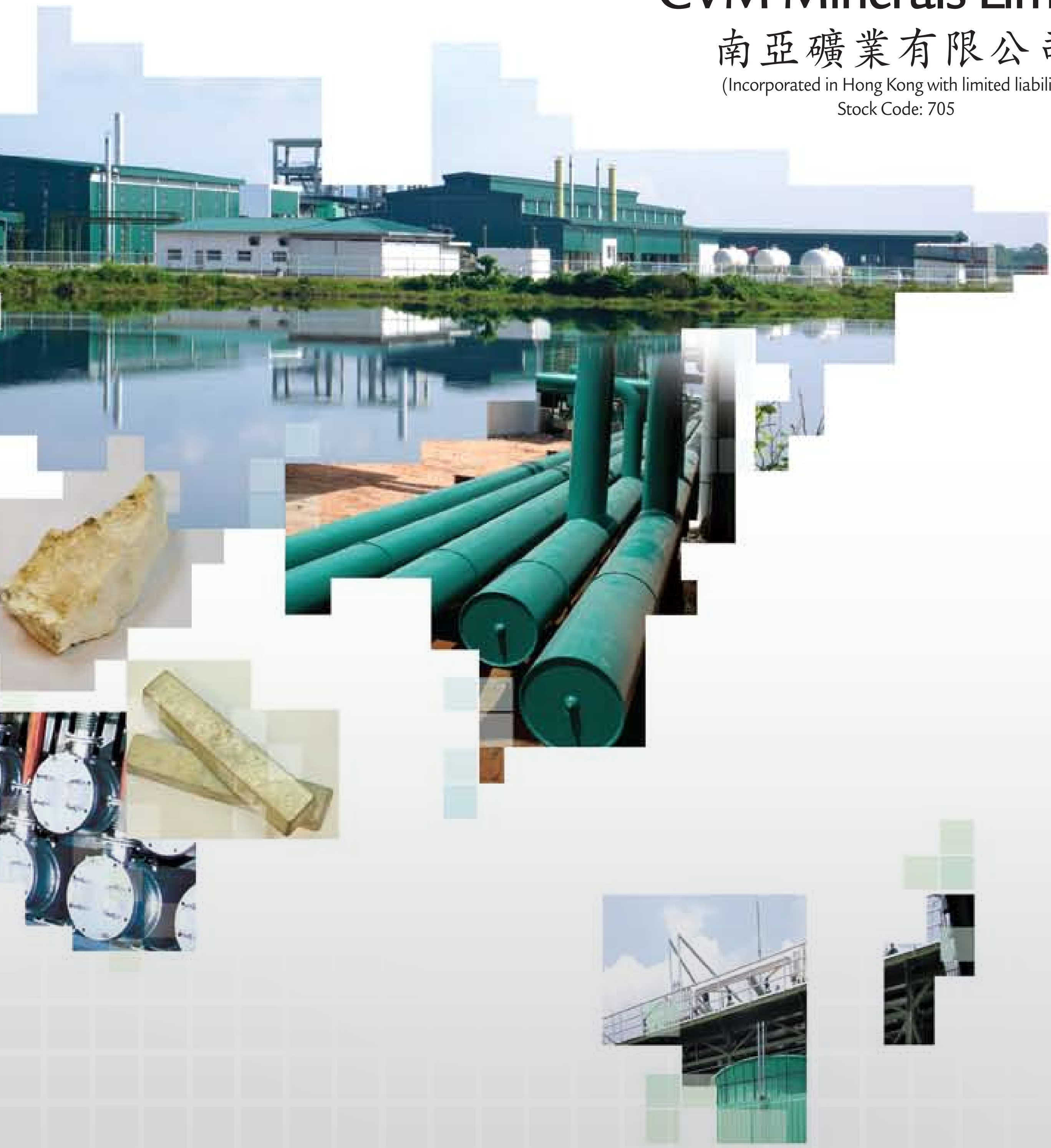
CVM Minerals Limited

南亞礦業有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 705



2010 Interim Report

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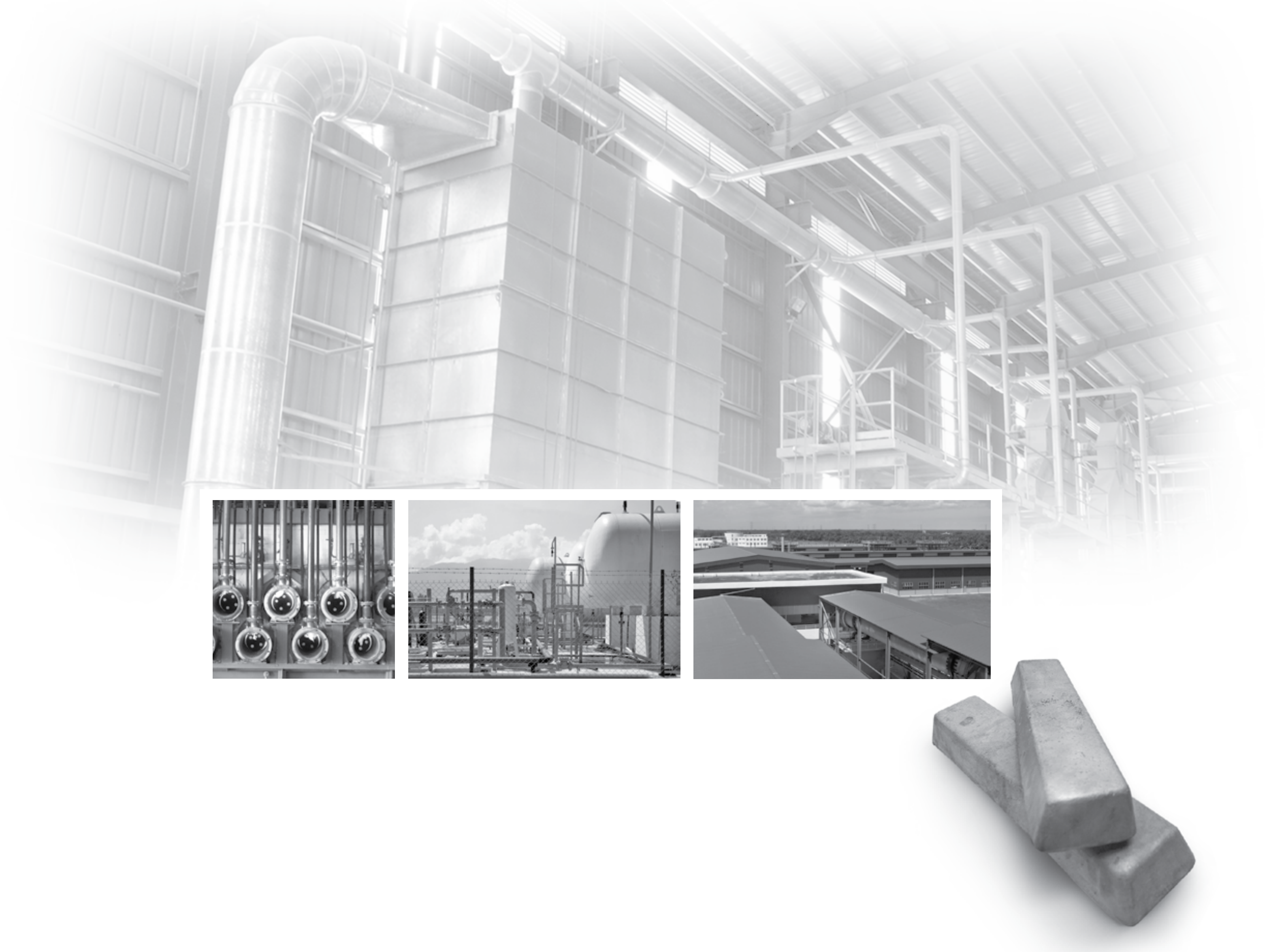

Corporate Information

Board of Directors

Executive Directors

Mr. Goh Sin Huat
(Appointed as Chairman effective from 1 September 2010)

Mr. Chong Wee Chong
(Resigned as Chief Executive Officer effective from 1 September 2010)

Mr. Lim Ooi Hong

Mr. Leung Wai Kwan
(Appointed effective from 1 September 2010)

Mr. Gao Qi Fu
(Resigned effective from 1 September 2010)

Independent Non-Executive Directors

Ms. Wong Choi Kay
Mr. Chong Lee Chang
Mr. Lam Cheung Shu
Mr. Tony Tan
(Chairman, resigned effective from 1 September 2010)

Company Secretary

Mr. Ngai Wai Fung

Audit Committee

Ms. Wong Choi Kay *(Chairperson)*

Mr. Chong Lee Chang

Mr. Lam Cheung Shu
(Appointed effective from 1 September 2010)

Mr. Tony Tan
(Resigned effective from 1 September 2010)

Remuneration Committee

Mr. Goh Sin Huat
(Appointed as Chairman effective from 1 September 2010)

Ms. Wong Choi Kay

Mr. Chong Lee Chang

Mr. Tony Tan
(Chairman, resigned effective from 1 September 2010)

Mr. Chong Wee Chong
(Resigned effective from 1 September 2010)

Nomination Committee

Mr. Goh Sin Huat
(Appointed as Chairman effective from 1 September 2010)

Ms. Wong Choi Kay

Mr. Chong Lee Chang

Mr. Tony Tan
(Chairman, resigned effective from 1 September 2010)

Mr. Chong Wee Chong
(Resigned effective from 1 September 2010)

Corporate Information (continued)

Authorised Representatives
Mr. Leung Wai Kwan
(Appointed effective from 1 September 2010)

Mr. Ngai Wai Fung

Mr. Chong Wee Chong
(Ceased effective from 1 September 2010)

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

Head Office and Principal Office in Malaysia
3rd Floor
Wisma Ho Wah Genting
No. 39, Jalan Maharajalela
50150 Kuala Lumpur
Malaysia

Smelter Address in Malaysia
Lot P.T. 14133, Kamunting Raya
Industrial Estate Phase III
Mukim Assam Kumbang
34000 Taiping
State of Perak
Malaysia

Branch Office in Hong Kong
Suite 5103A, 51st Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Stock Code
705

Listing Date
22 December 2008

Company Website
www.cvmminerals.com

Management Discussion And Analysis

CVM Minerals Limited (the "**Company**"), via its wholly owned subsidiary, Commerce Venture Magnesium Sdn. Bhd. ("**CVMSB**")(collectively referred to as the "**Group**"), operates in the state of Perak, Malaysia and is the first primary magnesium producer in South East Asia.

CVMSB has mining rights of 20 years to extract dolomite limestone from two dolomite hills in Malaysia, with an option to renew for a further period of 10 years. Total dolomite reserves are 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.

CHANGES IN THE BOARD OF DIRECTORS, EVENT SUBSEQUENT TO THE DATE OF THE INTERIM REPORT

The board (the "**Board**") of directors (the "**Directors**") of the Company announced that with effect from 1 September 2010, (i) Mr. Tony Tan would resign as an independent non-executive director, and would thereby relinquish his roles as chairman of the Board, chairman of the nomination committee, chairman of the remuneration committee and member of the audit committee of the Company; (ii) Mr. Gao Qi Fu would resign as an executive director of the Company and be appointed as a technical advisor to the Company; (iii) Mr. Chong Wee Chong ("**Mr. Chong**"), would resign as chief executive officer of the Company, a member of the nomination committee and of the remuneration committee but remain as an executive director of the Company; (iv) Mr. Goh Sin Huat ("**Mr. Goh**") would be appointed as an executive director, chairman of the Board, chairman of the nomination committee and chairman of the remuneration committee; (v) Mr. Leung Wai Kwan ("**Mr. Leung**") would be appointed as an executive director of the Company; (vi) Mr. Lam Cheung Shu, an independent non-executive director of the Company, would be appointed as a member of the audit committee; and (vii) Mr. Leung would be appointed as an authorised representative of the Company in place of Mr. Chong.

Please refer to the Company's announcement dated 23 August 2010 for further details.

BUSINESS REVIEW

The Perak Magnesium Smelter (the "Smelter")

Construction and installation works at the Group's Smelter in the state of Perak, Malaysia were completed in June 2010. Details of the latest update on the Smelter are set out in the Company's announcement dated 17 June 2010.

Management Discussion And Analysis (continued)

Financing of the Project

As at 30 June 2010, CVMSB had drawn down approximately RM99.6 million (equivalent to approximately HK$239.4 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.

On 4 May 2009, CVMSB obtained an additional term financing facility of RM25 million (equivalent to approximately HK$60.1 million) from Bank Rakyat for the purchase of retorts, details of which were disclosed in the announcement dated 18 May 2009 of the Company. Total facilities drawn down from KFHMB and Bank Rakyat as at 30 June 2010 amounted to approximately RM99.6 million (equivalent to approximately HK$239.4 million) and approximately RM61 million (equivalent to approximately HK$146.7 million) respectively (as at 31 December 2009: approximately RM99.6 million (equivalent to approximately HK$225.3 million) and approximately RM58.5 million (equivalent to approximately HK$132.4 million) respectively).

Capital raising exercises

On 1 February 2010, the Company entered into a placing and subscription agreement with three existing shareholders, namely Ho Wah Genting Berhad, Tsorng Shin Machinery (M) Sdn. Bhd. and Zhen Development Sdn. Bhd. (the "**Vendors**"), Cinda International Capital Limited ("**CICL**") and Athens Capital Limited (collectively referred to as the "**Placing Agents**"). Pursuant to this, (i) the Placing Agents agreed, as placing agents of the Vendors and on a best effort basis, to procure independent third party placees to purchase up to 280,000,000 existing ordinary shares held by the Vendors at the price of HK36 cents per share (the "**Top-up Placing**"); and (ii) the Company agreed to allot and issue, and the Vendors agreed to subscribe for their proportionate share of up to 280,000,000 new ordinary shares, at the price of HK36 cents per share (the "**Subscription**").

On the same date, the Company entered into a placing agreement with the Placing Agents pursuant to which the Placing Agents agreed, as the placing agents of the Company and on a best effort basis, to procure placees to subscribe for up to 80,000,000 new ordinary shares at the price of HK36 cents per share (the "**New Placing**").

The Top-up Placing, the Subscription and the New Placing were 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 HK$129.6 million and HK$126.1 million respectively.

Management Discussion And Analysis (continued)

Further capital raising exercise subsequent to financial period ended 30 June 2010

On 20 August 2010, the Company entered into a conditional placing agreement (the "**Placing Agreement**") with CICL, pursuant to which CICL has conditionally agreed, as a placing agent of the Company and on a best effort basis, to procure placees who are independent third parties to subscribe for convertible bonds to be issued by the Company with an aggregate principal amount of HK$116.0 million (the "**Placing**").

The convertible bonds bear interest at 15% per annum, maturing on the thirteenth month (the "**Maturity Date**") after the date of issue and are convertible into conversion shares at the initial conversion price of HK27 cents each for the period commencing from the date falling on the expiry of twelve months from the date of issue of convertible bonds up to three days before the Maturity Date.

Assuming the maximum amount of the convertible bonds of HK$116.0 million is issued, the net proceeds from the Placing would be approximately HK$114.1 million intended for use as general working capital for the Group's proposed project in Indonesia (see below) as well as future corporate and acquisition exercises. Upon full conversion of the maximum principal amount of the convertible bonds of HK$116.0 million, 429,629,629 conversion shares would be issued, representing approximately 19.85% of the issued share capital of the Company as at the date of the Placing Agreement and approximately 16.56% of the issued share capital of the Company as enlarged by the issue of the conversion shares.

Please refer to the Company's announcement dated 20 August 2010 for further details.

Event subsequent to the date of the Interim Report

On 27 August 2010, the Company entered into a supplemental agreement with CICL to (i) amend the terms of the Placing Agreement so as to allow the Placing to be completed in tranches and (ii) embed a cash settlement option to the convertible bonds.

Please refer to the Company's announcement dated 27 August 2010 for further details.

Management Discussion And Analysis (continued)

Outstanding licences, approvals and permits

As referred to in the Company's announcement dated 17 June 2010, save for the issuance of the physical 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 in relation to commencing operation of the Smelter.

Outlook

Increasing marketing efforts are being made to expand and diversify the mix of prospective customers.

As Smelter achieves commercial levels of production, the Group will earn its first material revenue steams.

In the meantime, the Group will continue to look-out for new ventures in the mining and resources sector to further its long term growth plans. The following are updates on several proposed projects:

Manganese Ore

On 29 June 2009, the Company signed a memorandum of understanding (the "**MOU**") with PT Finico Putra Anugerah, a company established under the laws 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 ore and other related activities in Indonesia. There is no material development on the MOU since the relevant licence to explore and mine manganese is still pending approval from the relevant authorities.

Management Discussion And Analysis (continued)

Coal, iron ore and manganese

On 30 July 2010, the Company entered into a conditional sale and purchase agreement (the "**Sale and Purchase Agreement**") with Lok Beng Huah, Kok Yen Keong (also known as Kwai Yen Keong) and Loo Chooi Ting (the "**Vendors**"), whereby the Vendors agreed to sell and the Company agreed to purchase the entire issued share capital of Winner Top International Limited ("**Winner Top**"), a private investment holding company incorporated in the British Virgin Islands, for an aggregate consideration of HK$120.0 million to be satisfied (i) as to HK$96.0 million by the allotment and issue of new ordinary shares of HK2.5 cents each in the capital of the Company at HK27 cents per consideration share; and (ii) as to HK$24.0 million in cash (the "**Acquisition**"). Upon completion of the proposed acquisition, Winner Top will be the holding company of two Indonesian companies holding certain mining concessions for coal, iron ore and manganese exploration in Aceh, Indonesia.

Please refer to the Company's announcement dated 30 July 2010 for further details.

Event subsequent to the date of the Interim Report

On 25 August 2010, the Company entered into a supplemental agreement in relation to the Acquisition, pursuant to which the parties agreed that completion of the Acquisition would be conditional on the passing by the shareholders in an extraordinary general meeting of the Company of a resolution to approve, inter alia, the issue of consideration shares under the Sale and Purchase Agreement in accordance with The Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Please refer to the Company's announcement dated 25 August 2010 for further details.

Management Discussion And Analysis (continued)

FINANCIAL REVIEW

Turnover and other revenue

The Group did not earn any revenue during the six months ended 30 June 2010 as the construction of the Smelter was still in the development and testing phase. The Group however received interest income of HK$53,429 from money deposited with approved financial institutions in Malaysia and office space rental income of HK$13,138 during the six months ended 30 June 2010.

Administrative expenses

The administrative expenses increased by 105% to approximately HK$14.2 million in the first half of 2010 from HK$6.9 million in the same period of 2009. This was mainly due to the increase in staff costs and other administrative expenses incurred by the Group in conjunction with the development of the Smelter.

Staff costs increased to approximately HK$5.6 million for the six months ended 30 June 2010 from HK$2 million in the same period of 2009, mainly due to increased headcount in CVMSB.

Other administrative expenses increased by approximately 164% to approximately HK$5.5 million for the six months ended 30 June 2010 from HK$2.1 million in the corresponding period in 2009. The increase was a result of increased business activities associated with the development of the Smelter in 2010.

Exploration, development and mining production activities

The expenditure incurred on mining production activities for the six months period ended 30 June 2010 was HK$0.87 million (six months ended 30 June 2009: HK$0.21 million). No exploration and development activities were carried out in 2009 or the first six months of 2010.

Net foreign exchange gain

The net gain of HK$0.2 million on foreign exchange represented the net impact of unrealised gain on money deposited by the Group with approved financial institutions in Malaysia.

Going forward, the Group will be exposed to foreign currency risk primarily through exposures in sales and purchases that are denominated in US Dollars and Renminbi which fluctuate against RM, CVMSB's functional currency. During the first half of 2010, the Group did not use any financial instruments for any hedging purposes.

Management Discussion And Analysis (continued)

Finance costs

After capitalising interest on bank loans of approximately HK$16.8 million (six months ended 30 June 2009 : approximately HK$26.3 million) into construction in progress, the finance costs mainly consisted of interest on finance leases for motor vehicles. The interest is reducing over the years of installments.

Loss before taxation

As CVMSB had yet to commence any revenue earning operations and had only incurred expenses during the period under review, the Group incurred a consolidated loss before taxation of approximately HK$14.0 million for the six months ended 30 June 2010 (six months ended 30 June 2009: loss before taxation of HK$4.8 million).

Loss per share

The loss per share was reduced to approximately HK 0.67 cents in the first half of 2010 from HK 1.06 cents in the same period of 2009 even though the loss before taxation increased by HK$9.2 million. This was mainly due to the fact that the weighted average number of ordinary shares in 2010 was higher after the Company undertook a share placing exercise in February 2010.

Liquidity and financial resources

Net current assets of the Group stood at approximately HK$20.4 million as at 30 June 2010. Included in current liabilities were bank loans and finance lease creditors of approximately HK$11.8 million, all repayable within one year. The amount due to KFHMB will be fully settled upon completion of the Smelter when the bank guarantee issued by Bank Rakyat to KFHMB is converted into term loan financing facility under facility A of the project finance loan from Bank Rakyat. The borrowings from KFHMB bear an interest rate of 8.05% per annum as at 30 June 2010 based on a floating rate of base financing rate plus 2%. The Group had a gearing ratio of 1.63 (which is calculated on the basis of total bank borrowings over shareholders' funds of the Group) as at 30 June 2010.

The Group's bank and cash balances as at 30 June 2010 were approximately HK$15.9 million. The Group's prepayments, deposits and other receivables of approximately HK$19.9 million are expected to be recovered within one year.

Management Discussion And Analysis (continued)

Capital expenditure

The carrying value of the fixed assets of the Group for the purpose of the Smelter as at 30 June 2010 had increased by 24% to approximately HK$589.6 million from approximately HK$474.2 million as at 31 December 2009. Approximately 97% of the capital expenditure was incurred for the construction of the Smelter.

Charge on assets

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

(i) assignment of CVMSB's construction in progress and interest in leasehold land held for own use under operating lease with aggregate net book value of approximately HK$589.6 million (31 December 2009: approximately HK$473.2 million).

(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 Smelter;

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

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

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

(vii) corporate guarantee by the Group amounting to RM172.6 million (equivalent to approximately HK$415.1 million) at 30 June 2010 (31 December 2009: RM172.6 million (equivalent to approximately HK$390.6 million)).

Human resources

As at 30 June 2010, the Group had a total of 183 employees (as at 31 December 2009: 98 employees). Total staff costs (including Directors' emoluments) for the six months ended 30 June 2010 were approximately HK$5.6 million (six months ended 30 June 2009: HK$2 million), representing 39% of the Group's total administrative expenses. Employees were remunerated based on their performance, experience and industry practice. Bonuses are rewarded based on individual staff performance and in accordance with the Group's overall remuneration policies. The Group's management reviews the remuneration policies and packages on a regular basis.

Management Discussion And Analysis (continued)

Capital commitment and contingent liabilities

In relation to the Smelter, as at 30 June 2010, the Group had a total capital commitment of approximately HK$29.8 million (31 December 2009: approximately HK$31.8 million).

As at 30 June 2010, the Group had issued a corporate guarantee totaling RM172.6 million (equivalent to approximately HK$415.1 million) (31 December 2009: RM172.6 million (equivalent to approximately HK$390.6 million)) to Bank Rakyat.

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 Group as at 30 June 2010 under the corporate guarantee issued was the outstanding amount of the bank loan facilities drawn down by CVMSB, being approximately RM157.3 million (equivalent to approximately HK$378.3 million) (31 December 2009: approximately RM155.1 million (equivalent to approximately HK$350.9 million)).

In addition, as at 30 June 2010, the Group had issued a corporate guarantee totaling RM0.85 million (equivalent to approximately HK$2 million) (31 December 2009: RM0.85 million (equivalent to approximately HK$1.9 million)) to suppliers in respect of the purchase of liquefied petroleum gas made by CVMSB.

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

Condensed Consolidated Statement Of Comprehensive Income

For the six months ended 30 June 2010
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2010 (Unaudited)	2009 (Unaudited)
Turnover	2	**$ –**	$ –
Cost of sales		**(45,235)**	–
Gross loss		**$ (45,235)**	$ –
Other revenue	3	**66,567**	118,458
Other net income	4	**246,255**	2,029,839
Administrative expenses		**(14,235,895)**	(6,930,462)
Loss from operations		**$ (13,968,308)**	$ (4,782,165)
Finance costs	5(a)	**(29,006)**	(14,750)
Loss before taxation	5	**$ (13,997,314)**	$ (4,796,915)
Income tax	6	**(10,195)**	–
Loss for the period		**$ (14,007,509)**	$ (4,796,915)
Other comprehensive income/(loss) for the period:			
Exchange differences on translation of financial statements of overseas subsidiary		**12,752,345**	(1,763,047)
Total comprehensive loss for the period attributable to equity holders of the Company		**$ (1,255,164)**	$ (6,559,962)
Loss per share	7		
Basic and diluted		**(0.67 cents)**	(1.06 cents)

The notes on pages 17 to 27 form part of this condensed consolidated interim financial information.

Condensed Consolidated Statement Of Financial Position

As at 30 June 2010
(Expressed in Hong Kong dollars)

	Note	As at 30 June 2010 (Unaudited)	As at 31 December 2009 (Audited)
Non-current assets			
Fixed assets	8		
- Property, plant and equipment		**$ 576,045,640**	$ 461,465,543
- Interest in leasehold land held for own use under operating lease		**13,532,147**	12,799,191
Exploration and evaluation assets		**3,816,520**	3,683,359
Mining deposit		**216,467**	203,692
		$ 593,610,774	$ 478,151,785
Current assets			
Inventories	9	**$ 3,732,901**	$ 235,156
Prepayments, deposits and other receivables	10	**20,339,052**	6,672,225
Pledged deposits		**3,607,790**	3,352,704
Cash at bank and in hand		**15,926,522**	4,155,067
		$ 43,606,265	$ 14,415,152
Current liabilities			
Obligations under finance leases	11	**$ 314,044**	$ 86,629
Other payables and accrued expenses	12	**5,641,959**	4,717,040
Amounts due to related parties		**5,730,022**	7,092,930
Amount due to a director		**–**	3,005,549
Bank loans - secured		**11,535,451**	357,757,920
		$ 23,221,476	$ 372,660,068
Net current assets/(liabilities)		**$ 20,384,789**	$ (358,244,916)
Total assets less current liabilities		**$ 613,995,563**	$ 119,906,869
Non-current liabilities			
Bank loans - secured		**$ 374,636,910**	$ –
Obligations under finance leases	11	**1,226,437**	516,186
		$ 375,863,347	$ 516,186
Net assets		**$ 238,132,216**	$ 119,390,683
Capital and reserves			
Share capital	13	**$ 54,100,000**	$ 45,100,000
Reserves		**184,032,216**	74,290,683
Total equity		**$ 238,132,216**	$ 119,390,683

The notes on pages 17 to 27 form part of this condensed consolidated interim financial information.

Condensed Consolidated Statement Of Changes In Equity

For the six months ended 30 June 2010
(Expressed in Hong Kong dollars)

	Share capital	Share premium	Exchange reserve	Other reserve	Accumulated losses	Total
At 1 January 2009	$45,100,000	$ 68,090,412	$ 3,814,315	$ 30,856,527	$ (15,493,278)	$ 132,367,976
Exchange differences on translation of financial statements of overseas subsidiary	—	—	(1,763,047)	—	—	(1,763,047)
Loss for the period	—	—	—	—	(4,796,915)	(4,796,915)
At 30 June 2009 (Unaudited)	$45,100,000	$ 68,090,412	$ 2,051,268	$ 30,856,527	$ (20,290,193)	$ 125,808,014
At 1 January 2010	$45,100,000	$ 68,090,412	$ 4,941,013	$ 30,856,527	$ (29,597,269)	$ 119,390,683
Exchange differences on translation of financial statements of overseas subsidiary	—	—	12,752,346	—	—	12,752,346
Shares issued pursuant to the share placing	9,000,000	110,996,696	—	—	—	119,996,696
Loss for the period	—	—	—	—	(14,007,509)	(14,007,509)
At 30 June 2010 (Unaudited)	**$54,100,000**	**$179,087,108**	**$ 17,693,359**	**$30,856,527**	**$(43,604,778)**	**$ 238,132,216**

The notes on pages 17 to 27 form part of this condensed consolidated interim financial information.

Condensed Consolidated Statement Of Cash Flow

For the six months ended 30 June 2010
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
Net cash (outflow)/inflow from operating activities	**$ (43,718,826)**	$ 40,528,967
Net cash outflow from investing activities	**$ (68,495,128)**	$ (175,574,773)
Net cash inflow from financing activities	**$ 111,124,901**	$ 115,612,873
Net decrease in cash and cash equivalents	**$ (1,089,053)**	$ (19,432,933)
Cash and cash equivalents at beginning of the period	**4,155,067**	32,227,099
Effect of foreign exchange rate changes	**12,860,508**	468,972
Cash and cash equivalents at end of the period	**$ 15,926,522**	$ 13,263,138

The notes on pages 17 to 27 form part of this condensed consolidated interim financial information.

Notes To The Unaudited Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; the accounting policies used in the preparation are consistent with those used in the Group's 31 December 2009 annual consolidated financial statements, and comply with Hong Kong Accounting Standards ("**HKAS**") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The unaudited condensed consolidated financial statements have been reviewed by the audit committee of the Company.

The figures in respect of the unaudited condensed consolidated financial statements have been agreed by Baker Tilly Hong Kong Limited, to the amounts set out in the Company's announcement of interim results for the six months ended 30 June 2010. As the work performed by Baker Tilly Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, Baker Tilly Hong Kong Limited did not express any assurance on the unaudited condensed consolidated financial statements.

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

The unaudited condensed consolidated financial statements contain selected explanatory notes. These notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the Group's 31 December 2009 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

In the current interim period, the Group has applied, wherever applicable, for the first time, the following new or revised standards, amendments and interpretations ("**new or revised HKFRSs**") issued by the HKICPA.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HKFRSs (Amendments)	*Improvements to HKFRSs 2009*

HKFRS 1 (Revised) was issued with an aim to improve the structure of the standard. The revised version of the standard does not make any changes to the substance of accounting by first-time adopters. As the Group is not a first-time adopter of HKFRSs, the amendments have no financial impact on the Group.

Notes To The Unaudited Condensed Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

The HKFRS 2 Amendments provide guidance on how to account for cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods and services when the entity has no obligation to settle the share-based payment transactions. The amendments also incorporate guidance that was previously included in HK(IFRIC)-Int 8 *Scope of HKFRS 2* and HK(IFRIC)-Int 11 *HKFRS 2 – Group and Treasury Share Transactions*. The amendments did not have any financial impact on the Group's accounting for share-based payments as the Group has not undertake such transactions.

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognition, the reported results in the period that an acquisition occurs, and future reported results. While the adoption of the revised standard may result in changes in certain accounting policies, the revised standard did not have any financial impact on the Group.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will not have any impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*. As the Group has not undertaken such transactions, the adoption of revised standard has no financial impact on the Group.

The HKAS 39 Amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. As the Group has not entered into any such hedges, the amendment did not have any financial impact on the Group.

HK(IFRIC)-Int 17 standardizes practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The interpretation clarifies that (i) a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to HKAS 10 *Events after the Reporting Period* and HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation did not have any material financial impact on the Group.

The amendments to HKFRS 5 clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest. As the Group currently has no such sale plan, the amendment did not have any financial impact on the Group.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	*Related Party Disclosures*[4]
HKAS 32 (Amendment)	*Classification of Rights Issues*[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 *Disclosures for First-time Adopters*[3]

Notes To The Unaudited Condensed Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

HKFRS 9	*Financial Instruments*[5]
HK(IFRIC)-Int 14 (Amendment)	*Prepayments of a Minimum Funding Requirement*[4]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[3]

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
[2] Effective for annual periods beginning on or after 1 February 2010
[3] Effective for annual periods beginning on or after 1 July 2010
[4] Effective for annual periods beginning on or after 1 January 2011
[5] Effective for annual periods beginning on or after 1 January 2013

2 TURNOVER AND SEGMENT INFORMATION

Construction and installation works at the Group's Smelter have been completed at the end of June 2010. In view thereof, the Group has yet to earn any revenue during the six months ended 30 June 2010.

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 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 Six months ended 30 June		**Malaysia Six months ended 30 June**		**Total Six months ended 30 June**	
	2010	2009	**2010**	2009	**2010**	2009
Specified non-current assets	**$ 163,665**	–	**$593,447,109**	$409,276,457	**$593,610,774**	$409,276,457

3 OTHER REVENUE

	Six months ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)
Interest income	**$ 53,429**	$ 118,458
Rental income	**13,138**	–
	$ 66,567	$ 118,458

Notes To The Unaudited Condensed Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OTHER NET INCOME

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
Net foreign exchange gain	**$ 246,255**	$ 2,029,839

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
(a) Finance costs:		
Interest on bank loans:		
- wholly repayable within five years	**$ 6,406,687**	$14,926,615
- wholly repayable after five years	**8,892,280**	1,192,035
	$15,298,967	$16,118,650
Amortisation of loan transaction costs	**176,690**	7,163,992
Other borrowing costs	**1,364,148**	3,059,903
Finance charges on obligations under finance leases	**18,643**	14,750
	$16,858,448	$26,357,295
Less: Finance costs capitalised into construction in progress *	**(16,829,442)**	(26,342,545)
	$ 29,006	$ 14,750

* Interest on bank loans have been capitalised at a rate of 7.6% - 8.3% (2009: 6.5% - 8.6%) per annum for the six months ended 30 June 2010.

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
(b) Staff costs:		
Salaries, wages, bonuses and benefits	**$ 5,216,517**	$ 1,851,696
Contributions to defined contribution retirement plan	**389,074**	111,008
	$ 5,605,591	$ 1,962,704

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.

Notes To The Unaudited Condensed Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

5 LOSS BEFORE TAXATION (continued)

	Six months ended 30 June 2010 (Unaudited)	2009 (Unaudited)
(c) Other items:		
Auditors' remuneration	**$ 283,856**	$ 534,524
Depreciation	**91,374**	54,838
Amortisation of interest in leasehold land held for own use under operating lease	**68,339**	62,729
Amortisation of exploration and evaluation assets	**95,793**	–
Operating lease charges:		
- office premises	**605,010**	90,767
- office equipment	**15,950**	16,684
- staff housing	**5,933**	–
- equipment and machinery	**156,874**	–

6 INCOME TAX

Pursuant to the income tax rules and regulations of Malaysia, CVMSB is liable to Malaysian Income Tax at a rate of 25% (2009: NIL) for the period ended 30 June 2010 on interest income earned.

Income tax for the period ended 30 June 2010 represents provision for Malaysian Income Tax. No provision for Malaysia Income Tax was made for the period ended 30 June 2009 as the Group did not earn any income which is subject to Malaysian Income Tax during the period.

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 periods ended 30 June 2010 and 2009.

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

7 LOSS PER SHARE

The calculation of loss per share for the six months ended 30 June 2010 is based on the unaudited consolidated net loss attributable to ordinary equity holders of the Company of HK$14,007,509 (2009: HK$4,796,915) and the weighted average number of ordinary shares of 2,087,535,912 shares (2009: 451,000,000 shares) in issue during the period.

Diluted loss per share is the same as the basic loss per share as there were no dilutive shares outstanding during the six months ended 30 June 2010 and 2009.

8 ADDITIONS TO FIXED ASSETS

During the period under review, the Group spent approximately HK$85.7 million (2009: approximately HK$175.7 million) on additions to fixed assets. These additions were mainly loan interest of approximately HK$16.8 million capitalized (2009: approximately HK$11.2 million).

Notes To The Unaudited Condensed Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

9 INVENTORIES

	As at 30 June 2010 (Unaudited)	As at 31 December 2009 (Audited)
Raw materials	**$ 3,732,901**	$ 235,156

Raw materials consist of dolomite and other materials used in the production of magnesium ingots. Dolomite inventories are stated at production cost.

10 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2010 (Unaudited)	As at 31 December 2009 (Audited)
Other receivables	**$17,048,519**	$ 3,976,110
Government grant receivables	**2,606,686**	2,075,748
Deposits and prepayments	**683,847**	620,367
	$ 20,339,052	$ 6,672,225

Apart from the deposits of HK$440,720 as at 30 June 2010 (31 December 2009: HK$396,366), all of the prepayments, deposits and other receivables are expected to be recovered within one year.

11 OBLIGATIONS UNDER FINANCE LEASES

The Group had obligations under finance leases repayable as follows:

	Present value of minimum lease payments		**Total minimum lease payments**	
	As at 30 June 2010 (Unaudited)	As at 31 December 2009 (Audited)	**As at 30 June 2010 (Unaudited)**	As at 31 December 2009 (Audited)
Within 1 year	**$ 314,044**	$ 86,629	**$ 390,450**	$ 111,949
After 1 year but within 2 years	**$ 333,780**	$ 91,091	**$ 390,449**	$ 111,951
After 2 years but within 5 years	**791,533**	290,424	**851,637**	326,301
Over 5 years	**101,124**	134,671	**103,664**	139,450
	$ 1,226,437	$ 516,186	**$ 1,345,750**	$ 577,702
	$ 1,540,481	$ 602,815	**$ 1,736,200**	$ 689,651
Less: Total future interest expense			**(195,719)**	(86,836)
Present value of lease obligations			**$ 1,540,481**	$ 602,815

Notes To The Unaudited Condensed Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

12 OTHER PAYABLES AND ACCRUED EXPENSES

	As at 30 June 2010 (Unaudited)	As at 31 December 2009 (Audited)
Other payables and accrued expenses	**$ 5,641,959**	$ 4,717,040

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

13 SHARE CAPITAL

The Company	**As at 30 June 2010 (Unaudited)**		As at 31 December 2009 (Audited)	
	Number of shares	**Amount**	Number of shares	Amount
Authorised:				
At beginning of period/year	**4,800,000,000**	**$120,000,000**	1,200,000,000	$120,000,000
Increase in authorized share capital pursuant to share subdivision	**–**	**–**	3,600,000,000	–
At end of period/year	**4,800,000,000**	**$120,000,000**	4,800,000,000	$120,000,000
Issued and fully paid:				
At beginning of period/year	**1,804,000,000**	**$ 45,100,000**	451,000,000	$ 45,100,000
Shares issued pursuant to share subdivision	**–**	**–**	1,353,000,000	–
Shares issued pursuant to the share placing	**360,000,000**	**9,000,000**	–	–
At end of period/year	**2,164,000,000**	**$ 54,100,000**	1,804,000,000	$ 45,100,000

14 FOREIGN CURRENCY TRANSLATION

The results and financial position of CVMSB that have a functional currency of Ringgit Malaysia ("**RM**"), the lawful currency of Malaysia, which is different from the presentation currency of Hong Kong Dollars ("**HK$**") are translated into the presentation currency on the basis of (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet; (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and (iii) all resulting exchange differences are recognised as a separate component of equity (exchange reserve).

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is disposed of, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

The principal closing rate used in the translation of foreign currency was HK$1 to RM0.416 (31 December 2009: HK$1 to RM0.442).

Notes To The Unaudited Condensed Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

15 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding as at 30 June 2010 not provided for in the financial statements were as follows:

	As at 30 June 2010 (Unaudited)	As at 31 December 2009 (Audited)
Contracted for	**$ 29,794,951**	$ 31,828,111

(b) Future minimum royalty payments

Pursuant to the Mining Agreement, the royalties to Harta Perak Corporation Sdn. Bhd. ("**HPC**") are subject to a monthly minimum payment of RM30,000 (equivalent to HK$70,632) (31 December 2009: RM30,000 (equivalent to HK$66,002)) 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 RM6,840,000 (equivalent to HK$16,104,159) (31 December 2009: RM7,020,000 (equivalent to HK$15,444,702)).

(c) Operating lease commitments

At 30 June 2010, the total minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 June 2010 (Unaudited)	As at 31 December 2009 (Audited)
Within 1 year	**$ 1,178,886**	$ 993,732
After 1 year but within 2 years	**1,178,886**	602,715
	$ 2,357,772	$ 1,596,447

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

Notes To The Unaudited Condensed Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

15 COMMITMENTS (continued)

(d) Environmental contingencies

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

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

(ii) the extent of required cleanup efforts;

(iii) varying costs of alternative remediation strategies;

(iv) changes in environmental remediation requirements; and

(v) the identification of new remediation sites.

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

16 CONTINGENT LIABILITIES

Corporate guarantees issued

As at 30 June 2010, the Group had issued a corporate guarantee totaling RM172.6 million (equivalent to approximately HK$415.1 million) (31 December 2009: RM172.6 million (equivalent to approximately HK$390.6 million)) to Bank Rakyat.

The Directors do not consider it probable that a claim will be made against the Group under the corporate guarantee. The maximum liability of the Group as at 30 June 2010 under the corporate guarantee issued is the outstanding amount of the bank loan facilities drawn down by CVMSB, being approximately RM157.3 million (equivalent to approximately HK$378.3 million) (31 December 2009: approximately RM155.1 million (equivalent to approximately HK$350.9 million)).

In addition, as at 30 June 2010, the Group had issued a corporate guarantee totaling RM0.85 million (equivalent to approximately HK$2 million) (31 December 2009: RM0.85 million (equivalent to approximately HK$1.9 million)) to suppliers in respect of the purchase of liquefied petroleum gas made by CVMSB.

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

Notes To The Unaudited Condensed Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

17 MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2010, transactions with the following parties are considered as related party transactions.

Name of parties	*Relationship*
Ho Wah Genting Berhad ("**HWGB**")	Shareholder of the Company
Perak State Development Corporation ("**PSDC**")	Shareholder of the Company
Ho Wah Genting Poipet Resorts Sdn. Bhd. ("**HWGP**")	Associate of HWGB
Harta Perak Corporation Sdn. Bhd. ("**HPC**")	Subsidiary of PSDC

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

(a) Recurring transactions

	Six months ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)
Rent paid to:		
HWGB	**$ 98,885**	$ 90,767
Secretarial fees payable to:		
HWGB	**$ —**	$ 19,450
Purchase of flight tickets from:		
HWGP	**$ 441,569**	$ 141,367
Maintenance fee on Mining Agreement payable to:		
HPC	**$ 444,983**	$ 213,951

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

(b) Amounts due to related parties

	As at 30 June 2010 (Unaudited)	As at 31 December 2009 (Audited)
HWGB	**$ 5,531,945**	$ 6,789,727
HPC	**149,723**	208,784
HWGP	**48,354**	94,419
	$ 5,730,022	$ 7,092,930

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

Notes To The Unaudited Condensed Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

17 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Key management personnel remuneration

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
Directors' fees	**$ 430,788**	$ 486,491
Salaries, allowances and benefits in kind	**1,093,561**	675,920
Retirement scheme contributions	**86,548**	43,352
	$ 1,610,897	$ 1,205,763

18 SUBSEQUENT EVENT

Save as disclosed elsewhere in the interim report, there was no significant event that took place subsequent to the reporting date.

Other Information

INTERIM DIVIDEND

The Board did not recommend payment of an interim dividend in respect of the six months ended 30 June 2010 (2009: Nil).

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2010, the Board is of the view that the Company has complied with all the code provisions and certain recommended best practices (the "**Best Practices**") stipulated in the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 of the Listing Rules. No Director is aware of any information that reasonably reveals that there is any non-compliance with the code provisions on the Code by the Company during any time of the period under review.

However, effective 1 September 2010, the following deviation is observed whereby Mr. Goh acts as the Executive Chairman (the "**EC**") of the Company and Mr. Chong resigns as the Chief Executive Officer. The Board considers that this structure will not impair the balance of power and authority of the Board. It currently comprises four Executive Directors and three Independent Non-executive Directors ("**INEDs**"), with INEDs representing 43% of the Board, which is higher than the Best Practices. Such a high percentage of INEDs in the Board could ensure their views carry significant weight and it reflects a strong independence element in the composition of the Board. At present, the Board also believes that under the leadership of Mr. Goh as the EC, the Board's decision could be made effectively and it is beneficial to the management and development of the Group's business. The Board would still consider segregation of the roles of chairman and chief executive officer if and when appropriate.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the code of practice for carrying out securities transactions by the Directors. After specific enquiry with all members of the Board, the Company confirmed that all Directors have fully complied with the relevant standards stipulated in the Model Code during the six months ended 30 June 2010.

AUDIT COMMITTEE REVIEW

The Audit Committee, comprising three members namely, Ms. Wong Choi Kay (Chairperson and Independent Non-executive Director), Mr. Tony Tan (Independent Non-executive Director) and Mr. Chong Lee Chang (Independent Non-executive Director), reviewed the accounting principles and practices adopted by the Group on 23 August 2010. It has also discussed and reviewed the internal controls and financial reporting matters, including the review of the unaudited interim financial results of the Group for the six months ended 30 June 2010, with the management of the Company. The Audit Committee is of the opinion that the interim report has complied with applicable accounting standards, the Listing Rules and the legal requirements and that adequate disclosures have been made.

Other Information (continued)

SHARE OPTION SCHEME

The Company has a share option scheme (the "**Scheme**") which was adopted on 14 October 2008. The Scheme was to adopted as a potential means to help the Company attract and retain the best quality personnel for the development of the Company's businesses; to provide additional incentives to the employees; to provide eligible participants with the opportunity to acquire proprietary interests in the Company; and to promote the long term financial success of the Company by aligning the interests of grantees to the shareholders of the Company (the "**Shareholders**"). Under the Scheme, the Board shall be entitled at any time (except during prescribed blackout periods or when the Board is otherwise in possession of unpublished price sensitive information) 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 of Hong Kong Limited (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). HK$1.00 is payable by the grantee to the Company on acceptance of the offer of the option. The period within which the shares of the Company must be taken up under an option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

For the six months ended 30 June 2010, 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 30 June 2010, 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.

Other Information (continued)

For information, the following Director has notified the Company regarding the following interest in HWGB, the Company's controlling shareholder, as recorded in the register pursuant to the SFO, as at 30 June 2010:

Name	Nature of interest	Number of shares of HWGB	Approximate percentage of shareholding
Lim Ooi Hong	Beneficial owner	65,474,400*	15.83%

Save as disclosed above, at no time during the period under review was the Company or its subsidiary a party to any arrangement to enable the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) to acquire benefits by an acquisition of shares or underlying shares in, or debentures of the Company or its subsidiary.

* Deemed interest by virtue of his directorship and substantial shareholdings in Kintron Holding Sdn Bhd.

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

As at 30 June 2010, so far as is known to any Directors or the chief executive of the Company, the Shareholders, other than the Directors or the chief executive of the Company, who had an interest or short positions in the shares or the underlying shares of the Company, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name	Nature of interest	Number of shares directly or indirectly held	Approximate percentage of shareholding
HWGB	Beneficial owner	744,150,000	34.39%
Perbadanan Kemajuan Negeri Perak (or Perak State Development Corporation)	Beneficial owner	135,300,000	6.25%

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2010, neither the Company nor its subsidiary has purchased, sold or redeemed any of the Company's listed securities.

By order of the Board
CVM Minerals Limited
Tony Tan
Chairman

Kuala Lumpur, Malaysia, 23 August 2010