

The net gain of approximately $3.9 million (2008: net loss of approximately $0.4 million) on foreign exchange arose from settlement of the construction payables denominated in United States Dollars ("USD").

Going forward, the Group will be exposed to foreign currency risk primarily through exposures in sales and purchases that are denominated in USD and Renminbi, respectively, which fluctuate against Ringgit Malaysia, CVMSB's functional currency. During the current year, the Group did not use any financial instruments for any hedging purposes.

Finance costs

Finance costs charged to the consolidated income statement reduced to approximately $79,000 in 2009 (2008: approximately $968,000) mainly as a result of interest and facilities fees in respect of the DBS Bank Ltd's short term loan granted to the Company which was incurred and settled in 2008. Interest expenses and other borrowing costs of approximately $23.8 million (2008: approximately $14.2 million) which had been capitalized into construction in progress.

Loss before taxation

As CVMSB is yet to commence revenue earning operations and had only incurred expenses during the year under review, the Group incurred a consolidated loss before taxation of approximately $14.1 million for the year ended 31 December 2009 (2008: approximately $10.5 million).

Loss per share

The loss per share increased to approximately 0.78 cents in 2009 from 0.77 cents in 2008 as the loss before taxation increased by $3.6 million. A subdivision of share took place on 19 October 2009 where the ordinary shares of the Company increased to 1,804,000,000 from 451,000,000 as at the end of 2008. Accordingly, the loss per share in 2008 has also been retrospectively adjusted to give effect to the subdivision of shares.

Liquidity and financial resources

The Group had net current liabilities of approximately $358.2 million as at 31 December 2009, which mainly comprises:

(i) bank loans of approximately $225.4 million 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 a term loan. The borrowings from KFHMB bear an interest rate of 7.6% per annum as at 31 December 2009 based on floating rate of the base financing rate plus 2%; and

(ii) in accordance with the bank loan agreements, the Group is required to repay installments totalling RM1,383,180 (equivalent to $3,043,134) to Bank Rakyat during the year ended 31 December 2009. However, the Group only repaid RM600,000 (equivalent to $1,320,060) to Bank Rakyat during the year ended 31 December 2009 and submitted a proposal to re-schedule the repayment of the loans to the bank on 12 January 2010.

    Given the bank loans repayments made by the Group during the year ended 31 December 2009 were not in accordance with the terms of the bank loan agreements, it is considered an event of default whereby all the outstanding bank loans would become due for repayment immediately. As a result, bank loans of RM54,077,598 (equivalent to $122,390,704) were reclassified from non-current liabilities to current liabilities as at 31 December 2009.

    On 19 February 2010, Bank Rakyat has confirmed that it had no objections to consider the proposal on re-scheduling of repayment of the loans submitted by the Group. In addition, Bank Rakyat confirmed that it has no intention of declaring an event of default and recalling the bank loan facilities provided to the Group. If Bank Rakyat does not agree to the above proposal submitted by the Group, it will request the Group to immediately settle the installments due in arrears and require the Group to observe the original monthly repayments. The installments due in arrears amounted to RM783,180 (equivalent to $1,723,074). According to the original repayment schedules, the Group is required to repay to Bank Rakyat, including future interest expenses, RM8,354,450 (equivalent to $18,907,791), RM9,261,444 (equivalent to $20,960,891) and RM65,190,088 (equivalent to $147,540,960) in 2010, 2011 and between 2012 and 2019 respectively.

The Group had a gearing ratio of 3.00 (which is calculated on the basis of total bank borrowings over shareholders' funds of the Group) as at 31 December 2009 (2008: 0.69) due to additional loan drawn down to finance the construction of the Smelter.

The Group's bank and cash balances as at 31 December 2009 were approximately $7.5 million (2008: approximately $32.2 million). The Group's prepayments, deposits and other receivables of approximately $6.3 million (2008: approximately $16.3 million) are expected to be recoverable within one year.

Capital expenditure

The carrying value of fixed assets of the Group for the purpose of the Project as at 31 December 2009 had increased by 103% to approximately $474.3 million from approximately $233.3 million as at 31 December 2008. Construction in progress represents approximately 97% of the carrying value of fixed assets as at 31 December 2009.

Charge on assets

Details of securities given by the Group to banks to secure banking facilities are set out in note 23 to the financial statements.

Human resources

As at 31 December 2009, the Group had a total of 98 employees (2008: 18 employees). Total staff costs (including Directors' emoluments) for the year ended 31 December 2009 were approximately $5.2 million (2008: approximately $4.1 million), representing 26% of the Group's total administrative expenses. Employees were remunerated based on their performance, experience and industry practice. The Group's management reviewed the remuneration policies and packages on a regular basis.

Capital commitment and contingent liabilities

In relation to the Smelter, as at 31 December 2009, the Group had a total capital commitment of approximately $31.8 million (2008: approximately $187.8 million).

As at 31 December 2009, the Company has issued a corporate guarantee totalling RM172.6 million (equivalent to approximately $390.6 million) to Bank Rakyat in respect of banking facilities granted to its subsidiary.

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 31 December 2009 under the corporate guarantee issued was RM155,051,735 (equivalent to $350,913,087) (2008: RM43,094,654 (equivalent to $96,316,552)) being the outstanding bank loans of its subsidiary.

In addition, as at 31 December 2009, the Company has issued a corporate guarantee totalling RM850,000 (equivalent to $1,923,720) to a supplier in respect of the purchase of liquefied petroleum gas made by its subsidiary.

The Company has not recognised any deferred income in respect of the corporate guarantee as its fair value cannot be reliably measured and its transaction price was $Nil.

EVENTS SUBSEQUENT TO THE APPROVAL OF THE FINANCIAL STATEMENTS

On 7 April 2010, the Company issued the Announcement to give an update on the progress of the Smelter. The Company announced that, amongst other things, the generation of magnesium ingot samples for the five prospective customers with whom the Company has entered into off-take agreements and hence the generation of production orders from such customers and/or others will commence and continue throughout the second quarter of 2010. Please refer to the Announcement for further details of the update. The shareholders of the Company and readers of this annual report are reminded to read the Announcement in conjunction with this annual report and the financial statements of the Group for the year ended 31 December 2009. In any event, the Directors are of the view that the change in anticipated production time frame (which is now expected to gear up during the second quarter of 2010 and may be later than that envisaged as at the date of the independent auditors' report) will not have any material adverse effect on the basis of presentation of the financial statements of the Group for the year ended 31 December 2009 and the ability of the Group to meet its liabilities as and when they fall due for the foreseeable future.

CORPORATE GOVERNANCE REPORT

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 year ended 31 December 2009.

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 year ended 31 December 2009.

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	—

Responsibilities 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, sets objectives and business development plans and makes 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 2009, the Company had held five Board meetings and the attendance records are set out below:

Name	Meeting attendance/ Number of meetings held
Mr. Tony Tan (Chairman)	5/5
Mr. Chong Wee Chong	5/5
Mr. Gao Qi Fu	4/5
Mr. Lim Ooi Hong	5/5
Ms. Wong Choi Kay	5/5
Mr. Chong Lee Chang	3/5
Mr. Lam Cheung Shu	5/5

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, the CEO of the Company, is responsible for the day-to-day management and execution of the 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. The remuneration package of each Director is determined by reference to the prevailing market conditions, his duties and responsibilities in the Company and the Company's remuneration policy.

During the year ended 31 December 2009, the Remuneration Committee met once and the attendance record is set out below:

Name	Meeting attendance/Number of meeting 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)	0/0

The Remuneration Committee had reviewed the remuneration of the Board during the year ended 31 December 2009, and, taking into the consideration of current situation of the economy, recommended to the Board that appropriate adjustments be made to the remuneration of the Board and no bonus was declared to the Board.

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.

Mr. Tony Tan (Chairman and Independent Non-executive Director), Mr. Chong Wee Chong (CEO and Executive Director) and Mr. Lim Ooi Hong (Executive Director) shall retire by rotation, and being eligible, have offered themselves for re-election at the forthcoming annual general meeting pursuant to the Articles of Association 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.

During the year ended 31 December 2009, the Nomination Committee had held one Nomination Committee meeting. The attendance record is set out below:

Name	Meeting attendance/Number of meeting 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)	0/0

During the year under review, the Nomination Committee had considered and recommended the appointment of Mr Chong Lee Chang, the Independent Non-executive Director as a member of the Nomination Committee and Remuneration Committee to the Board for approval.

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.

During the year ended 31 December 2009, the Audit Committee had held five Audit Committee meetings and the attendance records are set out below:

Name	Meeting attendance/Number of meetings held
Ms. Wong Choi Kay (Chairperson)	5/5
Mr. Tony Tan	5/5
Mr. Chong Lee Chang	3/5

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 quarterly, interim and annual financial results;
4. the report on the Group's internal controls and risk management prepared by independent professional parties;
5. matters relating to the completion schedule and costs related to the construction of the Smelter;
6. the appointment of an independent internal auditor including the terms of engagement; and
7. the appointment of an independent Hong Kong tax services consultant.

In addition, the Audit Committee had reviewed, discussed and approved the annual results of the Group for the year ended 31 December 2009.

Auditors' remuneration

For the year ended 31 December 2009, the fees for audit services rendered by Messrs. KPMG were as follows:

Auditors	Fees ('000)
KPMG Malaysia	RM50
KPMG Hong Kong	HK$780

No remuneration was paid to Messrs. KPMG for provision of non-audited related services as Messrs. KPMG did not provide such services to the Company.

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 2009.

Internal Control System

The system of internal control aims to help achieving 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 represent the main platform by which the Company's performance and conduct are monitored. The daily operations 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.

  Through scheduled periodic meetings, the Board will identify the risks affecting the Company and evaluates the effectiveness of the existing controls to determine whether any mitigation action plans need to be formulated accordingly. However, due to the current level of activity whereby the Company has yet to commence any revenue generating operations, the Company's risk management framework is still in its infancy.

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 auditor 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 an 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.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr Chong Wee Chong

Chong Wee Chong, aged 49, 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 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 the PRC and natural resource exploitation (timber and aluminum).

Pursuant to the service contract entered into between the Company and Mr. Chong and subsequent adjustments with effect from 1 April 2010, Mr. Chong is entitled to receive a salary of USD12,000 plus RM180,000 (or equivalent to $521,727) per annum.

Mr. Gao Qi Fu

Gao Qi Fu (高齊富), aged 69, 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 retiring 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 since its 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 of 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 and subsequent adjustments with effect from 1 April 2010, Mr. Gao is entitled to receive a salary of USD12,000 (or equivalent to $93,156) per annum.

Mr. Lim Ooi Hong

Lim Ooi Hong, aged 33, 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, Malaysia.

Mr Lim is related to Dato' Lim Hui Boon (his father), who serves as the Group President of the Company.

Pursuant to the service contract entered into between the Company and Mr. Lim and subsequent adjustments with effect from 1 April 2010, Mr. Lim is entitled to receive a salary of USD12,000 plus RM144,000 (or equivalent to $436,013) per annum.

INDEPENDENT AND NON-EXECUTIVE DIRECTORS

Mr. Tony Tan

Tony Tan, aged 59, 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 28 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 Market of Bursa Malaysia Securities Berhad ("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"), the controlling shareholder of the Company and a public listed company listed on the Main Market of 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 on 12 December 2007.

Ms. Wong Choi Kay

Wong Choi Kay, aged 43, 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 20 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) a company listed on the Hong Kong Stock Exchange ("HKEX") from February 2005 to May 2009.

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 51, 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 Market 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 since May 2005, a company listed on the Australian Stock Exchange, whose main business are mining, exploring and processing iron ore. He resigned from Midwest Corporation in February 2009 after the company was wholly acquired by a Chinese company and delisted from the Australian Stock Exchange. Mr. Chong is also a Non-executive Director of Emcom International Limited (Stock Code 8220) since 31 March 2009, a company listed on the GEM board of HKEX.

Mr. Lam Cheung Shu

Lam Cheung Shu (藍章澍), aged 38, Chinese, has been our Independent Non-executive Director since 2 June 2008. He graduated with a Bachelor degree in Mechanical Engineering from the University of London, England. Mr. Lam has been working for a number of international financial institutions and has extensive experience in the banking industry. Currently, he is a seasoned banker at Barclays Wealth, which he has joined since January 2005, serving high net worth customers and institutions.

COMPANY SECRETARY

Mr. Ngai Wai Fung, age 48, Chinese, 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 member of HKICS and the Institute of Chartered Secretaries and Administrators in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants in the United Kingdom. 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) in Finance at the Shanghai University of Finance and Economics.

SENIOR MANAGEMENT

Dato' Lim Hui Boon

Dato' Lim Hui Boon, aged 58, Malaysian, founder of HWGB (the controlling shareholder of the Company and a public listed company listed on the Main Market of Bursa Malaysia), is CVM's Group President. He joined the Group in November 2009.

Since 2006, Dato' Lim has been involved in the mineral related fields, particularly on trading, manufacturing and mineral's factory construction. He has ventured to a few countries in the Asia Pacific region and Australia to understand and study the nature of business especially on exploration, manufacturing and trading. Dato' Lim has gained valuable experience on various types of minerals like gold, silver, tin, manganese and magnesium since then.

Dato' Lim has more than 30 years of experience in a diversified range of businesses such as hospitality, gaming operation, resorts, transportation services, travel and tours and construction. His experience and leadership has resulted in HWGB, being listed on Second Board on 28 December 1994 and was subsequently transferred to the Main Board of Bursa Malaysia on 2 November 2000.

Dato' Lim is currently a member of the Kuala Lumpur and Selangor Chinese Chamber of Commerce and Industry. Dato' Lim has close ties with the Malaysian government due to his many years of business endeavours.

Mr. Leung Wai Kwan

Leung Wai Kwan, aged 46, Chinese, is the Vice President, Business Development (Asia), of the Company. He joined our Group on 1 March 2010. He holds a Bachelor Degree of Business Administration in Finance. Prior to joining the Company in March 2010, he was a principal of a local audit firm and the managing director of a consulting firm providing services of secretarial, taxation and corporate finance consultancy.

He has also worked as an executive director of two companies listed on the Main Board of HKEX for more than 7 years, and is well-experienced in the areas of merger and acquisition activities, financial management and corporate compliance.

Mr. Wong Keet Loy

Wong Keet Loy, aged 45, Malaysian, is the Chief Financial Officer of our Group with effect from March 2010. He is a Fellow member of the Association of Chartered Certified Accountants and a Chartered Accountant of the Malaysian Institute of Accountants. He holds a Diploma in Commerce (Financial Accounting).

Prior to joining our Company, he has held numerous senior management positions. He was Finance Manager of Anson Perdana Berhad (a company listed on the Main Market of Bursa Malaysia) from 1991 to 1997. In 1997, he was engaged by KPS Consortium Berhad (a company listed on the Main Market of Bursa Malaysia) as Group Financial Controller. From 2003 to 2006, he was Group Financial Controller of a private-owned property developer. He was later appointed as General Manager, Group Finance & Accounts of PJI Holdings Berhad (a company listed on the Main Market of Bursa Malaysia). His last position being the Chief Financial Officer of a private-owned plantation and manufacturing company, a position held from year 2008 to 2010.

With over 22 years in various industries, he has vast experience in managing the Company's financial accounting, management accounting, corporate finance, treasury/ banking and taxation.

Mr. Zhou Wu

Zhou Wu (周武), aged 40, Chinese, joined the Group in February 2004 and is the Head of Mining and Exploration of CVMSB. 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 44, Chinese, joined the Group in March 2004 and is the Head of Magnesium Smelting of CVMSB. 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 the magnesium and magnesium alloy industries. He has supervised magnesium mining and exploration activities from a quality control perspective.

The Directors hereby present their report together with the audited financial statements of the Group for the year ended 31 December 2009.

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 2009 are set out in the consolidated income statement on page 42.

FINAL DIVIDENDS

The Board did not recommend the payment of any dividend in respect of the year ended 31 December 2009 (2008: Nil).

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of the Group for year ended 31 December 2009 amounted to $231,693,358.

Details of the movements in property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

GROUP PROPERTIES

The Company had valued its lease land, for the purpose of the Listing, on 31 August 2008. The land was valued at RM68,000,000, approximately $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 2009, the cost of the land was $13,305,811, as set out in note 12 to the financial statements.

	Value amount at $153.7 million	Value at cost $13.3 million	Additional Depreciation
Depreciation for year 2009	$0.61 million	$0.13 million	$0.48 million

MAJOR PROPERTIES HELD FOR DEVELOPMENT AS AT 31 DECEMBER 2009

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%	In or about April 2010	263,046	49,372.90	100
		Phase 2 0%	Not yet commenced		22,013.50	100

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 24(b) to the financial statements.

INTEREST CAPITALISED

The amount of interest capitalised during the year was $9,640,546 (2008: $11,887,693).

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 24(a) to the financial statements respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2009, calculated under section 79B of the Hong Kong Companies Ordinance, were represented by accumulated losses of $12,250,678 (2008: $4,358,842).

DIRECTORS

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

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

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 104(A) of the Articles of Association, Mr. Chong Wee Chong, Mr. Lim Ooi Hong and Mr. Tony Tan, 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 29 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 fellow 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 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. 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 year ended 31 December 2009.

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 2009, the Group had a total of approximately 98 employees (2008: 18 employees). Total staff costs (including Directors' emoluments), incurred for the year ended 31 December 2009 amounted to approximately $5.2 million (2008: $4.1 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.

SUBDIVISION OF SHARES

On 19 October 2009, the Company effected a subdivision of share where the issued and unissued shares of $0.10 in the share capital of the Company were subdivided into 4 shares of $0.025 each. As a result, the ordinary shares of the Company increased to 1,804,000,000 from 451,000,000 as at 31 December 2008. At the same time, the authorized share capital of the Company increased to 4,800,000,000 shares from 1,200,000,000 shares.

SHARE OPTION SCHEME

The Company has a share option scheme (the "Scheme") which was adopted on 14 October 2008. 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 180,400,000 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). $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 2009, 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 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 31 December 2009:

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 2009 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 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 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	744,150,000	41.25%
Tsorng Shin Machinery (M) Sdn. Bhd. ("TSM")		Beneficial owner	158,600,000	8.79%
Teoh Tek Siong	1	Interest in controlled corporation	158,600,000	8.79%
Perbadanan Kemajuan Negeri Perak (or Perak State Development Corporation)		Beneficial owner	135,300,000	7.50%

Note:

1. Mr. Teoh Tek Siong is deemed interest in 158,600,000 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 year, 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 EVENT

Placing and subscription exercise

On 1 February 2010, the Company entered into the Placing and Subscription Agreement on a best effort basis to procure Placees to purchase the Top-Up Placing Shares comprising up to 280,000,000 existing shares at the price of $0.36 per Top-Up Placing Shares. The Company also entered into the Placing Agreement on a best effort basis to procure Placees to subscribe for the New Placing Shares comprising up to 80,000,000 new shares at the price of $0.36 per New Placing Share. The gross proceeds from the Placing and the Subscription was $129.6 million. The net proceeds from the Placing and the Subscription (after deducting the placing commission and relevant expenses) was approximately $126 million which is intended to be used for general working capital purposes of the Group.

All the conditions set out in the abovementioned agreements have been fulfilled and the Placing was completed on 10 February 2010. Please refer to the Company's announcements dated 1 and 10 February 2010 for further details.

CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 29 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, Ho Wah Genting Poipet Resorts Sdn. Bhd. ("HWGP") and Harta Perak Corporation Sdn. Bhd. ("HPC") in 2009 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
- Maintenanee fee payment to HPC for mining of dolomite

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.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the year.

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 2009 have been audited by KPMG.

On behalf of the Board
CVM Minerals Limited

Tony Tan
Chairman

Kuala Lumpur, Malaysia, 22 February 2010

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 42 to 104, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, 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.

INDEPENDENT AUDITOR'S REPORT

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 state of affairs of the Company and of the Group as at 31 December 2009 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.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

22 February 2010

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009	2008
Turnover	3	$ —	$ —
Other revenue	4	2,163,189	25,132
Other net income/(loss)	5	3,930,839	(404,353)
Administrative expenses		(20,108,658)	(9,151,230)
Loss from operations		$ (14,014,630)	$ (9,530,451)
Finance costs	6(a)	(78,636)	(967,803)
Loss before taxation	6	$ (14,093,266)	$ (10,498,254)
Income tax	7(a)	(10,725)	—
Loss for the year attributable to equity shareholders of the Company		$ (14,103,991)	$ (10,498,254)
Loss per share	8		
Basic and diluted		(0.78 cents)	(0.77 cents)

The notes on pages 50 to 104 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

(Expressed in Hong Kong dollars)

	Note	2009	2008
Loss for the year		**$ (14,103,991)**	$ (10,498,254)
Other comprehensive income/(loss) for the year			
Exchange differences on translation of financial statements of overseas subsidiary	24(c)(ii)	**1,126,698**	(3,259,044)
Total comprehensive loss for the year attributable to equity shareholders of the Company		**$ (12,977,293)**	$ (13,757,298)

The notes on pages 50 to 104 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

at 31 December 2009

(Expressed in Hong Kong dollars)

	Note	2009	2008
Non-current assets			
Fixed assets	12		
– Property, plant and equipment		$ 461,465,543	$ 220,529,338
– Interest in leasehold land held for own use under operating lease		12,799,191	12,769,458
Exploration and evaluation assets	13	3,683,359	3,637,463
Mining deposit	15	203,692	201,154
		$ 478,151,785	$ 237,137,413
Current assets			
Inventories	16	$ 235,156	$ —
Prepayments, deposits and other receivables	17	6,672,225	16,345,864
Amount due from a related party	18	—	234,203
Pledged deposits	19	3,352,704	—
Cash at bank and in hand		4,155,067	32,227,099
		$ 14,415,152	$ 48,807,166
Current liabilities			
Obligations under finance leases	21	$ 86,629	$ 81,145
Other payables and accrued expenses	22	4,717,040	61,060,734
Amounts due to related parties	18	7,092,930	—
Amount due to a director	20	3,005,549	—
Bank loans – secured	23	357,757,920	25,489,567
		$ 372,660,068	$ 86,631,446
Net current liabilities		$(358,244,916)	$ (37,824,280)
Total assets less current liabilities		$ 119,906,869	$ 199,313,133

CONSOLIDATED BALANCE SHEET

at 31 December 2009

(Expressed in Hong Kong dollars)

	Note	2009	2008
Non-current liabilities			
Bank loans – secured	23	$ —	$ 66,349,854
Obligations under finance leases	21	516,186	595,303
		$ 516,186	$ 66,945,157
Net assets		$ 119,390,683	$ 132,367,976
Capital and reserves	24		
Share capital		$ 45,100,000	$ 45,100,000
Reserves		74,290,683	87,267,976
Total equity		$ 119,390,683	$ 132,367,976

Approved and authorised for issue by the Board of Directors on 22 February 2010.

Director	Director
Chong Wee Chong	**Lim Ooi Hong**

The notes on pages 50 to 104 form part of these financial statements.

BALANCE SHEET

at 31 December 2009

(Expressed in Hong Kong dollars)

	Note	2009	2008
Non-current assets			
Fixed assets			
– Property, plant and equipment	12	$ 178,125	$ —
Investment in a subsidiary	14	134,554,769	108,708,213
		$ 134,732,894	$ 108,708,213
Current assets			
Prepayments, deposits and other receivables	17	$ 399,381	$ 4,549,282
Pledged deposits	19	3,352,704	—
Cash at bank and in hand		28,222	30,516,948
		$ 3,780,307	$ 35,066,230
Current liabilities			
Other payables and accrued expenses	22	$ 2,906,161	$ 1,017,873
Amount due to a director	20	742,306	—
		$ 3,648,467	$ 1,017,873
Net current assets		$ 131,840	$ 34,048,357
Net assets		$ 134,864,734	$ 142,756,570
Capital and reserves	24		
Share capital		$ 45,100,000	$ 45,100,000
Reserves		89,764,734	97,656,570
Total equity		$ 134,864,734	$ 142,756,570

Approved and authorised for issue by the Board of Directors on 22 February 2010.

Director	Director
Chong Wee Chong	**Lim Ooi Hong**

The notes on pages 50 to 104 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

(Expressed in Hong Kong dollars)

	Share premium (note 24(c)(i))	Exchange reserve (note 24(c)(ii))	Other reserve (note 24(c)(iii))	Accumulated losses	Total
At 1 January 2008	$ —	$ 7,073,359	$ —	$ (4,995,024)	$ 2,078,335
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
Total comprehensive loss for the year	—	(3,259,044)	—	(10,498,254)	(13,757,298)
At 31 December 2008	$ 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
Total comprehensive loss for the year	—	1,126,698	—	(14,103,991)	(12,977,293)
At 31 December 2009	**$ 68,090,412**	**$ 4,941,013**	**$ 30,856,527**	**$ (29,597,269)**	**$ 74,290,683**

The notes on pages 50 to 104 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2009

(Expressed in Hong Kong dollars)

	Note	2009	2008
Operating activities			
Loss before taxation		**$ (14,093,266)**	$ (10,498,254)
Adjustments for:			
– Interest income	4	**(145,316)**	(25,132)
– Foreign exchange (gain)/loss	5	**(3,930,839)**	404,353
– Finance costs	6(a)	**78,636**	967,803
– Depreciation	6(c)	**122,949**	114,144
– Amortisation of interests in leasehold land held for own use under operating leases	6(c)	**127,720**	138,423
Operating loss before changes in working capital		**$ (17,840,116)**	$ (8,898,663)
Increase in inventories		**(232,226)**	—
Decrease/(increase) in prepayments, deposits and other receivables		**9,756,776**	(10,526,844)
Decrease/(increase) in amount due from a related party		**234,203**	(70,781)
Increase/(decrease) in other payables and accrued expenses		**3,373,855**	(330,267)
Increase/(decrease) in amount due to related parties		**7,004,550**	(20,884,293)
Increase in amount due to a director		**2,968,100**	—
Cash generated from/(used in) operating activities		**$ 5,265,142**	$ (40,710,848)
Tax paid		**(10,725)**	—
Net cash generated from/(used in) operating activities		**$ 5,254,417**	$ (40,710,848)
Investing activities			
Payment for purchase of fixed assets		**$(267,633,384)**	$ (46,168,500)
Interest received		**145,316**	25,132
(Increase)/decrease in pledged deposits		**(3,352,704)**	47,187
Net cash used in investing activities		**$(270,840,772)**	$ (46,096,181)

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2009

(Expressed in Hong Kong dollars)

	Note	2009	2008
Financing activities			
Capital element of finance lease rentals paid		$ (79,877)	$ (80,240)
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)
Proceeds from bank loans, net of transaction costs		249,752,849	135,024,859
Repayment of bank loans		—	(90,517,507)
Interest paid on finance lease rentals		(28,949)	(35,297)
Interest paid on bank loans		(12,181,120)	(967,803)
Net cash generated from financing activities		$ 237,462,903	$ 118,681,035
Net (decrease)/increase in cash and cash equivalents		$ (28,123,452)	$ 31,874,006
Cash and cash equivalents at beginning of the year		32,227,099	435,145
Effect of foreign exchange rate changes		51,420	(82,052)
Cash and cash equivalents at end of the year		$ 4,155,067	$ 32,227,099

The notes on pages 50 to 104 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 certain new and revised HKFRSs that are first effective for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

As at 31 December 2009, the Group had net current liabilities of $358,244,916 (2008: $37,824,280). The Group's loss after taxation amounted to $14,103,991 (2008: $10,498,254) for the year ended 31 December 2009. 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.

As disclosed in the announcements made by the Company during the year ended 31 December 2009, the construction completion of the first production line of the magnesium smelter in Perak, Malaysia ("Perak Magnesium Smelter") and the commencement of its commercial production have been delayed from July 2009 to in or around April 2010 due to the following reasons: (i) delay in shipments of equipment and machinery mainly due to bad weather conditions brought about by the various typhoons that affected the Asia Pacific region and the difficulty in sourcing alternative shipment arrangements on short notice; and (ii) delays in carrying out a Hot Test of certain major equipment and machinery, particularly the rotary kiln (a key process in magnesium smelting is dolomite calcinations, which involves the feeding of dolomite into the rotary kiln) caused by delays in the delivery of equipment and machinery; and (iii) re-scheduling of the Hot Test for the entire production system from a single exercise to dividing the Hot Test into stages for safety reasons.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Despite the delay of Perak Magnesium Smelter's commercial production start, the directors are of the opinion that the use of the going concern assumption in the preparation of the financial statements is appropriate, as they consider that the Group will have sufficient means to finance the Group's working capital when taking into account the following factors.

(i) Available banking facilities

In order to finance the construction of Perak Magnesium Smelter, the Group's subsidiary, Commerce Venture Magnesium Sdn. Bhd. ("CVMSB") obtained banking facilities totalling RM172.6 million (equivalent to $390.6 million), which comprises a banking facility amounting to RM115.6 million (equivalent to $261.6 million) from Kuwait Finance House (Malaysia) Berhad ("KFHMB") and term loan facilities amounting to RM57 million (equivalent to $129 million) from Bank Kerjasama Rakyat Malaysia Berhad ("Bank Rakyat"). The banking facility provided by KFHMB is guaranteed by Bank Rakyat and is convertible into a term loan facility, offered by Bank Rakyat, with a ten-year term from the conversion date (i.e. the commencement date of Perak Magnesium Smelter's operations).

Up to 31 December 2009, CVMSB has drawn down RM99.6 million (equivalent to $225.4 million) (2008: RM31.4 million (equivalent to $70.2 million)) and RM55.5 million (equivalent to $125.6 million) (2008: RM12.7 million (equivalent to $28.5 million)) from KFHMB and Bank Rakyat respectively. Unutilised banking facilities amounted to a total of RM17.5 million (equivalent to $39.6 million) (2008: RM103.5 million (equivalent to $231.2 million)) as at 31 December 2009. Upon operation commencement of Perak Magnesium Smelter, which is expected to be in or around April 2010, the short term bank loan from KFHMB of RM99.6 million (equivalent to $225.4 million) as at 31 December 2009 will be converted into a ten-year term loan provided by Bank Rakyat.

In accordance with the bank loan agreements, the Group is required to repay instalments totalling RM1,383,180 (equivalent to $3,043,134) to Bank Rakyat during the year ended 31 December 2009. However, the Group only repaid RM600,000 (equivalent to $1,320,060) to Bank Rakyat during the year ended 31 December 2009 and submitted a proposal to reschedule the repayment of the loans to the bank on 12 January 2010.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(i) Available banking facilities (continued)

Given the bank loans repayment made by the Group during the year ended 31 December 2009 was not in accordance with the terms of the bank loan agreements, it is considered an event of default under the bank loan agreements. In the event of default, all the outstanding bank loans would become due for repayment immediately. As a result, bank loans of RM54,077,598 (equivalent to $122,390,704) were reclassified from non-current liabilities to current liabilities as at 31 December 2009.

On 19 February 2010, Bank Rakyat confirmed that it had no objections to consider the proposal on re-scheduling of repayment of the loans submitted by the Group. In addition, Bank Rakyat confirmed that it has no intention of declaring an event of default and recalling the bank loan facilities provided to the Group. If Bank Rakyat does not agree the above proposal submitted by the Group, it will request that the Group immediately settle the instalments due in arrears and require the Group to observe the original monthly repayment amount for future instalments due. The instalments due in arrears amounted to RM783,180 (equivalent to $1,723,074) as at 31 December 2009. According to the original repayment schedules, the Group is required to repay to Bank Rakyat, including future interest expenses, RM8,354,450 (equivalent to $18,907,791), RM9,261,444 (equivalent to $20,960,891), RM65,190,088 (equivalent to $147,540,960) in 2010, 2011 and between 2012 to 2019 respectively.

Since Bank Rakyat has confirmed that it will not recall the facilities granted to the Group, the directors are confident that with the current available banking facilities, funds raised through the equity transactions as disclosed in (ii) below and the expected source of income generated from the commencement of operations in or around April 2010, the Group will be able to meet the above financial obligations as and when they fall due.

(ii) Raising of funds through equity transactions

On 10 February 2010, the Group completed the exercise of the Top-up Placing, the Subscription and the New Placing (see note 30). The Group raised gross proceeds and net proceeds (after deducting the placing commission and relevant expense) amounting to $129.6 million and $126 million respectively. The net proceeds will be used for the general working capital of the Group (see note 30).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(iii) Commencement of operation of Perak Magnesium Smelter

The directors have conducted a thorough review of the Perak Magnesium Smelter's construction status. To date, all of the principal factory buildings have been erected. Furthermore all of the major machinery components are on site and being assembled, installed and tested. The Hot Test on reduction furnaces is progressing well although minor adjustments and modifications are required. In the absence of any unforeseeable circumstances, the directors are confident that the operations of Perak Magnesium Smelter will commence in or around April 2010 and the Group will be able to generate positive cash inflows thereafter.

After taking into account the above factors, the directors are satisfied that the Group will have sufficient funding to enable it 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 consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiary (together referred to as the "Group").

The measurement basis used in preparation of the financial statements is the historical cost 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 32.

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(q)).

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
—	Office equipment	10 years
—	Computer equipment	3 years

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Leased assets *(continued)*

(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.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Impairment of assets *(continued)*

(i) Impairment of other receivables (continued)

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 off against other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously 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 assets; 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

— 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.

(h) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(i) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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 in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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.

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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Income tax *(continued)*

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)*

(n) 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.

(o) 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)*

(p) 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 closing foreign exchange rates ruling at the balance sheet date. The resulting exchange difference is recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(q) 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)*

(r) Related parties

For the purposes of these 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.

(s) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segment which are not individually materials may be aggregated if they share a majority of these criteria.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

— HKFRS 8, *Operating segments*

— HKAS 1 (revised 2007), *Presentation of financial statements*

— Improvements to HKFRSs (2008)

— Amendments to HKAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*

— HKAS 23 (revised 2007), *Borrowing costs*

The amendments to HKAS 23 has had no material impact on the Group's financial statements as it was consistent with the policy already adopted by the Group. The impact of the remainder of these developments is as follows:

— HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. Apart from additional disclosure of information about the geographical location of the Group's specified non-current assets, the adoption of HKFRS 8 does not result in additional disclosure of segment information as the presentation of segment information in the financial statements is consistent with internal reporting provided to the Group's most senior executive management in the current and the prior years.

— As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

— The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments.

— The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

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 years ended 31 December 2009 and 2008 as the construction of the Perak Magnesium Smelter is still in progress and operation is expected to commence in or around April 2010.

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OTHER REVENUE

	2009	2008
Government grant	$ 2,017,873	$ —
Interest income	145,316	25,132
	$ 2,163,189	$ 25,132

Government grant represents grant in respect of training expenses incurred by the Group for workers who are Malaysian citizens. The grant was approved by Malaysian Industrial Development Authority, an agency under the Ministry of International Trade and Industry of Malaysia. There are no unfulfilled conditions and other contingencies attached to the receipt of this grant.

5 OTHER NET INCOME/(LOSS)

	2009	2008
Net foreign exchange gain/(loss)	$ 3,930,839	$ (404,353)

(Expressed in Hong Kong dollars unless otherwise indicated)

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2009	2008
(a) Finance costs:		
Interest on bank loans:		
– wholly repayable within five years	$ 13,298,022	$ 7,330,102
– wholly repayable after five years	3,355,250	1,589,651
	$ 16,653,272	$ 8,919,753
Amortisation of loan transaction costs	4,149,972	4,515,150
Other borrowing costs	3,085,779	1,696,338
Finance charges on obligations under finance leases	28,949	35,352
	$ 23,917,972	$ 15,166,593
Less: Finance costs capitalised into construction in progress*	(23,839,336)	(14,198,790)
	$ 78,636	$ 967,803

* Interest on bank loans have been capitalised at a rate of 7.6% - 9.3% (2008: 6.5% - 8.6%) per annum for the year ended 31 December 2009.

	2009	2008
(b) Staff costs:		
Salaries, wages, bonuses and other benefits	$ 4,804,713	$ 3,910,973
Contributions to defined contribution retirement plan	369,366	218,711
	$ 5,174,079	$ 4,129,684

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

6 LOSS BEFORE TAXATION *(continued)*

Loss before taxation is arrived at after charging: *(continued)*

	2009	2008
(c) Other items:		
Auditors' remuneration	**$ 898,005**	$ 793,474
Depreciation	**122,949**	114,144
Amortisation of interests in leasehold land held for own use under operating leases	**127,720**	138,423
Operating lease charges:		
– office premises	**358,969**	192,296
– office equipment	**39,570**	40,731
– equipment and machinery	**161,475**	—

7 INCOME TAX

(a) Pursuant to the income tax rules and regulations of Malaysia, CVMSB is liable to Malaysian Income Tax at a rate of 25% (2008: 26%) for the year ended 31 December 2009.

Income tax for the year ended 31 December 2009 represents provision for Malaysian Income Tax. No provision for Malaysia Income Tax was made for the year ended 31 December 2008 as the Group did not earn any income which is subject to Malaysian Income Tax during the year.

No provision for Hong Kong Profits Tax has been made as the Group did not earn any income which is subject to Hong Kong Profits Tax during the years ended 31 December 2009 and 2008.

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

	2009	2008
Loss before taxation	**$ (14,093,266)**	$ (10,498,254)
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**$ (2,852,510)**	$ (2,409,505)
Effect of non-taxable income	**(1,505,925)**	(4,147)
Effect of non-deductible expenses	**4,369,160**	2,413,652
Actual tax expense	**$ 10,725**	$ —

(c) No deferred tax is recognised because there is no deductible or taxable temporary difference, unused tax loss or unused tax credit.

(Expressed in Hong Kong dollars unless otherwise indicated)

8 LOSS PER SHARE

On 16 October 2009, the Company effected a share subdivision as further described in note 24(b)(iii). Accordingly, loss per share of all periods presented have been retrospectively adjusted to give the effect of the share subdivision.

The calculation of loss per share is based on the loss attributable to equity shareholders of the Company of $14,103,991 (2008: $10,498,254) and the weighted average of 1,804,000,000 (2008: 1,365,356,160 (restated)) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2009	2008 (restated)
Issued ordinary shares/number of ordinary shares deemed to be outstanding at 1 January	**451,000,000**	338,249,999
Effect of issue of new shares pursuant to the share placing and public offer	—	3,089,041
Effect of share subdivision (note 24(b)(iii))	**1,353,000,000**	1,024,017,120
	1,804,000,000	1,365,356,160

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 2009 and 2008.

(Expressed in Hong Kong dollars unless otherwise indicated)

9 DIRECTORS' REMUNERATION

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

	2009				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
Executive directors:					
Chong Wee Chong	$ 341,545	$ 396,018	$ —	$ 47,522	$ 785,085
Lim Ooi Hong	98,832	316,814	—	38,018	453,664
Gao Qi Fu	186,000	—	—	—	186,000
Independent non-executive directors:					
Tony Tan	93,000	—	—	—	93,000
Wong Choi Kay	93,000	—	—	—	93,000
Chong Lee Chang	93,000	—	—	—	93,000
Lam Cheung Shu	93,000	—	—	—	93,000
Total	$ 998,377	$ 712,832	$ —	$ 85,540	$ 1,796,749

(Expressed in Hong Kong dollars unless otherwise indicated)

9 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	Discretionary 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)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2008: three) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other two (2008: two) individuals are as follows:

	2009	2008
Salaries, allowances and benefits in kind	$ 370,704	$ 648,512
Discretionary bonuses	—	31,431
Retirement scheme contributions	25,345	49,032
	$ 396,049	$ 728,975

The emoluments of the two (2008: two) individuals with the highest emoluments are within the following band:

	Number of individuals	
	2009	2008
$Nil to $500,000	2	2

11 SEGMENT REPORTING

The Group has one reportable segment, which is the mining of dolomite and manufacture of magnesium ingots. The segment information reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment is the same as those reported in these financial statements. The Group did not earn any revenue during the years ended 31 December 2009 and 2008 as the construction of Perak Magnesium Smelter is still in progress. Its operation is expected to commence in or around April 2010.

The following table sets out information about geographical location of the Group's fixed assets, exploration and evaluation assets and mining deposits ("specified non-current assets"). The geographical location of the specific non-current assets is based on the physical location of the asset.

	Hong Kong		Malaysia		Total	
	2009	2008	2009	2008	2009	2008
Specified non-current assets	$ 178,125	$ —	$ 477,973,660	$ 237,137,413	$ 478,151,785	$ 237,137,413

(Expressed in Hong Kong dollars unless otherwise indicated)

12 FIXED ASSETS

The Group

	Construction in progress	Motor vehicles	Furniture and fittings	Office equipment	Computer equipment	Sub-total	Interests in leasehold land held for own use under operating leases	Total
Cost:								
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 adjustments	(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
At 1 January 2009	$219,608,720	$ 882,238	$ 229,570	$ —	$ —	$220,720,528	$ 13,140,017	$233,860,545
Additions	231,367,005	—	235,892	18,792	71,669	231,693,358	—	231,693,358
Disposals	—	—	(108,269)	—	—	(108,269)	—	(108,269)
Exchange adjustments	9,411,203	11,132	3,821	—	—	9,426,156	165,794	9,591,950
At 31 December 2009	**$460,386,928**	**$ 893,370**	**$ 361,014**	**$ 18,792**	**$ 71,669**	**$461,731,773**	**$ 13,305,811**	**$475,037,584**

(Expressed in Hong Kong dollars unless otherwise indicated)

12 FIXED ASSETS *(continued)*

The Group *(continued)*

	Construction in progress	Motor vehicles	Furniture and fittings	Office equipment	Computer equipment	Sub-total	Interests in leasehold land held for own use under operating leases	Total
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 adjustments	–	(6,063)	(3,472)	–	–	(9,535)	(19,277)	(28,812)
At 31 December 2008	$ –	$ 124,984	$ 66,206	$ –	$ –	$ 191,190	$ 370,559	$ 561,749
At 1 January 2009	$ –	$ 124,984	$ 66,206	$ –	$ –	$ 191,190	$ 370,559	$ 561,749
Charge for the year	–	86,845	30,493	419	5,192	122,949	127,720	250,669
Written back on disposals	–	–	(53,630)	–	–	(53,630)	–	(53,630)
Exchange adjustments	–	4,069	1,652	–	–	5,721	8,341	14,062
At 31 December 2009	**$ –**	**$ 215,898**	**$ 44,721**	**$ 419**	**$ 5,192**	**$ 266,230**	**$ 506,620**	**$ 772,850**
Net book value:								
At 31 December 2009	**$460,386,928**	**$ 677,472**	**$ 316,293**	**$ 18,373**	**$ 66,477**	**$461,465,543**	**$ 12,799,191**	**$474,264,734**
At 31 December 2008	$219,608,720	$ 757,254	$ 163,364	$ –	$ –	$220,529,338	$ 12,769,458	$233,298,796

(a) Construction in progress of the Group comprises costs incurred on Perak Magnesium Smelter which was under construction at 31 December 2009 and 2008.

(b) Construction in progress and interests in leasehold land held for own use under operating leases with aggregate net book value of $473,186,119 (2008: $232,378,178) are pledged to banks for banking facilities granted to the Group as disclosed in note 23.

(Expressed in Hong Kong dollars unless otherwise indicated)

12 FIXED ASSETS *(continued)*

The Group *(continued)*

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

	2009	2008
Interests in leasehold land held for own use under operating leases outside Hong Kong – long term	**$ 12,799,191**	$ 12,769,458

The Company

	Furniture and fittings	Office equipment	Computer equipment	Total
Cost:				
At 1 January 2008, 31 December 2008 and 1 January 2009	$ —	$ —	$ —	$ —
Additions	18,792	95,418	71,669	185,879
At 31 December 2009	**$ 18,792**	**$ 95,418**	**$ 71,669**	**$ 185,879**
Accumulated depreciation:				
At 1 January 2008, 31 December 2008 and 1 January 2009	$ —	$ —	$ —	$ —
Charge for the year	419	2,143	5,192	7,754
At 31 December 2009	**$ 419**	**$ 2,143**	**$ 5,192**	**$ 7,754**
Net book value:				
At 31 December 2009	**$ 18,373**	**$ 93,275**	**$ 66,477**	**$ 178,125**
At 31 December 2008	$ —	$ —	$ —	$ —

(Expressed in Hong Kong dollars unless otherwise indicated)

12 FIXED ASSETS *(continued)*

(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. At 31 December 2009, the net book value of motor vehicle held under finance leases of the Group was $677,472 (2008: $757,254).

13 EXPLORATION AND EVALUATION ASSETS

	The Group
Cost:	
At 1 January 2008	$ 3,839,776
Exchange adjustments	(202,313)
At 31 December 2008	$ 3,637,463
At 1 January 2009	$ 3,637,463
Exchange adjustments	45,896
At 31 December 2009	**$ 3,683,359**
Carrying amount:	
At 31 December 2009	**$ 3,683,359**
At 31 December 2008	$ 3,637,463

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 27(b)).

(Expressed in Hong Kong dollars unless otherwise indicated)

14 INTEREST IN SUBSIDIARY

	The Company 2009	The Company 2008
Unlisted shares, at cost	$ 78,484,981	$ 67,750,000
Amount due from subsidiary	56,069,788	40,958,213
	$ 134,554,769	$ 108,708,213

Details of the subsidiary are as follows:

Name of Company	Place of incorporation and operation	Issued and paid up capital	Percentage of equity attributable to the Company – direct	Principal activities
Commerce Venture Magnesium Sdn. Bhd.	Malaysia	RM36,000,000	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.

15 MINING DEPOSIT

It represents a deposit of RM90,000 (equivalent to $203,692) at 31 December 2009 (2008: RM90,000 (equivalent to $201,154)) paid to HPC pursuant to the Mining Agreement (note 13) by the Group.

16 INVENTORIES

Inventories in the balance sheet comprise:

	The Group 2009	The Group 2008
Raw materials	$ 235,156	$ —

(Expressed in Hong Kong dollars unless otherwise indicated)

17 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2009	2008	**2009**	2008
Other receivables	**$ 3,976,110**	$ 15,852,212	**$ 10,430**	$ 4,133,521
Government grant receivables	**2,075,748**	—	**—**	—
Deposits and prepayments	**620,367**	493,652	**388,951**	415,761
	$ 6,672,225	$ 16,345,864	**$ 399,381**	$ 4,549,282

Apart from the Group's deposits of $396,366 (2008: $77,891), all of the Group's and the Company's prepayments, deposits and other receivables are expected to be recovered within one year.

18 BALANCES WITH RELATED PARTIES

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

The amounts due to the related parties are unsecured, interest-free and has no fixed terms of repayment.

19 PLEDGED DEPOSITS

The Group's deposits of $3,352,704 (2008: $Nil) was pledged to a bank for a loan facility granted to the Group.

20 AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and has no fixed terms of repayment.

(Expressed in Hong Kong dollars unless otherwise indicated)

21 OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2009, the Group had obligations under finance leases repayable as follows:

	2009		2008	
	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	$ 86,629	$ 111,949	$ 81,145	$ 110,554
After 1 year but within 2 years	$ 91,091	$ 111,951	$ 85,550	$ 110,554
After 2 years but within 5 years	290,424	326,301	283,071	331,665
Over 5 years	134,671	139,450	226,682	238,841
	$ 516,186	$ 577,702	$ 595,303	$ 681,060
	$ 602,815	$ 689,651	$ 676,448	$ 791,614
Less:Total future interest expense		(86,836)		(115,166)
Present value of lease obligations		$ 602,815		$ 676,448

22 OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2009	2008	2009	2008
Payables for construction in progress	$ —	$ 59,776,324	$ —	$ —
Other payables and accrued expense	4,717,040	1,284,410	2,906,161	1,017,873
	$ 4,717,040	$ 61,060,734	$ 2,906,161	$ 1,017,873

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

(Expressed in Hong Kong dollars unless otherwise indicated)

23 BANK LOANS – SECURED

The Group

	2009		
	Nominal value	Less: unamortised transaction costs	Total
Within one year	**$361,057,661**	**$ (3,299,741)**	**$357,757,920**

	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

	2009	2008
Transaction costs		
Cost:		
At 1 January	**$ 7,721,288**	$ 3,604,686
Written off to construction in progress	**—**	(3,604,686)
Cost incurred during the year	**820,110**	7,721,288
At 31 December	**$ 8,541,398**	$ 7,721,288
Accumulated amortisation:		
At 1 January	**$ (910,464)**	$ —
Exchange adjustments	**(181,221)**	—
Amortisation for the year	**(4,149,972)**	(910,464)
At 31 December	**$ (5,241,657)**	$ (910,464)
Unamortised transaction costs	**$ 3,299,741**	$ 6,810,824

23 BANK LOANS – SECURED *(continued)*

The secured bank loans as at 31 December 2009 include drawdowns of interest accruals of \$6,197,742 (2008: \$1,520,276) and other borrowing costs of \$3,946,832 (2008: \$813,417). These drawdowns of interest accruals and other borrowing costs are interest bearing at the same interest rates as the related bank loans.

In accordance with the bank loan agreements, the Group is required to repay instalments totalling RM1,383,180 (equivalent to \$3,043,134) to Bank Rakyat during the year ended 31 December 2009. However, the Group only repaid RM600,000 (equivalent to \$1,320,060) to Bank Rakyat during the year ended 31 December 2009 and submitted a proposal to re-schedule the repayment of the loans to the bank on 12 January 2010.

Given bank loans repayment made by the Group during the year ended 31 December 2009 was not in accordance with the terms of the bank loan agreements, it is considered an event of default under the bank loan agreements. In the event of default, all the outstanding bank loans would become due for repayment immediately. As a result, bank loans of RM54,077,598 (equivalent to \$122,390,704) were reclassified from non-current liabilities to current liabilities as at 31 December 2009.

On 19 February 2010, Bank Rakyat confirmed that it had no objections to consider the proposal on re-scheduling of repayment of the loans submitted by the Group. In addition, Bank Rakyat confirmed that it has no intention of declaring an event of default and recalling the bank loan facilities provided to the Group. If Bank Rakyat does not agree to the above proposal submitted by the Group, it will request that the Group immediately settle the instalments due in arrears and require the Group to observe the original monthly repayment amount for future instalments due. The instalments due in arrears amounted to RM783,180 (equivalent to \$1,723,074) as at 31 December 2009. According to the original repayment schedules, the Group is required to repay to Bank Rakyat, including future interest expenses, RM8,354,450 (equivalent to \$18,907,791), RM9,261,444 (equivalent to \$20,960,891), RM65,190,088 (equivalent to \$147,540,960) in 2010, 2011 and between 2010 to 2019 respectively.

23 BANK LOANS – SECURED *(continued)*

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

(i) assignment of CVMSB's construction in progress and interest in leasehold land held for own use under operating leases with aggregate net book value of $473,186,119 (2008: $232,378,178);

(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 RM172,600,000 (equivalent to HK$390,628,320) at 31 December 2009 (2008: RM147,600,000 (equivalent to HK$329,892,000)).

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 or around April 2010. Further details of the Group's management of liquidity risk are set out in note 26(e).

(Expressed in Hong Kong dollars unless otherwise indicated)

24 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components in equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share premium (note (c)(i))	Other reserve (note (c)(iii))	Accumulated losses	Total
At 1 January 2008	$ —	$ —	$ (20,000)	$ (20,000)
Adjustment arising from the Acquisition	—	33,925,000	—	33,925,000
Share issued pursuant to the share placing and public offer	68,090,412	—	—	68,090,412
Total comprehensive 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
At 1 January 2009	$ 68,090,412	$ 33,925,000	$ (4,358,842)	$ 97,656,570
Total comprehensive loss for the year	—	—	(7,891,836)	(7,891,836)
At 31 December 2009	**$ 68,090,412**	**$ 33,925,000**	**$ (12,250,678)**	**$ 89,764,734**

(Expressed in Hong Kong dollars unless otherwise indicated)

24 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Share capital

(i) Authorised and issued share capital

The Company

		2009		2008	
	Note	Number of shares	Amount	Number of shares	Amount
Authorised:					
At 1 January		1,200,000,000	$ 120,000,000	10,000	$ 1,000
Increase in authorised share capital	(ii)	—	—	1,199,990,000	119,999,000
Increase in authorised share capital pursuant to the share subdivision	(ii)	3,600,000,000	—	—	—
At 31 December		4,800,000,000	$ 120,000,000	1,200,000,000	$ 120,000,000
Issued and fully paid:					
At 1 January	(iii)	451,000,000	$ 45,100,000	1	$ 1
Shares issue pursuant to the Acquisition	(iii)	—	—	338,249,999	33,824,999
Shares issue pursuant to the share placing and public offer	(iii)	—	—	112,750,000	11,275,000
Shares issue pursuant to the capital pursuant to the share subdivision	(iii)	1,353,000,000	—	—	—
At 31 December		1,804,000,000	$ 45,100,000	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.

24 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Share capital *(continued)*

(ii) 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 additional 1,199,990,000 ordinary shares of $0.10 each, ranking pari passu with existing shares of the Company in all respects.

By an ordinary resolution passed at the extraordinary general meeting held on 16 October 2009, the entire authorised share capital of the Company was subdivided by the division of the nominal share capital of each ordinary share from $0.10 each to $0.025 each thereby increasing the number of authorised ordinary shares from 1,200,000,000 to 4,800,000,000.

(iii) Issue of shares

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.

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 (see note 24(c)(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.

By an ordinary resolution passed at the extraordinary general meeting held on 16 October 2009, the entire issued share capital of the Company was subdivided by the division of the nominal share capital of each ordinary share from $0.10 each to $0.025 each thereby increasing the number of issued ordinary shares from 451,000,000 to 1,804,000,000.

24 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) 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 policies set out in note 1(p).

(iii) Other reserve

The Group

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

On 14 October 2008, the Company acquired the entire issued and fully paid-up share capital of Commerce Venture Magnesium Sdn. Bhd. (“CVMSB”), a company incorporated in Malaysia (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.

The Company

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 of 14 October 2008. The application of the other reserve is governed by Section 48C of the Hong Kong Companies Ordinance.

(iv) Distributability reserve

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 2009 and 2008.

24 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(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 2009 was $477,148,603 (2008: $224,207,397).

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.

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

25 SHARE OPTION SCHEME

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

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

(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

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

(b) Credit risk

The Group's and the Company's credit risk are primarily attributable to prepayments, deposits and other receivables. 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.

(c) Foreign currency risk

The Group is exposed to foreign currency risk through payables for construction in progress that are denominated in United States Dollars, a currency other than the functional currency of the operations to which the transactions relate.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(c) Foreign currency risk *(continued)*

(i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the relevant subsidiary. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at year end date:

Exposure to foreign currencies (expressed in Hong Kong dollars)

	2009		2008	
	Ringgit Malaysia	**United States Dollars**	Ringgit Malaysia	United States Dollars
The Group				
Payables for construction in progress	$ —	$ —	$ —	$ 59,776,324
Pledged deposits	3,352,704	—	—	—
	$ 3,352,704	$ —	$ —	$ 59,776,324

	2009	2008
	Ringgit Malaysia	Ringgit Malaysia
The Company		
Pledged deposits	$ 3,352,704	$ —

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(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, assuming all other variable risk variables remained constant. Other components of the equity would not be affected by changes in the foreign exchange rate:

	2009		2008	
	Increase/ (decrease) in foreign exchange rates	**Decrease/ (increase) in loss after tax and accumulated losses**	Increase/ (decrease) in foreign exchange rates	Decrease/ (increase) in loss after tax and accumulated losses
United States Dollars	—	$ —	5%	$ (2,988,816)
	—	—	(5)%	2,988,816
Ringgit Malaysia	**5%**	**$ 167,635**	—	$ —
	(5)%	**(167,635)**	—	—

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 2008.

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)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(d) Interest rate risk

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

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

	2009		2008	
	Effective interest rate	**Amount**	Effective interest rate	Amount
Variable rate borrowings:				
– Secured bank loans	**7.6% – 9.3%**	**$ 357,757,920**	6.5% – 8.6%	$ 91,839,421
Fixed rate borrowings:				
– Obligations under finance leases	**2.4% – 2.5%**	**602,815**	2.4% – 2.5%	676,448
		$ 358,360,735		$ 92,515,869

Sensitivity analysis

At 31 December 2009, 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 $3,583,607 (2008: $925,159).

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 2008.

(Expressed in Hong Kong dollars unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(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 and when they fall due and on its ability to obtain external financing for 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, without taking into consideration the proposed rescheduling of bank loan instalments as further described in note 1(b):

		2009				
		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	$ 357,757,920	$ 418,464,718	$ 418,464,718	$ —	$ —	$ —
Obligations under finance leases	602,815	689,651	111,949	111,951	326,301	139,450
Other payables and accrued expenses	4,717,040	4,717,040	4,717,040	—	—	—
Amounts due to related parties	7,092,930	7,092,930	7,092,930	—	—	—
Amount due to a director	3,005,548	3,005,548	3,005,548	—	—	—
	$ 373,176,253	$ 433,969,887	$ 433,392,185	$ 111,951	$ 326,301	$ 139,450

(Expressed in Hong Kong dollars unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(e) Liquidity risk *(continued)*

	Balance sheet carrying amount	2008 Contracted undiscounted cash flow 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 accruals	61,060,734	61,060,734	61,060,734	—	—	—
Amounts due to related parties	—	—	—	—	—	—
Amount due to a director	—	—	—	—	—	—
	$ 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)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(e) Liquidity risk *(continued)*

		2009 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	$ 2,906,161	$ 2,906,161	$ 2,906,161	$ —	$ —	$ —
Amount due to a director	742,306	742,306	742,306	—	—	—
	$ 3,648,467	$ 3,648,467	$ 3,648,467	$ —	$ —	$ —

		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	$ —	$ —	$ —
Amount due to a director	—	—	—	—	—	—
	$ 1,017,873	$ 1,017,873	$ 1,017,873	$ —	$ —	$ —

As discussed in note 1(b), the directors of the Group consider that the available banking facilities and the net proceeds from the Top-Up Placing, the Subscription and the New Placing (see note 30) are adequate to meet the Group's and the Company's 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 2009 and 2008.

(Expressed in Hong Kong dollars unless otherwise indicated)

27 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding as at 31 December 2009 not provided for in the financial statements were as follows:

	2009	2008
Contracted for	$ 31,828,111	$ 174,269,212
Authorised but not contracted for	—	13,561,164
	$ 31,828,111	$ 187,830,376

(b) Future minimum royalty payments

Pursuant to the Mining Agreement (note 13), the royalties to HPC are subject to a monthly minimum payment of RM30,000 (equivalent to $66,002) (2008: 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 RM7,020,000 (equivalent to $15,444,702) (2008: RM7,200,000 (equivalent to $16,825,339)) over the 20 year period.

(c) Operating lease commitments

At 31 December 2009, the total minimum lease payments under non-cancellable operating leases are payable as follows:

	2009	2008
Within 1 year	$ 993,732	$ 187,743
After 1 year but within 2 years	602,715	—
	$ 1,596,447	$ 187,743

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

27 COMMITMENTS *(continued)*

(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.

28 CONTINGENT LIABILITIES

Corporate guarantee issued

As at 31 December 2009, the Company has issued a corporate guarantee totalling RM172,600,000 (equivalent to $390,628,320) (2008: RM147,600,000 (equivalent to $329,892,000)) to a bank in respect of a bank loan facility granted to its subsidiary.

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 31 December 2009 under the corporate guarantee issued is RM155,051,735 (equivalent to $350,913,087 (2008: RM43,094,654 (equivalent to $96,316,552)) being the outstanding bank loans of its subsidiary.

In addition, as at 31 December 2009, the Company has issued a corporate guarantee totalling RM850,000 (equivalent to $1,923,720) to a supplier in respect of the purchase of liquefied petroleum gas made by its subsidiary.

The Company has not recognised any deferred income in respect of the corporate guarantee as its fair value cannot be reliably measured and its transaction price was $Nil.

(Expressed in Hong Kong dollars unless otherwise indicated)

29 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2009, in addition to the transactions and balances disclosed in notes 15, 19, 20 and 23, transactions with the following parties are considered as related party transactions.

Name of party	Relationship
Ho Wah Genting Berhad ("HWGB")	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
Mr. Lim Ooi Hang	Director of the Company

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

(a) Recurring transactions

	2009	2008
Rent payable to:		
HWGB	$ 184,808	$ 196,296
Secretarial fees payable to:		
HWGB	$ 39,602	$ 43,714
Purchase of flight tickets from:		
HWGP	$ 482,524	$ 851,264
Maintenance fee payable to:		
HPC	$ 666,630	$ 429,397

(Expressed in Hong Kong dollars unless otherwise indicated)

29 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Amount due from a related party

	2009	2008
HPC	$ —	$ 234,203

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

(c) Amounts due to related parties

	2009	2008
HWGB	$ 6,789,727	$ —
HPC	208,784	—
HWGP	94,419	—
	$ 7,092,930	$ —

The amounts due to related parties are unsecured, interest free and have no fixed terms of repayment.

(d) Amount due to a director

	2009	2008
Lim Ooi Hong	$ 3,005,548	$ —

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

(e) Key management personnel remuneration

	2009	2008
Directors' fees	$ 998,377	$ 1,652,761
Salaries, allowances and benefits in kind	1,083,536	1,405,652
Discretionary bonus	—	244,912
Retirement scheme contributions	110,885	146,899
	$ 2,192,798	$ 3,450,224

30 NON-ADJUSTING POST BALANCE SHEET EVENTS

On 1 February 2010, the Company entered into a placing and subscription agreement (the "Placing and Subscription Agreement") with three existing shareholders, namely HWGB, Tsorng Shin Machinery (M) Sdn. Bhd. and Zhen Development Sdn. Bhd. (the "Vendors") and Cinda International Capital Limited (the "Placing Agent"). Pursuant to which, (i) the Placing Agent has agreed, as placing agent of the Vendors to procure independent third party placees to purchase up to 280,000,000 existing ordinary shares held by the Vendors at the price of $0.36 per share (the "Top-up Placing"); and (ii) the Company has agreed to allot and issue and the Vendors have agreed to subscribe for their proportionate share of up to 280,000,000 new ordinary shares at the price of $0.36 per share (the "Subscription").

On the same date, the Company entered into a placing agreement with the Placing Agent pursuant to which the Placing Agent has agreed, as the placing agent of the Company to procure placees to subscribe for up to 80,000,000 new ordinary shares at the price of $0.36 per share (the "New Placing").

The Top-up Placing, the Subscription and the New Placing was completed on 10 February 2010. The gross proceeds and the net proceeds (after deducting the placing commission and relevant expenses) from the Top-Up Placing, the Subscription and the New Placing amounted to $129.6 million and $126 million respectively.

31 COMPARATIVE FIGURES

As a result of the application of HKAS 1 (revised 2007), *Presentation of financial statements*, and HKFRS 8, *Operating segments*, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

32 ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

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.

32 ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(b) Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) 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. In determining the value in use 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 rate 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. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease 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.

(ii) 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 commencement of operation of the Perak Magnesium Smelter 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 expected commencement of operation of the Perak Magnesium Smelter in or around April 2010, the available banking facilities granted by certain banks and the net proceeds of $126 million raised from the Top-Up Placing, the Subscription and the New Placing as details in note 1(b) and note 30. 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 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 year ended 31 December 2009 and which have not been adopted in the financial statements.

	Effective for accounting periods beginning on or after
HKFRS 3 (Revised), *Business combinations*	1 July 2009
Amendments to HKAS 27, *Consolidated and separate financial statements*	1 July 2009
Amendments to HKAS 39, *Financial instruments: Recognition and measurement – Eligible hedged items*	1 July 2009
HK (IFRIC 17), *Distributions of non-cash assets to owners*	1 July 2009
Improvements to HKFRSs 2009	1 July 2009 or 1 January 2010

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.