CVM Minerals Limited
南亞礦業有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 705

Annual Report 2011

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Goh Sin Huat *(Executive Chairman)*
Mr. Lim Ooi Hong *(Group Chief Executive Officer)*
Mr. Leung Wai Kwan

Independent Non-executive Directors

Ms. Wong Choi Kay
Mr. Chong Lee Chang
Mr. Tony Tan

COMPANY SECRETARY

Ms. Au Man Wai Annie

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Ms. Wong Choi Kay *(Chairperson)*
(appointed as Chairperson effective from 30 March 2012)
Mr. Goh Sin Huat
(resigned as Chairman effective from 30 March 2012)
Mr. Chong Lee Chang

NOMINATION COMMITTEE

Mr. Goh Sin Huat *(Chairman)*
Ms. Wong Choi Kay
Mr. Chong Lee Chang

AUTHORISED REPRESENTATIVES

Mr. Leung Wai Kwan
Ms. Au Man Wai Annie

LEGAL ADVISERS

As to Hong Kong Law
P.C. Woo & Co.
Richards Butler
in association with Reed Smith LLP

As to Malaysian Law
Tan, Goh & Associates

AUDITOR

Baker Tilly Hong Kong Limited
Certified Public Accountants

PRINCIPAL BANKERS

Bank Kerjasama Rakyat Malaysia Berhad
RHB Bank Berhad
HSBC Bank Malaysia Berhad
Standard Chartered Bank (Hong Kong) Limited
Dah Sing Bank 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 AND BRANCH OFFICE IN HONG KONG

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

HEAD OFFICE AND PRINCIPAL OFFICE IN MALAYSIA

3rd Floor, Wisma Ho Wah Genting
No. 35, 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

STOCK CODE

705

LISTING DATE

22 December 2008

COMPANY WEBSITE

www.cvmminerals.com

FINANCIAL SUMMARY

For the Year Ended 31 December 2011

A five-year financial summary of the results and of the assets and liabilities of CVM Minerals Limited ("CVM" or the "Company") and its subsidiaries (collectively referred to as the "Group") is set out below. This summary does not form part of the audited financial statements.

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Turnover	**11,186**	8,497	—	—	—
Cost of sales	**(28,358)**	(16,339)	—	—	—
Gross loss	**(17,172)**	(7,842)	—	—	—
Other revenue	**7,263**	1,600	2,163	25	—
Other net income/(loss)	**407**	438	3,931	(404)	(75)
Selling and distribution expenses	**(367)**	(207)	—	—	—
Administrative expenses	**(38,235)**	(32,945)	(20,109)	(9,151)	(2,583)
Finance costs	**(62,562)**	(7,458)	(78)	(968)	(24)
Other operating expenses	**(102,182)**	—	—	—	—
Loss before taxation	**(212,848)**	(46,414)	(14,093)	(10,498)	(2,682)
Taxation	**—**	(4)	(11)	—	—
Loss for the year	**(212,848)**	(46,418)	(14,104)	(10,498)	(2,682)
Attributable to:					
Owners of the Company	**(207,378)**	(46,315)	(14,104)	(10,498)	(2,682)
Non-controlling interests	**(5,470)**	(103)	—	—	—
Loss for the year	**(212,848)**	(46,418)	(14,104)	(10,498)	(2,682)
Loss per share (cents)					
Basic	**(6.32)**	(2.13)	(0.78)	(0.77)	(0.79)

	As at 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**1,086,354**	967,849	492,567	285,945	143,233
Total liabilities	**(644,408)**	(605,663)	(373,176)	(153,577)	(75,483)
Net assets	**441,946**	362,186	119,391	132,368	67,750
Total equity	**441,946**	362,186	119,391	132,368	67,750

CHAIRMAN'S STATEMENT

GOH SIN HUAT
Executive Chairman

On behalf of the Board of Directors (the "Board") of CVM Minerals Limited (the "Company" or "CVM") and its subsidiaries (the "Group"), I am pleased to present the Annual Report and the financial statements of the Group for the financial year ended 31 December 2011.

FINANCIAL PERFORMANCE

The Group registered an after tax loss of approximately HK$212.8 million, which was a substantial increase of HK$166.4 million as compared to the previous financial year. The after tax loss of approximately HK$212.8 million for the year ended 31 December 2011 (2010: HK$46.4 million) was mainly as a result of loss from operations of HK$48.1 million (2010: HK$39.0 million), non-operational items of impairment loss of goodwill and exploration and evaluation assets of HK$102.2 million (2010: Nil) and finance costs of HK$62.6 million (2010: HK$7.5 million).

Loss from operations increased slightly as compared to the previous year as the Group continues its cost cutting measure and achieved slightly higher sales. To account for the surrendered iron ore exploration mining area in Penanggalan Subdistrict, Subulussalam City, Nanggroe Aceh Darussalam Province of Indonesia, impairment losses of goodwill and exploration and evaluation assets amounting to HK$79.5 million and HK$22.6 million respectively, have been recognised in the consolidated income statement. Higher finance costs were incurred in the financial year as the Group increased its borrowings from third parties (2011: HK$150.0 million; 2010: Nil) and issued additional convertible bonds.

OPERATIONS REVIEW

Magnesium Smelter

The Group's magnesium smelter in the State of Perak, Malaysia ("Smelter") had commenced the initial commercial production stage of producing magnesium ingots. During the year, the Group was unable to achieve its forecasted production level and experienced operating losses for a variety of reasons. We experienced higher than anticipated production costs arising out of machinery and equipment misalignment and malfunctioning, difficulty in securing the appropriate qualified and experienced personnel in the operation of a first-of-its kind Smelter for the region and higher raw material (ferrosilicon) and energy costs. This has been experienced against a backdrop of falling demand and weak prices for magnesium ingots, due in large part to the continuing economic recession in the United States of America ("USA") and Europe. To date, the Smelter could not be competitive in contrast to the output and pricing strategies of the more experienced Mainland Chinese (People's Republic of China, "PRC") producers. Our sales and marketing efforts have been ongoing to increase our sales quantity and customer base.

Indonesian Subsidiaries Operations

PT. Commerce Venture Iron Ore (formerly known as PT. Rimbaka Mining Makmur) ("PTCV Iron") and PT. Commerce Venture Coal (formerly known as PT. Mega Fiume Internasional) ("PTCV Coal"), both indirectly held subsidiaries of the Company since November 2010, had been undertaking various feasibility studies in relation to the mining and extraction of coal, iron ore and manganese in Indonesia. PTCV Iron and PTCV Coal have exploration mining permits which must be obtained to conduct stages of general surveys, explorations and feasibility studies in Indonesia, pursuant to the Indonesian mining law. PTCV Coal holds exploration mining permits for (i) coal exploration in an area of 10,000 hectares in Beutong and Tadu Raya Subdistrict, Nagan Raya Regency, Nanggroe Aceh Darussalam Province of Indonesia, valid until 7 October 2013 ("Permit 1"); and (ii) manganese exploration in an area of 3,710 hectares in Bakongan Subdistrict, South Aceh Regency, Nanggroe Aceh Darussalam Province of Indonesia, valid until 6 November 2011 ("Permit 2").

PTCV Iron holds exploration mining permits for (i) coal exploration in an area of 9,825 hectares in Kuala and Tadu Raya Subdistrict, Nagan Raya Regency, Nanggroe Aceh Darussalam Province of Indonesia, valid until 5 March 2014 ("Permit 3"); and (ii) iron ore exploration in an area of 1,500 hectares in Penanggalan Subdistrict, Subulussalam City, Nanggroe Aceh Darussalam Province of Indonesia, valid until 15 December 2011 ("Permit 4"). Based on the Indonesian mining law (Law No. 4 of 2009), an exploration mining permit for coal can be given for a maximum period of 7 years while an exploration mining permit for iron or manganese can only be given for a maximum period of 8 years. Production operation mining permits are guaranteed to be granted for undertaking the production operation stage activity which may be valid for up to 20 years and may be extended two times for 10 years each time. In the opinion of the Directors of the Company, applications for extension will be granted to the Group ultimately without material additional costs.

Permit 2 and Permit 4 expired in the year. The Group submitted applications to the relevant local authorities for extension of these permits. At the approval date of the consolidated financial statements, a one year extension for Permit 2 and Permit 4 has been granted, respectively. In respect to Permit 4, the Group submitted to the local authorities a lower area of exploration for renewal as some areas were not commercially viable to continue exploration. Hence, the iron ore exploration area under Permit 4 was reduced from 1,500 hectares to 450 hectares upon its renewal.

PT. Laksbang Mediatama ("PTLM"), an indirectly held subsidiary of the Company since April 2011, has been granted a production operation mining permit for manganese in an area of 195 hectares in Jatimulyo Village, Girimulyo Subdistrict, Kulon Progo Regency, Daerah Istimewa Yogyakarta Province, Indonesia, ("Mining area") during the year. The permit is used for mining activities including construction, mining, processing and refining or smelting as well as hauling and sales of manganese in the Mining area. The production operation mining permit is valid for a period of 10 years from 24 February 2011 and is capable of being extended for two further terms of 10 years each at maximum. PTLM has been undertaking various feasibility studies in relation to the mining of and exploration for manganese in the Mining area.

PROSPECTS

In 2012 Management will continue to focus on increasing sales. At the same time, the Group will endeavour to operate the Smelter efficiently to bring down operating costs and eliminate all unnecessary cost so that our production cost is competitive. We also plan to further improve our marketing network and to allocate more resources to areas e.g. human capital, internal controls and research and development, which will help us yield better profit in the future.

The Smelter has also begun active marketing activities on some of its by-products to be produced in 2012. These by-products samples were sent to our prospective customers for testing and acceptance. The test results received from these customers have been generally positive.

The price trends of magnesium in the global market for the financial year 2011 ranges from US$2,900 to US$3,300 per metric ton, with an annual average of US$2,950 per metric ton for deliveries to markets outside USA. The price of magnesium for deliveries to USA is currently averaging US$4,840 per metric ton. We anticipate these prices to be stable with an upward bias for the next financial year 2012 in view of the recovering world economy.

The Group's subsidiaries in Indonesia which are holding the various exploration mining permits for iron ore, coal and manganese will continue its exploratory operation but at a slower mode to maximize our cash resources allocation.

The Board also took cognizance of the need to strengthen the Group's balance sheet, diversify the Group's reliance on just mining resources and to maintain a sound gearing level through strategic corporate exercises. In this direction, the Company had in January 2012 entered into an agreement for the sale and purchase of shares in Victory Dragon Holdings Limited ("SPA") to acquire an interest in a group of companies whose activity is manufacturing and distributing bottled natural mineral water in the PRC (the "Acquisition").

The Acquisition will be presented for shareholders' approval at the Extraordinary General Meeting of the Company to be held on 13 April 2012 and completion will be upon fulfillment of all the condition precedents as set out in the SPA.

The Company will continuously explore profitable ventures to invest in order to diversify the Group's earnings and enhance the Group's future prospect.

CORPORATE GOVERNANCE

The Board is committed to high standards of corporate governance to safeguard the interests of shareholders and stakeholders. The Corporate Governance Report included in this Annual Report describes how the Company applies the principles of corporate governance in compliance with the code provisions of the Code on Corporate Governance Practices (the "Code") in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Company has complied with the code provisions in the Code during the financial year 2011.

INTERNAL CONTROL

The Board has overall responsibility for the Group's internal control and risk management systems and for reviewing their effectiveness. These procedures aimed to safeguard assets and ensure proper accounting records are maintained so that the financial information pertaining to the business and for publication is transparent and reliable. The risk management procedures are designed to manage key vulnerabilities. However, they cannot eliminate all the commercial risks and guarantee that there will be no shortfall in achieving the business objectives.

Risk in today's world moreover is multifaceted. We are pleased to report that the Group has instituted an ongoing process for identifying, evaluating and managing the significant risks endemic to our industry. The process of our Internal Control system in this Annual Report reports on the process in place and is regularly reviewed by the Board, Audit Committee and our Internal Auditors.

APPRECIATION AND ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend a special note of thanks to Mr. Lam Cheung Shu and Mr. Chong Wee Chong who resigned from the Board on 1 June and 30 June 2011 respectively, for their wise counsel and invaluable contributions throughout their time as an Independent Non-executive Director and Executive Director respectively.

I would also like to thank Mr. Gao Qi Fu who resigned as the technical advisor to the Company for his invaluable advice on the magnesium industry.

I would like to welcome Mr. Tony Tan, who joined the Board on 1 June 2011 as an Independent Non-executive Director. Mr. Tan has also been appointed as a member of the Audit Committee.

Finally, I would also like to express my thanks to the shareholders for their continued support and loyalty, as well as the management and the staff for their commitment, dedication and perseverance towards ensuring the success of the Group. My heartfelt gratitude also goes to our customers, suppliers, bankers, business associates, all our stakeholders and the various relevant authorities for their cooperation and continued support. Last but not least, I would also like to record my appreciation to my colleagues on the Board for their invaluable contribution throughout the year.

Thank you.

On behalf of the Board of the Company

GOH SIN HUAT
Executive Chairman

Kuala Lumpur, Malaysia, 30 March 2012

The Company, via its wholly-owned subsidiary, CVM Magnesium Sdn. Bhd. ("CVMSB"), operates in the State of Perak, Malaysia and is the first primary magnesium producer in South East Asia. CVMSB has accelerated the scale of mining and extraction of dolomite at the Dolomite Hills for stockpiling purposes since June 2009.

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

Besides mining of dolomite and producing magnesium ingots, the Group has also ventured into exploration of iron ore, coal and manganese.

BUSINESS REVIEW

The Perak Magnesium Smelter

Construction and installation works at the Group's smelter in the State of Perak, Malaysia (the "Smelter") have been completed in 2010.

Subsequent to the Smelter completion, CVMSB commenced the initial commercial production stage of producing magnesium ingots. During the year, CVMSB was unable to achieve its forecasted production level and experienced operating losses for a variety of reasons, many entirely outside its control. CVMSB has experienced higher than anticipated production costs arising out of modifications to the Smelter set-up during the early years, securing and training personnel in the operation of a first-of-its kind smelter for the region and higher raw material (ferrosilicon) and energy costs. This has been experienced against a backdrop of falling demand and weak prices for magnesium ingots, due in large part to the continuing economic recession in the USA and Europe. To date, the Smelter has proven uncompetitive by contrast to the output and pricing strategies of the more experienced Mainland Chinese producers. In a buyer's market, magnesium traders and users have progressively moved to buying on a spot or tender basis so as to protect themselves from price fluctuations, and away from the off-take agreements that would previously have locked in certain purchase commitments at prices that would have allowed CVMSB to have greater flexibility to set its own forecasts and the increased likelihood of achieving them.

The Smelter had undergone hot and cold testings during the second half of the financial year. The testings concluded in early 2012 and operations recommenced in March 2012. The plan in 2012 will be to build up the production volumes before reaching full capacity in 2013. At the same time, the Group will endeavour to operate the Smelter efficiently to bring down operating costs and eliminate all unnecessary cost so that our production cost is competitive. We also plan to further improve our marketing network and to allocate more resources to areas e.g. human capital, internal controls and research and development, which will yield us better profit in the future. The Smelter has also begun active marketing activities in selling some of its by-products produced in 2012.

Indonesian subsidiaries operations

The Group's subsidiaries in Indonesia which are holding the various exploration mining permits for iron ore, coal and manganese are now operating at a slower mode as the Group is trying to reallocate its limited cash resources.

Financing of the Smelter

In order to finance the operations of the Smelter, CVMSB obtained banking facilities totalling approximately RM184.6 million (equivalent to HK$452.7 million), which comprises a ten-year term loan from Bank Kerjasama Rakyat Malaysia Berhad ("Bank Rakyat").

Up to 31 December 2011, the total facilities drawn down amounted to approximately RM171.3 million (equivalent to HK$420.0 million) (2010: RM60.4 million (equivalent to HK$152.4 million)).

In accordance with the bank loan agreement dated 5 July 2010, the Group was required to repay the bank loans by monthly instalment of RM743,065 (equivalent to HK$1,874,628) commencing on or before 31 January 2011 and increasing to RM2,190,758 (equivalent to HK$5,526,914) commencing on or before 2 March 2011 to Bank Rakyat for the next 10 years.

On 25 July 2011, CVMSB has successfully negotiated a re-scheduling of the loan repayment with Bank Rakyat. The monthly instalments have been revised to RM670,000 (equivalent to HK$1,747,293) with effect from August 2011 to December 2013 and increasing to RM4.2 million (equivalent to HK$10,297,651) from January 2014 to the end of the loans' tenor in 2018.

Capital raising exercise

On 28 January 2011, the Company entered into a conditional share placing agreement with UOB Kay Hian (Hong Kong) Limited ("UOB Kay Hian") pursuant to which UOB Kay Hian agreed to place up to 340,000,000 new ordinary shares of the Company at a price of HK$0.228 per share (the "Share Placement"). The Company also entered into a conditional warrant placing agreement with UOB Kay Hian pursuant to which UOB Kay Hian agreed to place 163,900,000 warrants at the price of HK$0.005 per warrant (the "Warrant Placement"), which has conferred rights to subscribe for 163,900,000 new shares of the Company at the warrant exercise price of HK$0.27 per share on or before 16 February 2012.

The Share Placement and Warrant Placement were completed on 14 February 2011 and 17 February 2011 with gross proceeds of approximately HK$75.6 million and HK$0.8 million, respectively.

Licences, approvals and permits

The Malaysian legal advisers of the Company have opined that CVMSB has obtained all major/material licences, approvals and permits in relation to the operation of the Smelter.

OUTLOOK

As the Smelter enters the next stage of its evolution, increased marketing efforts are also being made to expand our range of customers in different regions to ensure a diversified mix of customers.

We envisage that as the Smelter achieves optimum commercial levels of production, the Group will be rewarded with increased revenue and better gross margins.

In the meantime, the Group is always on the look-out for new and profitable ventures for its long term growth plans. The following is the proposal which the Company had proposed since the end of the financial year.

Acquisition of subsidiary

To diversify the Group's business from its mining business, on 12 January 2012, an agreement (the "Agreement") was entered into between Nice Tone Enterprises Ltd. ("Nice Tone"), a wholly-owned subsidiary of the Company, vendors (Voice Key Group Limited ("Voice Key"), Chinacorp International Consultants Limited and Champion Tone Development Limited) and guarantors (Chu Yuk Lung, Au Yu Siu and Tan Chee Chuan), pursuant to which Nice Tone has conditionally agreed to purchase and the vendors have conditionally agreed to sell 51% of the issued share capital of Victory Dragon Holdings Limited ("Victory Dragon"), the holding company of 龍川升龍礦泉有限公司(Long Chuan Shen Long Mineral Water Co., Limited) ("Shen Long") for the consideration of HK$200,000,000, which shall be satisfied by the payment of deposit in the sum of HK$10,000,000 to Voice Key upon signing the Agreement, by the issue of convertible bonds with monetary value of HK$106,840,000 to Voice Key, and by the issue of ordinary shares of the company with monetary value of HK$83,160,000 to the vendors.

Victory Dragon is principally engaged in investment holding. Victory Dragon is the sole beneficial owner of the entire registered and paid up capital of Shen Long. Shen Long is principally engaged in the business of manufacturing and distributing bottled natural mineral water in the People's Republic of China ("PRC"). Shen Long has a well established factory for manufacturing bottled natural mineral water in the PRC and holds relevant valid mining licences/approvals for natural mineral water.

Please refer to the Company's announcement dated 12 January 2012 and the Company's circular dated 23 March 2012 for further details.

FINANCIAL REVIEW

Turnover and other revenue

The Group's turnover on selling magnesium ingots for the year ended 31 December 2011 was HK$11,185,489 (2010: HK$8,497,324). The Group received interest income of HK$338,407 (2010: HK$276,326) from money deposited with approved financial institutions for the year ended 31 December 2011.

Administrative expenses

The administrative expenses increased by 16% to approximately HK$38.2 million in 2011 from HK$32.9 million in 2010. This was mainly due to exploration expenses incurred by the Indonesian subsidiaries.

Exploration, development and mining production activities

Geological exploration

As at 31 December 2011, the Group has 5 exploration rights, covering an area of approximately 24,180 hectares, namely two exploration rights for coal covering an area of approximately 19,825 hectares, one exploration right for iron ore covering an area of approximately 450 hectares and one exploration right for manganese covering an area of approximately 3,710 hectares, all of them in Aceh Province, Indonesia. The Group also has 1 production operation mining permit right for manganese covering an area of approximately 195 hectares in Yogyakarta Province, Indonesia.

During the year, the Group's geological exploration expenditure amounting to approximately HK$4.0 million (2010: approximately HK$1.2 million) was incurred on general geological survey for the above rights.

Mining of dolomite

As at 31 December 2011, the Group completed an accumulated dolomite output of approximately 19,064 tonnes (31 December 2010: approximately 13,064 tonnes).

The expenditure incurred on dolomite mining production activities for the year ended 31 December 2011 was approximately HK$1.55 million (2010: approximately HK$1.68 million).

Iron ore, coal and manganese

There were no mining production activities carried out for iron ore, coal and manganese.

Net foreign exchange gains

The net gains of HK$0.4 million on foreign exchange was mainly due to 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 foreign currencies other than the Group's functional currency. During 2011, the Group did not use any financial instruments for any hedging purposes.

Finance costs

The Group's finance costs mainly consisted of interest expenses of approximately HK$20.4 million and HK$6.4 million (2010: approximately HK$6.2 million and Nil respectively) for convertible bonds issued and unsecured loans from third parties, respectively and interest on bank loans of approximately HK$35.6 million (2010: approximately HK$1.3 million) incurred by CVMSB.

Loss before taxation

The Group incurred a consolidated loss before taxation of approximately HK$212.8 million for the year ended 31 December 2011 (2010: HK$46.4 million) mainly as a result of loss from operations of HK$48.1 million (2010: HK$39.0 million), non-operational items of impairment loss of goodwill and exploration and evaluation assets of HK$102.2 million (2010: Nil) and finance cost of HK$62.6 million (2010: HK$7.5 million).

Loss from operation increased slightly as compared to the previous year as the Group continues its cost cutting measure and achieved slightly higher sales.

Due to significant price fluctuation in the year and surrendered iron ore exploration mining area in Penanggalan Subdistrict, Subulussalam City, Nanggroe Aceh Darussalam Province of Indonesia, impairment losses of goodwill and exploration and evaluation assets amounting to HK$79,525,907 and HK$22,656,172, respectively, have been recognised in the consolidated income statement.

Higher finance costs were incurred in the financial year as the Group increased its borrowings from third parties (2011: HK$150.0 million; 2010: Nil) and issued additional convertible bonds.

Loss per share

The loss per share increased in 2011 from 2010 as the loss attributable to owners of the Company increased substantially by approximately HK$161.1 million. Kindly refer to the above for the reasons on the substantial increase in the Group's loss.

Liquidity and financial resources

Net current liabilities of the Group stood at approximately HK$480.8 million as at 31 December 2011 (2010: HK$456.5 million). Included in current liabilities were bank loans and finance lease creditors of approximately HK$421.1 million (2010: HK$400.8 million) and convertible bonds of approximately HK$26.2 million (2010: HK$121.8 million) which are payable within one year. The borrowings from Bank Rakyat bears an interest rate of 8.6% per annum as at 31 December 2011 based on floating rate of Bank Rakyat's base financing rate plus 2% per annum. The Group had a gearing ratio of approximately 1.49 (which is calculated on the basis of total finance leases, borrowings and convertible bonds over total equity attributable to owners of the Company) as at 31 December 2011. The gearing ratio was approximately 1.65 as at 31 December 2010.

The Group's bank and cash balances as at 31 December 2011 were approximately HK$28.2 million (2010: HK$44.0 million). The Group's prepayments, deposits and other receivables of approximately HK$21.1 million (2010: HK$65.6 million) are expected to be recovered or recognized as expenses within one year.

The Directors have taken the following actions to mitigate the liquidity issues faced by the Group and the Company:

(i) Successfully negotiated the repayment terms with the unsecured loan holders to defer the full repayment from 13 October 2012 to 1 May 2013 with monthly payment of interest at 18% per annum from October 2012 to May 2013;

(ii) The Group negotiated with its principal banker, Bank Rakyat, a rescheduling of the existing monthly repayment of banking facilities granted to CVMSB. Under the restructured bank loan agreement dated 25 July 2011, the Group is required to repay the bank loans by monthly instalment of RM2,190,758 (equivalent to HK$5,526,914) commencing on or before 2 March 2011 and reducing to RM670,000 (equivalent to HK$1,747,293) commencing in August 2011 for the next 29 months. The Directors will monitor the operations of the Group closely in order to fulfill the covenants for these loans;

(iii) As further explained in Note 15(ii) to the consolidated financial statements, the Group has submitted applications for extensions of certain expired exploration mining permits. At the approval date of the consolidated financial statements, a one year extension for these permits have been granted;

(iv) Subsequent to the end of reporting period, convertible bonds with an aggregate amount of HK$37,000,000 were issued;

(v) The Group is seeking investors or strategic partners for the Group's projects in Indonesia, and

(vi) Explore various opportunities to invest in profitable and cash-rich companies through the issues of non-cash financial instruments. Towards this end, the Group had recently proposed to acquire a manufacturer of bottled mineral water. Kindly refer to the "Outlook" section for more details of this acquisition. The Group hopes to conclude more of such mergers and acquisition exercises in the current year.

The Directors consider that taking into account the above, the cash requirements of the Group for the next twelve months from the end of the reporting period and the Group's ability to attain future profitable operations in CVMSB and all existing banking facilities will be continuously available for the Group's use, the Group and the Company will have sufficient working capital to meet in full their financial obligations as they fall due for the foreseeable future.

Capital expenditure

The carrying value of fixed assets of the Group as at 31 December 2011 had increased by 6% to approximately HK$687.5 million from approximately HK$650.7 million as at 31 December 2010. Approximately 99.6% of the capital expenditure was incurred for the Smelter.

Charge on assets

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

(i) a legal charge over the land and factory building to be erected thereon held by CVMSB;

(ii) assignment of trade receivables;

(iii) a debenture creating fixed and floating legal charge over all present and future assets of CVMSB excluding the performance bonds;

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

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

(vi) an assignment over the existing revenue accounts maintained at Bank Rakyat and monies standing to the credit of the revenue account in favour of the bank, the revenue account shall be operated solely by the bank;

(vii) a first fixed charge/assignment over the retorts of CVMSB;

(viii) an assignment over the insurance policies of the retorts of CVMSB; and

(ix) any other securities as may be advised by the appointed legal counsel.

Human resources

As at 31 December 2011, the Group had a total of approximately 224 employees (2010: 171 employees). Total staff costs (including Directors' emoluments) for the year ended 31 December 2011 were approximately HK$12.4 million (2010: HK$14.9 million). Employees were remunerated based on their performance, experience and industry practice. Bonuses (if paid) are rewarded based on individual staff performance and are in accordance with the Group's overall remuneration policies. The Group's management reviewed the remuneration policies and packages on a regular basis.

Capital commitments and contingent liabilities

As at 31 December 2011, the Group had a total capital commitment of approximately HK$20.1 million (2010: approximately HK$25.0 million).

As at 31 December 2011, the Company has issued corporate guarantees totalling approximately RM184,600,000 (equivalent to HK$452,700,000) (2010: RM300,200,000 (equivalent to HK$757,000,000)) to a bank in respect of bank loan facilities granted to CVMSB.

The maximum liability of the Company as at 31 December 2011 under the corporate guarantees issued is approximately RM171,300,000 (equivalent to HK$420,000,000 (2010: RM160,000,000 (equivalent to HK$404,000,000)).

In addition, as at 31 December 2011, the Company has issued a corporate guarantee totalling RM850,000 (equivalent to HK$2,084,048) (2010: RM850,000 (equivalent to HK$2,144,407)) to a supplier in respect of the purchase of liquefied petroleum gas made by CVMSB.

The Company has also issued corporate guarantees totalling RM1,619,460 (equivalent to HK$3,970,627) (2010: RM1,489,460 (equivalent to HK$3,757,657)) for finance lease creditors in respect of the purchase of motor vehicles and equipment by CVMSB.

The Directors do not consider it probable that any claims will be made against the Company under the above corporate guarantees.

The Company has not recognised any deferred income in respect of the corporate guarantees as its fair value cannot be reliably measured and its transaction price was nil for the years ended 31 December 2011 and 2010.

The Company is committed to enhancing the 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 2011 save as disclosed in this report.

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, the Company confirmed that all Directors have fully complied with the relevant standards stipulated in the Model Code during the year ended 31 December 2011.

BOARD OF DIRECTORS

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

Composition of the Board:

Executive Directors:

Name	Other positions in the Company
Mr. Goh Sin Huat	Executive Chairman Chairman of the Nomination Committee Member of the Remuneration Committee
Mr. Lim Ooi Hong	Group Chief Executive Officer
Mr. Leung Wai Kwan	—

Independent Non-executive Directors:

Name	Other positions in the Company
Ms. Wong Choi Kay	Chairperson of the Audit Committee Chairperson of the Remuneration Committee Member of the Nomination Committee
Mr. Chong Lee Chang	Member of the Audit Committee Member of the Remuneration Committee Member of the Nomination Committee
Mr. Tony Tan	Member of the Audit Committee

The brief biographical details of the Directors are set out under the section "Directors and Senior Management" on pages 26 to 30.

During the year, the Independent Non-executive Directors provided the Group with a wide range of expertise and experience. Their active participation in the Board and committee meetings brought independent judgement on issues relating to the Group's strategy, performance and management process, taking into account the interests of all shareholders of the Company ("Shareholders").

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 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 2011, the Company held ten Board meetings and the attendance record is set out below:

Name	Meeting attendance/ Number of meetings held
Mr. Goh Sin Huat *(Executive Chairman)*	10/10
Mr. Lim Ooi Hong *(Group Chief Executive Officer)*	10/10
Mr. Leung Wai Kwan	10/10
Ms. Wong Choi Kay	9/10
Mr. Chong Lee Chang	8/10
Mr. Tony Tan (appointed on 1 June 2011)	4/4
Mr. Chong Wee Chong (resigned on 30 June 2011)	6/6
Mr. Lam Cheung Shu (resigned on 1 June 2011)	6/6

There are no financial, business, family or other material relationships among members of the Board except that Mr. Goh Sin Huat, the Executive Chairman, is related to Mr. Lim Ooi Hong, the Group Chief Executive Officer, being the father-in-law of Mr. Lim's sister.

Regular Board meetings each year are scheduled in advance to facilitate maximum attendance of Directors. At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting (and so far as practicable for such other Board meetings). Draft minutes of each Board meeting are circulated to all Directors for their comment before being tabled at the following Board meeting for approval. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

According to current Board practice, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by the Board at a duly convened Board meeting. The Articles of Association of the Company also stipulate that save for the exceptions as provided therein, a Director shall abstain from voting and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his associates have a material interest.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management. Directors are continuously updated on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices. In addition, in discharge of Directors' duties, Directors are allowed to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

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 each of the Independent Non-executive Directors to be independent.

Terms of Non-executive Directors:

Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provisions of the memorandum and articles of association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

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

Under the code provision A.2.1 of the Code, the roles of the Chairman and Chief Executive Officer should be separate and performed by different individuals.

The Chairman of the Board, Mr. Goh Sin Huat, is responsible for chairing the Board's meetings and concentrates his efforts on developing the commercialization of the Group's smelter operations in Perak, Malaysia, as well as taking the lead on the Group's general strategic direction. Mr. Lim Ooi Hong, as the Group Chief Executive Officer, focuses on the overall strategy of the Group and its day-to-day operation together with the Executive Chairman.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members namely, Mr. Goh Sin Huat (Executive Chairman), Ms. Wong Choi Kay (Independent Non-executive Director) and Mr. Chong Lee Chang (Independent Non-executive Director). Mr. Goh Sin Huat resigned as the chairman of the Remuneration Committee and Ms. Wong Choi Kay was appointed as the chairperson of the Remuneration Committee with effect from 30 March 2012 respectively.

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 whereby the Board has the final authority to approve the remuneration of directors and senior management, determination of the remuneration packages of each Director and member of the senior management by reference to corporate goals, ensuring that no Directors or any of their associates are involved in deciding their own remuneration packages 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 to the Company and the Company's remuneration policy.

During the year ended 31 December 2011, the Remuneration Committee had held two Remuneration Committee meetings and the attendance record is set out below:

Name	Meeting attendance/ Number of meetings held
Mr. Goh Sin Huat (resigned as Chairman on 30 March 2012)	2/2
Ms. Wong Choi Kay (appointed as Chairperson on 30 March 2012)	2/2
Mr. Chong Lee Chang	2/2

The Remuneration Committee had reviewed the remuneration of the Board during the year ended 31 December 2011, and, having taken into consideration of the current situation of the economy and the results of the Group had recommended to the Board that no adjustments be made to the remuneration of the Board except for the Group Chief Executive Officer and the Group President and no bonus was declared.

The remuneration of the senior management fell within the following bands:

Emolument bands	No. of senior management
HK$300,000 to HK$400,000	1
HK$400,001 to HK$500,000	1

NOMINATION COMMITTEE

The Nomination Committee comprises three members namely, Mr. Goh Sin Huat (Executive Chairman), Ms. Wong Choi Kay (Independent Non-executive Director) and Mr. Chong Lee Chang (Independent Non-executive Director). Mr. Goh acts as the chairman of the Nomination Committee.

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 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. Goh Sin Huat (Executive Chairman) and Mr. Lim Ooi Hong (Group Chief Executive Officer) 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 assessing the:

— integrity, objectivity, and intelligence of the person, with reputations for sound judgement 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 2011, the Nomination Committee had held two Nomination Committee meetings and the attendance record is set out below:

Name	Meeting attendance/ Number of meetings held
Mr. Goh Sin Huat *(Chairman)*	2/2
Ms. Wong Choi Kay	2/2
Mr. Chong Lee Chang	2/2

During the year under review, the Nomination Committee had considered and recommended the appointment of Mr. Lim Ooi Hong as the Group Chief Executive Officer and Mr. Tony Tan as an Independent Non-executive Director and Audit Committee member to the Board for approval.

AUDIT COMMITTEE

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

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 the appointment, re-appointment 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 judgements 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 systems;
- 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 2011, the Audit Committee had held five Audit Committee meetings and the attendance record is set out below:

Name	Meeting attendance/ Number of meetings held
Ms. Wong Choi Kay *(Chairperson)*	5/5
Mr. Chong Lee Chang	5/5
Mr. Tony Tan (appointed on 1 June 2011)	2/2
Mr. Lam Cheung Shu (resigned on 1 June 2011)	3/3

As summarised below, 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 2011.

Auditors' remuneration

For the year ended 31 December 2011, the fees for audit services rendered by Messrs. Baker Tilly Hong Kong Limited were as follows:

Auditors	Fees ('000)
Messrs. Baker Tilly Hong Kong Limited	HK$765

No remuneration was paid to Messrs. Baker Tilly Hong Kong Limited for provision of non-audited related services as Messrs. Baker Tilly Hong Kong Limited 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 2011. The Board has not taken a different view from that of the Audit Committee regarding the selection, resignation or dismissal of the external auditors.

Internal Control System

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

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

- Monitoring mechanisms and management style

  There are periodic meetings of the Board attended by the Directors. The Board Committees and the management of the Company represent the main platform by which the Company's performance and conduct are monitored. The daily operations of business is entrusted to the Executive Chairman, the Group Chief Executive Officer and the management team. Under the purview of the Executive Chairman and the Group 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. The Company's risk management framework is progressively being built up as the operations of the Smelter are rammed up.

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 which is 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 Independent Auditor's Report.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with Shareholders. Information in relation to the Group is disseminated to Shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents together with the latest corporate information and news are also made available on the website of the Company.

The Company's Annual General Meeting ("AGM") is a valuable forum for the Board to communicate directly with the Shareholders. The Chairman actively participates at the AGM and personally chairs the meeting to answer any question to ensure effective communication with the Shareholders. The chairman of the Audit Committee, Remuneration Committee and Nomination Committee or in their absence, another member of the respective committees or failing that their respective duly appointed delegate, are also available to answer questions at the AGM. The chairman of any independent board committee formed as necessary or pursuant to the Listing Rules (or if no such chairman is appointed, at least a member of the independent board committee) will also be available to answer questions at any general meeting of the Shareholders to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

Separate resolutions are proposed at the general meetings for each substantial issue, including the re-election of retiring Directors.

The notice to Shareholders is to be sent in the case of an AGM at least 20 clear business days before the meeting and to be sent at least 10 clear business days before the meeting in the case of all other general meetings. An explanation of the detailed procedures of conducting a poll is provided to the Shareholders at the commencement of the meeting. The Chairman answers questions from Shareholders regarding voting by way of a poll. The poll results are published in the manner prescribed under the requirements of the Listing Rules.

EXECUTIVE DIRECTORS

Mr. Goh Sin Huat

Mr. Goh Sin Huat, aged 63, Malaysian, has been appointed as an Executive Director and Chairman of the Board of Directors (the "Board") and also Chairman of the Nomination Committee and Remuneration Committee with effect from 1 September 2010. Mr. Goh has resigned as the Chairman of the Remuneration Committee but remained as a member with effect from 30 March 2012. His executive role for the Company is developing the commercialization of the Company's magnesium smelting operations in Perak, Malaysia, as well as taking the lead on the Company's general strategic direction.

Mr. Goh graduated from the University of Malaya, Malaysia, with a Bachelor Degree of Arts in 1972. He joined Ho Wah Genting Kintron Sdn Bhd, a wholly-owned subsidiary of Ho Wah Genting Berhad ("HWGB"), a public limited company incorporated under Malaysian law in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), a substantial shareholder of the Company, as a director in 1996. He was then appointed as the chief executive officer/managing director of HWGB on 2 October 2000 and was subsequently promoted to be the group executive chairman on 26 August 2003. He then resigned from HWGB on 1 September 2010.

Mr. Goh has extensive experience in the hotel, leisure, entertainment and gaming industry, the manufacturing of moulded power supply cord sets and cable assemblies and property development. It is anticipated that his extensive and varied business experience will help the Company build its customer base and negotiate and secure critical magnesium sales contracts.

Mr. Goh is related to Mr. Lim Ooi Hong, an Executive Director and Group Chief Executive Officer of the Company, being the father-in-law of Mr. Lim's sister.

Mr. Lim Ooi Hong

Mr. Lim Ooi Hong, aged 35, Malaysian, is an Executive Director and Group Chief Executive Officer of the Company. He joined the Board on 9 November 2007. Mr. Lim graduated from RMIT University with a Bachelor's Degree in Business (Business Administration) in 1998. Mr. Lim's contribution to the development of the Company began from inception, as he was a member of the task force established in February 2004 to develop the magnesium business.

Prior to joining the Company, 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.

As an Executive Director, Mr. Lim is involved in overseeing the operation of the magnesium Smelter situated in Perak, Malaysia. He has also assisted during the construction of the Smelter, overseeing the overall construction and troubleshooting issues during construction.

As the Group Chief Executive Officer, Mr. Lim focuses on the overall strategy of the Group and its day-to-day operation together with the Executive Chairman.

Mr. Lim is related to Dato' Lim Hui Boon (his father), who serves as the Group President of the Company and Mr. Goh Sin Huat, an Executive Director and Chairman of the Board of the Company who is the father-in-law of Mr. Lim's sister.

Mr. Leung Wai Kwan

Mr. Leung Wai Kwan, aged 48, Chinese, has been appointed as an Executive Director and Authorised Representative of the Company with effect from 1 September 2010. Mr. Leung has been the Vice President, Business Development (Asia) of the Company since 1 March 2010. He will continue in a business development role for the Company.

Mr. Leung holds a Bachelor Degree of Business Administration in Finance from The Queen's University of Brighton, United States of America. 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.

Prior to his appointment, he was an executive director of two companies listed on the Main board of the Stock Exchange for more than 7 years until 2004 and 2005 respectively, and has experience in merger and acquisition activities, financial management and corporate compliance.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wong Choi Kay

Ms. Wong Choi Kay, aged 45, Malaysian, has been an Independent Non-executive Director of the Company since 27 December 2007 and the Chairperson of the Audit Committee and Remuneration Committee of the Company since 14 October 2008 and 30 March 2012 respectively. 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, a uranium exploration company which 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 the Company, 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 specialized 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 Stock Exchange 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 Ltd., Strathmore Minerals Corp., Yukon Zinc Corporation, Madison Minerals Ltd., Entrée Gold, Golden Predator Mines Inc. and Crosshair Explorations & Mining Corp.

Mr. Chong Lee Chang

Mr. Chong Lee Chang, aged 53, Malaysian, has been an Independent Non-executive Director of the Company since 27 December 2007. He graduated with a BA (honours) degree in law from the Manchester Metropolitan University 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 practising certificate to practise law in Malaysia. Mr. Chong has more than 25 years of experience in legal practice in Malaysia.

Mr. Chong is the founding and 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. Mr. Chong was appointed as an independent non-executive director of EITA Resources Berhad, a public company listed on the Bursa Malaysia on 9 April 2012. He was a director of Midwest Corporation Limited since May 2005, a company listed on the Australian Stock Exchange, whose main businesses 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 a non-executive director of Bingo Group Holdings Limited (Stock Code: 8220) since 31 March 2009, a company listed on the GEM board of the Stock Exchange. On 25 June 2010, Mr. Chong was appointed as an independent non-executive director of Agritrade Resources Limited (Stock Code: 1131), a company listed on the Main board of the Stock Exchange.

Mr. Chong is also the managing director of Guangxi Xin Wei Hotel Management Co., Ltd（廣西鑫偉酒店管理有限公司）, a private foreign investment company in the PRC which owns the Naning Marriott Hotel（南寧鑫偉萬豪酒店）.

Mr. Tony Tan

Mr. Tony Tan, aged 61, Malaysian, has been appointed as an Independent Non-executive Director and a member of the audit committee of the Company since 1 June 2011. Mr. Tan graduated from the University of Tasmania, Australia with a Bachelor of Arts Degree majoring in Political Science and Administration and then read law at Lincoln's Inn England. He was called to the English Bar 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 the founding partner of the legal firm, Messrs N.K. Tan & Rahim. He has 31 years of experience in commercial law and is well-versed in conveyancing, litigation and general law.

Mr. Tan was an Independent Non-executive Director and the chairman of the Board of the Company from 9 November 2007 until 1 September 2010. He also served as the chairman of the nomination committee, chairman of the remuneration committee and member of the audit committee of the Company until his resignation from the Board on 1 September 2010.

Mr. Tan has served first as a non-executive director and then as an executive director of Antah Holdings Berhad, a public company listed on the Main Market of the Bursa Malaysia from 14 July 1999 until 30 August 2001.

Mr. Tan was also an independent non-executive director of HWGB from 4 July 2001 until 12 December 2007. He was re-appointed as an independent non-executive director to the board of HWGB on 1 September 2010 and resumed the position of chairman on the same date. He was re-designated as deputy chairman with effect from 10 January 2011. He is also a member of the audit committee, the chairman of nomination and remuneration committees of HWGB. He was re-designated as chairman of HWGB on 14 June 2011.

He is also an independent non-executive director of APFT Berhad, a public company listed on the Main Market of the Bursa Malaysia since 6 December 2010. He was appointed as a member of the audit committee and chairman of the nomination committee of APFT Berhad on 15 December 2010.

Mr. Tan was appointed as an independent non-executive director of Connectcounty Holdings Berhad, a public company listed on the ACE Market of Bursa Malaysia on 1 November 2011 and also as a member of its Audit Committee on 18 November 2011.

SENIOR MANAGEMENT

Dato' Lim Hui Boon

Dato' Lim Hui Boon, aged 60, Malaysian, founder of HWGB, is the Company's Group President. He joined the Company in November 2009.

Since 2006, Dato' Lim has been involved in various aspects of the mining industry, particularly on trading, manufacturing and 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 invaluable 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 property 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. Due to his many years of business endeavours, he has close ties with the Malaysian government authority bodies.

Dato' Lim is the father of Mr. Lim Ooi Hong, an Executive Director and the Group Chief Executive Officer of the Company.

Mr. Wong Keet Loy

Mr. Wong Keet Loy, aged 47, Malaysian, Chief Financial Officer, joined the Company since March 2010. He is a Fellow member of the Association of Chartered Certified Accountants, United Kingdom and a Chartered Accountant of the Malaysian Institute of Accountants. He holds a Diploma in Commerce (Financial Accounting).

He has over 20 years of experience in finance, corporate finance, banking and accounting in various industries.

Prior to joining the Company, Mr. Wong was the Chief Financial Officer of a United States of America owned timber plantation and manufacturing company. He has also been a Group Financial Controller in an engineering company as well as in a property development company during the course of his career. Both these companies are listed on the Main Market of Bursa Malaysia.

REPORT OF THE DIRECTORS

The Directors hereby present their report together with the audited financial statements of the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 17 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 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 2011 (2010: Nil). Accordingly, there will be no closure of the register of members of the Company and the annual general meeting of the Company will be held on 1 June 2012.

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of the Group for the year ended 31 December 2011 amounted to HK$79,014,802 (2010: HK$122,798,533).

Details of the movements in property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

GROUP PROPERTIES

The Company had valued its lease land, for the purpose of listing, on 31 August 2008. The land was valued at RM68,000,000, approximately HK$153,672,316 (exchange rate is based on the date of the Prospectus). For more details please refer to page III-4 of the Prospectus. As at 31 December 2011, the cost of the land was HK$14,414,488, as set out in note 13 to the financial statements.

	Value amount at HK$153.7 million	Value at cost HK$14.4 million	Additional Depreciation
Depreciation for year 2011	HK$0.61 million	HK$0.14 million	HK$0.47 million

MAJOR PROPERTIES HELD FOR DEVELOPMENT AS AT 31 DECEMBER 2011

Location	Intended use	Development progress	Expected date of completion	Total site area (sq.m.)	Gross floor area (sq.m.)	Group's interest (%)
Lot PT 14133, Kamunting Raya Industrial Estate, Phase III, Mukim Assam Kumbang 34000 Taiping, State of Perak, Malaysia	Magnesium smelting plant	Phase 1 100%	In or about February 2011		49,372.90	100
		Phase 2 0%	Not yet commenced		22,013.50	100
				263,046	71,386.40	

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 29(b) to the financial statements.

INTEREST CAPITALISED

No interest on bank loans have been capitalised for the year ended 31 December 2011 (2010: HK$14,293,224).

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 29(a) to the financial statements respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2011, calculated under section 79B of the Hong Kong Companies Ordinance, were represented by accumulated losses of HK$500,788,592 (2010: HK$34,126,173).

DIRECTORS

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

Executive Directors

Mr. Goh Sin Huat *(Executive Chairman)*
Mr. Lim Ooi Hong *(Group Chief Executive Officer)*
Mr. Leung Wai Kwan
Mr. Chong Wee Chong (resigned on 30 June 2011)

Independent Non-executive Directors

Ms. Wong Choi Kay
Mr. Chong Lee Chang
Mr. Tony Tan (appointed on 1 June 2011)
Mr. Lam Cheung Shu (resigned on 1 June 2011)

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. Goh Sin Huat and Mr. Lim Ooi Hong 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 subsidiaries 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 36 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 subsidiaries, 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.

CONTROLLING SHAREHOLDER

HWGB, the largest shareholder of the Company, has ceased to be the controlling shareholder under the definition of the Listing Rules during the year ended 31 December 2011. In view thereof, HWGB's annual confirmation of its compliance with the non-competition undertaking was not required.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2011, the Group had a total of approximately 215 employees (2010: 171 employees). Total staff costs (including Directors' emoluments), incurred for the year ended 31 December 2011 amounted to approximately HK$12.4 million (2010: HK$14.9 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.

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 subsidiaries), 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 issued shares of the Company, being 417,768,055 shares. The total number of shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12- month period granted to each grantee must not exceed 1% of the shares of the Company in issue, such further grant shall be subject to separate approval by the Shareholders in general meeting with the relevant grantee and his associates abstaining from voting.

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

For the year ended 31 December 2011, 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 2011, the interests and short positions of the Directors or Chief Executive of the Company 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")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in the shares:-

	Nature of interest		Total	Approximate
Name of director	Beneficial owner	Interest of spouse	Number of shares	percentage of shareholding
Leung Wai Kwan	2,900,000	13,298,000	16,198,000	0.46%

At no time during the year ended 31 December 2011 was the Company or its subsidiaries 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 subsidiaries.

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

As at 31 December 2011, 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	Number of shares directly or indirectly held	Approximate percentage of shareholding	Note
HWGB	744,150,000	21.15%	1
Silver Rhythm Sdn. Bhd.	502,047,188	14.27%	2
Teoh Tek Siong	507,047,188	14.41%	3,4
Tan Heng Peow	502,047,188	14.27%	3

Notes:

1. HWGB is a public limited company incorporated under Malaysian law in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

2. Silver Rhythm Sdn. Bhd. is a private company incorporated under Malaysian law in Malaysia.

3. Teoh Tek Siong and Tan Heng Peow own 50% interest in the issued share capital of Silver Rhythm Sdn. Bhd. respectively and are therefore deemed to be interested in the Shares in which Silver Rhythm Sdn. Bhd. is interested in.

4. This represents the personal interests (held as beneficial owner) in 5,000,000 shares and Silver Rhythm Sdn. Bhd. in 502,047,188 Shares of the Company.

5. All interests stated above represent long positions.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor its subsidiaries 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 the issue of this report.

MAJOR CUSTOMERS AND SUPPLIERS

As at 31 December 2011, the proportion of purchases and sales from major suppliers and major customers of the Group to the total purchases and sales, respectively, are as follows:

Purchases

The total purchases from the largest supplier and five largest suppliers of the Group represent 38.7% and 96.2% of the total purchases respectively. All transactions between the Group and its suppliers were conducted on normal commercial terms.

Sales

The total sales from the largest customer and five largest customers of the Group represent 56.3% and 98.7% of the total sales value respectively. All transactions between the Group and its customers were conducted on normal commercial terms.

During the year, to the best of the Directors' knowledge, none of the Directors, senior management or their respective associates or any shareholders of the Company who holds more than 5% of the issued share capital of the Company had any interest in the five largest customers or the five largest suppliers of the Group.

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.

NON-ADJUSTING AFTER THE REPORTING PERIOD EVENTS

Acquisition of a subsidiary

To diversify the Group's business from its mining business, on 12 January 2012, an agreement (the "Agreement") was entered into between Nice Tone Enterprises Ltd. ("Nice Tone"), a wholly-owned subsidiary of the Company, vendors (Voice Key Group Limited ("Voice Key"), Chinacorp International Consultants Limited and Champion Tone Development Limited) and guarantors (Chu Yuk Lung, Au Yu Siu and Tan Chee Chuan), pursuant to which Nice Tone has conditionally agreed to purchase and the vendors have conditionally agreed to sell 51% of the issued share capital of Victory Dragon Holdings Limited ("Victory Dragon"), the holding company of 龍川升龍礦泉有限公司 (Long Chuan Shen Long Mineral Water Co., Limited) ("Shen Long") for the consideration of HK$200,000,000, which shall be satisfied by the payment of deposit in the sum of HK$10,000,000 to Voice Key upon signing the Agreement, by the issue of convertible bonds with monetary value of HK$106,840,000 to Voice Key, and by the issue of ordinary shares of the Company with monetary value of HK$83,160,000 to the vendors.

Victory Dragon is principally engaged in investment holding. Victory Dragon is the sole beneficial owner of the entire registered and paid up capital of Shen Long. Shen Long is principally engaged in the business of manufacturing and distributing bottled natural mineral water in the People's Republic of China ("PRC"). Shen Long has a well established factory for manufacturing bottled natural mineral water in the PRC and holds relevant valid mining licences/approvals for natural mineral water.

Please refer to the Company's announcement dated 12 January 2012 and the Company's circular dated 23 March 2012 for further details.

Drawdown of convertible bonds

On 10 January 2012, 5 March 2012 and 23 March 2012, convertible bonds were issued with maturity date on the third anniversary of the date of issue for the principal amount of HK$10,000,000, HK$10,000,000 and HK$17,000,000 respectively. The convertible bonds bear interest at 10% p.a. payable annually and are unsecured.

CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 36 to the 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 2011 were for the following purposes:

- Renting of office premises for operations by CVMSB from HWGB
- On demand purchase of air tickets from HWGP, an associate of HWGB in which HWGB has 40% equity interest
- Maintenance 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 favourable 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 2011 have been audited by Baker Tilly Hong Kong Limited. A resolution will be submitted at the current AGM of the Company to re-appoint Baker Tilly Hong Kong Limited as auditors of the Company.

On behalf of the Board

CVM Minerals Limited
Goh Sin Huat
Executive Chairman

Kuala Lumpur, Malaysia, 30 March 2012

Independent auditor's report 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") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 142, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 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.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong,
Lo Wing See
Practising certificate number P04607

30 March 2012

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 HK$	2010 HK$
Turnover	4	**11,185,489**	8,497,324
Cost of sales		**(28,357,777)**	(16,339,278)
Gross loss		**(17,172,288)**	(7,841,954)
Other revenue	5	**7,263,140**	1,600,161
Other net income	6	**407,254**	437,913
Selling and distribution expenses		**(367,243)**	(206,770)
Administrative expenses		**(38,234,753)**	(32,945,394)
Loss from operations		**(48,103,890)**	(38,956,044)
Finance costs	7(a)	**(62,561,975)**	(7,457,972)
Other operating expenses	7(c)	**(102,182,079)**	—
Loss before taxation	7	**(212,847,944)**	(46,414,016)
Income tax	8	**—**	(4,132)
Loss for the year		**(212,847,944)**	(46,418,148)
Attributable to:			
Owners of the Company		**(207,377,657)**	(46,315,021)
Non-controlling interests		**(5,470,287)**	(103,127)
Loss for the year		**(212,847,944)**	(46,418,148)
Loss per share	11		
Basic		**(6.32 cents)**	(2.13 cents)
Diluted		**N/A**	N/A

The notes on pages 51 to 142 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

(Expressed in Hong Kong dollars)

	2011 HK$	2010 HK$ (Restated)
Loss for the year	**(212,847,944)**	(46,418,148)
Other comprehensive (loss)/income for the year		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	**(11,227,738)**	24,397,688
Total comprehensive loss for the year	**(224,075,682)**	(22,020,460)
Attributable to:		
Owners of the Company	**(218,644,199)**	(21,917,083)
Non-controlling interests	**(5,431,483)**	(103,377)
Total comprehensive loss for the year	**(224,075,682)**	(22,020,460)

The notes on pages 51 to 142 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 HK$	2010 HK$ (Restated)	2009 HK$ (Restated)
Non-current assets				
Property, plant and equipment	13(a)			
– Property, plant and equipment		**673,894,736**	636,628,871	461,465,543
– Interest in leasehold land held for own use under operating lease		**13,580,986**	14,120,778	12,799,191
Goodwill	14	**220,209,759**	79,525,907	—
Exploration and evaluation assets	15	**84,374,090**	108,052,441	3,683,359
Mining deposit	16	**220,664**	227,055	203,692
		992,280,235	838,555,052	478,151,785
Current assets				
Inventories	18	**39,741,240**	4,653,186	235,156
Trade receivables	19	**—**	8,795,408	—
Prepayments, deposits and other receivables	20	**26,089,992**	67,995,495	6,672,225
Pledged deposit	21	**48,338**	3,811,658	3,352,704
Cash at bank and in hand		**28,194,751**	44,039,009	4,155,067
		94,074,321	129,294,756	14,415,152
Current liabilities				
Trade and other payables	22	**26,878,722**	62,147,931	4,717,040
Obligations under finance leases	23(a)	**1,138,117**	907,296	86,629
Amounts due to related parties	24	**660,969**	1,087,093	7,092,930
Amount due to a director		**—**	—	3,005,549
Derivative component of convertible bonds	25	**—**	5,421,106	—
Convertible bonds	25	**26,159,373**	116,380,749	—
Bank loans - secured	26	**419,997,065**	399,873,440	357,757,920
Unsecured loans from third parties	27	**100,000,000**	—	—
		574,834,246	585,817,615	372,660,068
Net current liabilities		**(480,759,925)**	(456,522,859)	(358,244,916)
Total assets less current liabilities		**511,520,310**	382,032,193	119,906,869

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 HK$	2010 HK$ (Restated)	2009 HK$ (Restated)
Non-current liabilities				
Obligations under finance leases	23(a)	**2,924,904**	3,196,685	516,186
Unsecured loan from a third party	27	**50,000,000**	—	—
Deferred tax liabilities	28	**16,649,071**	16,649,071	—
		69,573,975	19,845,756	516,186
Net assets		**441,946,335**	362,186,437	119,390,683
Capital and reserves	29			
Share capital		**87,942,014**	62,988,889	45,100,000
Reserves		**315,786,738**	255,891,251	74,290,683
Total equity attributable to owners of the Company		**403,728,752**	318,880,140	119,390,683
Non-controlling interests		**38,217,583**	43,306,297	—
Total equity		**441,946,335**	362,186,437	119,390,683

Approved and authorised for issue by the board of directors on 30 March 2012.

Lim Ooi Hong	Leung Wai Kwan
Director	*Director*

The notes on pages 51 to 142 form part of the consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

at 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 HK$	2010 HK$
Non-current assets			
Property, plant and equipment	13(b)	**957,992**	145,847
Investments in subsidiaries	17	**328,872,776**	437,032,383
		329,830,768	437,178,230
Current assets			
Prepayments, deposits and other receivables	20	**6,319,323**	4,328,727
Pledged deposits	21	**—**	3,784,248
Cash at bank and in hand		**19,640,985**	12,912,192
		25,960,308	21,025,167
Current liabilities			
Other payables and accrued expenses	22	**7,639,407**	2,005,763
Obligations under finance leases	23(b)	**163,077**	—
Derivative component of convertible bonds	25	**—**	5,421,106
Convertible bonds	25	**26,159,373**	116,380,749
Unsecured loans from third parties	27	**100,000,000**	—
		133,961,857	123,807,618
Net current liabilities		**(108,001,549)**	(102,782,451)
Total assets less current liabilities		**221,829,219**	334,395,779

STATEMENT OF FINANCIAL POSITION

at 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 HK$	2010 HK$
Non-current liabilities			
Obligations under finance leases	23(b)	603,048	—
Unsecured loan from a third party	27	50,000,000	—
		50,603,048	—
Net assets		171,226,171	334,395,779
Capital and reserves	29		
Share capital		87,942,014	62,988,889
Reserves		83,284,157	271,406,890
Total equity		171,226,171	334,395,779

Approved and authorised for issue by the board of directors on 30 March 2012.

Lim Ooi Hong
Director

Leung Wai Kwan
Director

The notes on pages 51 to 142 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

(Expressed in Hong Kong dollars)

	Note	Attributable to owners of the Company									
		Share capital	Share premium	Exchange reserve	Capital reserve	Convertible bond equity reserve	Other reserve	Accumulated losses	Total	Non-controlling interests	Total equity
		HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
			(Note 29 (d)(ii))	(Note 29 (d)(iii))	(Note 29 (d)(i))	(Note 29 (d)(iv))	(Note 29 (d)(v))				
At 1 January 2009 (as restated)		45,100,000	68,090,412	3,814,315	–	–	30,856,527	(15,493,278)	132,367,976	–	132,367,976
Changes in equity for 2009:											
Total comprehensive loss for the year		–	–	1,126,698	–	–	–	(14,103,991)	(12,977,293)	–	(12,977,293)
At 31 December 2009 (as restated)		45,100,000	68,090,412	4,941,013	–	–	30,856,527	(29,597,269)	119,390,683	–	119,390,683
At 1 January 2010 (as restated)		45,100,000	68,090,412	4,941,013	–	–	30,856,527	(29,597,269)	119,390,683	–	119,390,683
Changes in equity for 2010:											
Total comprehensive loss for the year		–	–	24,397,938	–	–	–	(46,315,021)	(21,917,083))	(103,377)	(22,020,460)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	43,409,674	43,409,674
Shares issued pursuant to a share placing	29(b)	9,000,000	116,996,696	–	–	–	–	–	125,996,696	–	125,996,696
Shares issued pursuant to an acquisition	29(b)	8,888,889	86,520,955	–	–	–	–	–	95,409,844	–	95,409,844
At 31 December 2010 (as restated)		62,988,889	271,608,063	29,338,951	–	–	30,856,527	(75,912,290)	318,880,140	43,306,297	362,186,437
At 1 January 2011(as restated)		62,988,889	271,608,063	29,338,951	–	–	30,856,527	(75,912,290)	318,880,140	43,306,297	362,186,437
Changes in equity for 2011:											
Total comprehensive loss for the year		–	–	(11,266,542)	–	–	–	(207,377,657)	(218,644,199)	(5,431,483)	(224,075,682)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	(205,687)	(205,687)
Shares issued pursuant to a share placing	29(b)	8,500,000	67,082,000	–	–	–	–	–	75,582,000	–	75,582,000
Shares issued pursuant to an acquisition	29(b)	16,328,125	192,671,875	–	–	–	–	–	209,000,000	–	209,000,000
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	548,456	548,456
Warrants issued pursuant to the warrant placing	29(c)	–	–	–	1,363,136	–	–	–	1,363,136	–	1,363,136
Conversion of warrants to shares	29(b)	125,000	1,250,000	–	(25,000)	–	–	–	1,350,000	–	1,350,000
Equity component of convertible bonds	25(b)	–	–	–	–	16,197,675	–	–	16,197,675	–	16,197,675
At 31 December 2011		87,942,014	532,611,938	18,072,409	1,338,136	16,197,675	30,856,527	(283,289,947)	403,728,752	38,217,583	441,946,335

The notes on pages 51 to 142 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 HK$	2010 HK$
Operating activities			
Loss before taxation		**(212,847,944)**	(46,414,016)
Adjustments for:			
– Amortisation of exploration and evaluation assets	7(d)	**207,108**	196,498
– Amortisation of interest in leasehold land held for own use under operating lease	7(d)	**147,753**	140,182
– Depreciation	7(d)	**24,685,791**	429,616
– Exploration and evaluation assets written off	7(d)	**919,646**	—
– Fair value gain on convertible bonds	5	**—**	(397,565)
– Finance costs	7(a)	**62,561,975**	7,457,972
– Foreign exchange (gains)/losses		**(691,815)**	11,288,732
– Gain on repayment of convertible bonds	5	**(6,871,105)**	—
– Interest income	5	**(338,407)**	(276,326)
– Impairment of goodwill	7(c)	**79,525,907**	—
– Impairment of exploration and evaluation assets	7(c)	**22,656,172**	—
– Net gain on disposal of property, plant and equipment	5	**(53,628)**	(4,025)
– Write down of inventories	18(b)	**11,534,063**	—
Operating loss before changes in working capital		**(18,564,484)**	(27,578,932)
Increase in inventories		**(46,622,117)**	(4,391,058)
Decrease/(increase) in trade receivables		**8,547,844**	(8,795,408)
Decrease/(increase) in prepayments, deposits and other receivables		**10,137,317**	(60,291,053)
(Decrease)/increase in trade and other payables		**(6,946,195)**	54,044,980
Decrease in amounts due to related parties		**(395,526)**	(6,819,382)
Decrease in amount due to a director		**—**	(3,265,138)
Cash used in operating activities		**(53,843,161)**	(57,095,991)
Tax paid		**—**	(4,132)
Net cash used in operating activities		**(53,843,161)**	(57,100,123)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 HK$	2010 HK$
Investing activities			
Acquisition of subsidiaries, net of cash acquired	31	**(10,987,355)**	(23,925,273)
Additions of exploration and evaluation assets	15	**—**	(946,032)
Decrease/(increase) in pledged deposit		**3,762,548**	(27,410)
Decrease in advance payment to a contractor		**30,195,364**	—
Decrease in payables for construction in progress		**(38,860,815)**	—
Payment for purchase of property, plant and equipment		**(79,017,621)**	(108,505,309)
Proceeds from disposal of property, plant and equipment		**153,950**	100,914
Interest received		**338,407**	276,326
Net cash used in investing activities		**(94,415,522)**	(133,026,784)
Financing activities			
Capital element of finance lease rentals paid		**(1,093,751)**	(448,206)
Capital injection from non-controlling interests		**548,456**	—
Proceeds from the issue of shares, net of expenses incurred	29(b)	**75,582,000**	125,406,540
Proceeds from the issue of warrants	29(c)	**1,363,136**	—
Proceeds from conversion of warrants to shares	29(b)	**1,350,000**	—
Proceeds from bank loans, net of transaction costs		**45,456,432**	—
Proceeds from finance lease obligations	34	**1,177,184**	3,886,321
Proceeds from the issue of convertible bonds, net of expenses incurred		**41,925,000**	116,000,000
Proceeds from unsecured loans from third parties	27	**50,000,000**	—
Increase in amount due from a related party		**(4,651)**	—
Interest on finance lease rentals paid		**(257,688)**	(137,111)
Interest paid		**(37,929,942)**	(14,223,355)
Repayment of bank loans		**(30,576,568)**	—
Repayment of convertible bonds	25(a)	**(16,000,000)**	—
Net cash generated from financing activities		**131,539,608**	230,484,189
Net (decrease)/increase in cash and cash equivalents		**(16,719,075)**	40,357,282
Cash and cash equivalents at beginning of the year		**44,039,009**	4,155,067
Effect of foreign exchange rate changes		**874,817**	(473,340)
Cash and cash equivalents at end of the year		**28,194,751**	44,039,009

The notes on pages 51 to 142 form part of the consolidated financial statements.

1 COMPANY INFORMATION

CVM Minerals Limited (the "Company") is a company incorporated and domiciled in Hong Kong. The address of its registered office is Suite 5103A, 51/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. The address of its principal place of business is 3/F., Wisma Ho Wah Genting, No. 35, Jalan Maharajalela, 50150 Kuala Lumpur, Malaysia. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group"). The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 17 to the consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated 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 and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange ("Listing Rules").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 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 and the Company for the current and prior accounting periods reflected in the consolidated financial statements.

A summary of the significant accounting policies adopted by the Group and the Company is set out below.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional currency.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that derivative component of convertible bonds which is carried at its fair value.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

The preparation of consolidated 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, 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 consolidated financial statements and major sources of estimation uncertainty are discussed in Note 38.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group and the Company in light of the fact that:

(i) The Group incurred a loss for the year attributable to owners of the Company of HK$207,377,657 (2010: HK$46,315,021) for the year ended 31 December 2011 and, as of that date, the Group's current liabilities exceeded its current assets by HK$480,759,925 (2010: HK$456,522,859), the Company's current liabilities exceeded its current assets by HK$108,001,549 (2010: HK$102,782,451);

(ii) Included in current liabilities in the consolidated financial statements are unsecured loans from third parties of HK$100,000,000 (2010: Nil) which are scheduled for repayment in October 2012;

(iii) A secured bank loan of HK$419,997,065 (2010: HK$399,873,440) will be due immediately if the Group is unable to fulfill the covenants set out in the facilities agreement; and

(iv) As explained in Note 15(ii) to the consolidated financial statements, exploration mining permits of manganese and iron ore expired in the year. The operations and future profitability of the Group might be affected by expiration of the permits.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

The directors of the Company have taken the following actions to mitigate the liquidity issues faced by the Group and the Company:

(i) The unsecured loan holders have agreed to extend the repayment date by six months and eighteen days, i.e. the loans will be due in May 2013;

(ii) The Group negotiated with its principal banker, Bank Kerjasama Rakyat Malaysia Berhad ("Bank Rakyat") a rescheduling of the existing monthly repayment of banking facilities granted to its wholly-owned subsidiary, CVM Magnesium Sdn. Bhd. ("CVMSB"). Under the restructured bank loan agreement dated 25 July 2011, the Group is required to repay the bank loans by monthly instalment of RM2,190,758 (equivalent to HK$5,526,914) commencing on or before 2 March 2011 and reducing to RM670,000 (equivalent to HK$1,747,293) commencing in August 2011 for the next 29 months. The directors of the Company will monitor the operations of the Group closely in order to fulfill the covenants for these loans;

(iii) As further explained in Note 15(ii) to the consolidated financial statements, the Group has submitted applications for extensions of certain expired exploration mining permits. At the approval date of the consolidated financial statements, one year extension for these permits have been granted;

(iv) Subsequent to the end of reporting period, convertible bonds with an aggregate amount of HK$37,000,000 were issued; and

(v) The Group is seeking investors or strategic partners for the Group's projects in Indonesia.

The directors of the Company consider that taking into account the above, the cash requirements of the Group for the next twelve months from the end of the reporting period and the Group's ability to attain future profitable operations in CVMSB and all existing banking facilities will be continuously available for the Group's use, the Group and the Company will have sufficient working capital to meet in full their financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of all assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, 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.

Investments in subsidiaries are 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.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed on any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(h)(iii)).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Business combination and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 (revised 2008), Business combinations, are recognised at their fair values, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12, Income Taxes and HKAS 19, Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with HKFRS 2, Shared-based payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5, Non-current assets held for sale and discontinued operations are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the Group also recognises additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends when the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Business combination and goodwill *(continued)*

The measurement period is the period after the acquisition date during which the Group may adjust the provisional amounts recognised for a business combination. The measurement period provides the Group with a reasonable time to obtain the information necessary to identify and measure the following as of the acquisition date:

(a) the identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree;

(b) the consideration transferred for the acquiree (or the other amount used in measuring goodwill); and

(c) the resulting goodwill or gain on a bargain purchase.

During the measurement period, the Group recognises adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. Thus, the Group will revise the comparative information for prior periods presented in financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(h)(iii)).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(h)(iii)).

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 2(u)).

Construction in progress represents property, plant and equipment under construction and equipment pending installation and is stated at cost less impairment losses (see Note 2(h)(iii)). 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.

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

— Buildings	10 - 50 years
— Plant and machinery	25 years
— Motor vehicles	5-10 years
— Furniture and fittings	10 years
— Office equipment	10 years
— Computer equipment	3 years
— Retorts	25 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.

Depreciation method, useful life of an asset and its residual value, if any, are reviewed annually and adjusted if appropriate.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment 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 2(e). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(h)(iii). 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.

(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.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Exploration and evaluation assets

(i) Exploration and evaluation assets

Exploration and evaluation assets comprise 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 prefeasibility 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 profit or loss. Capitalised exploration and evaluation expenditures are stated in the statement of financial position at cost less accumulated amortisation and impairment losses (see Note 2(h)(ii)).

Upon the commencement of quarrying activities, the capitalised exploration and evaluation expenditure is amortised using the straight line method over its estimated useful life of 20 years. Both the useful life of an asset and amortisation method are reviewed annually.

(ii) Exploration mining permits acquired in business combination

Exploration mining permits acquired in a business combination and recognised separately from goodwill are initially recognised at fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, exploration mining permits are stated at cost less accumulated amortisation and impairment losses. Exploration mining permits are amortised on a unit-of-production basis. The units of the exploration mining permits are reviewed annually in accordance with the production plans of the Group and the proved and probable reserves (see the accounting policy in respect of impairment losses of exploration and evaluation assets (Note 2(h)(ii))).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Impairment of assets

(i) Impairment of receivables

Receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period 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 a default or delinquency in interest or principal payments;

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

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

If any such evidence exists, any impairment loss is determined and recognised 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 these financial assets carried at amortised cost 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 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 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Impairment of assets *(continued)*

(ii) Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment whenever one of the following events or changes in circumstances indicates that the carrying amount may not be recoverable:

— the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

— substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

— exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or

— sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

(iii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, 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;

— investments in subsidiaries; and

— goodwill.

If any such indication exists, the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Impairment of assets *(continued)*

(iii) Impairment of other assets (continued)

— 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 the 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 if 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 first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) 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.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 2(h)(i)), 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, if any.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Convertible bonds

(i) Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity. The equity component is recognised in equity, net of any tax effects.

If the bond is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the capital reserve is released directly to accumulated losses.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Convertible bonds *(continued)*

(ii) Convertible bonds that do not contain an equity component

All other convertible bonds which do not exhibit the characteristics mentioned in (i) above are accounted for as follows:

At initial recognition the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments (see Note 2(l)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible bond are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with Note 2(l). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the bond is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(l) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(m) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Trade and other payables

Trade and 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 using the effective interest method.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and deposits with banks 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.

(p) Employee benefits

(i) 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.

Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and contributions to the retirement schemes operated by the relevant authority for employees of the subsidiaries in the Malaysia are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(ii) Termination benefits and share-based payments

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Share-based payments (the Group may issue equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) 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 they relate to business combinations or 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 end of the reporting period, 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.

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 goodwill not deductible for tax purposes, 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 investments in subsidiaries 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 end of the reporting period. Deferred tax assets and liabilities are not discounted.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Income tax *(continued)*

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits 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.

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 the Company or 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 Company or 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.

(r) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognised in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the relevant exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the relevant exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are translated using the foreign exchange rates ruling at the transaction dates.

The results of relevant operations in other jurisdictions are translated into HK$ at the exchange rates approximating the relevant exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into HK$ at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve.

(u) 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 completed.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(I) has control or joint control over the Group;

(II) has significant influence over the Group; or

(III) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(I) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(II) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(III) Both entities are joint ventures of the same third party.

(IV) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(V) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(VI) The entity is controlled or jointly controlled by a person identified in (i).

(VII) A person identified in (i)(I) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Segment reporting

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

Individual 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 material, may be aggregated if they share a majority of these criteria.

3 CHANGES IN ACCOUNTING POLICIES

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

- HKAS 24 (revised 2009), Related party disclosures
- Improvements to HKFRSs (2010)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. (See Note 39)

HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

Improvements to HKFRSs (2010) omnibus standard introduced a number of amendments to the disclosure requirements in HKFRS 7, Financial instruments: Disclosures. The disclosures about the Group's consolidated financial instruments in Note 32 have conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the consolidated financial statements in the current and previous periods.

(Expressed in Hong Kong dollars)

4 TURNOVER

Turnover represents the sales value of magnesium ingots supplied to customers.

5 OTHER REVENUE

	2011	2010
	HK$	HK$
Fair value gain on derivative component of convertible bonds	—	397,565
Gain on repayment of convertible bonds (Note 25(a))	6,871,105	—
Government grant (Note)	—	908,770
Interest income	338,407	276,326
Net gain on disposal of property, plant and equipment	53,628	4,025
Rental income	—	13,475
	7,263,140	1,600,161

Note: Government grant represented a grant received in respect of training expenses incurred by the Group for workers, who are Malaysian citizens, in Malaysia. The grant was provided by the Malaysian Industrial Development Authority, which is an agency under the Federal Ministry of International Trade and Industry of Malaysia. There were no unfulfilled conditions or other contingencies attached to the receipt of this grant.

6 OTHER NET INCOME

	2011	2010
	HK$	HK$
Net foreign exchange gains	407,254	437,913

(Expressed in Hong Kong dollars)

7 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs:

	2011 HK$	2010 HK$
Interest on bank loans *:		
– wholly repayable within 5 years	7,428,912	8,033,028
– wholly repayable after 5 years	25,924,235	2,364,688
	33,353,147	10,397,716
Interest on convertible bonds	18,901,298	6,199,420
Interest on unsecured loans from third parties wholly repayable within 5 years	6,374,083	—
Amortisation of loan transaction costs	457,410	347,104
Finance charges on obligations under finance leases	257,688	137,111
Other borrowing costs	1,757,932	4,669,845
Interest on the late repayment of convertible bonds	1,460,417	—
Less: Finance costs capitalised into construction in progress **	—	(14,293,224)
	29,208,828	(2,939,744)
	62,561,975	7,457,972

* The analysis of the finance costs on bank loans, including terms loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayment dates set out in the loan agreements. For the years ended 31 December 2011 and 2010, the interest on bank loans which contain a repayment on demand clause amounted to HK$33,353,147 and HK$10,397,716, respectively.

** No interests on bank loans have been capitalised (2010: 7.6% p.a. - 8.3% p.a.) for the year ended 31 December 2011.

(Expressed in Hong Kong dollars)

7 LOSS BEFORE TAXATION *(continued)*

(b) Staff costs (including directors' remuneration (Note 9):

	2011 HK$	2010 HK$
Salaries, wages, bonuses and other benefits	11,703,433	13,983,808
Contributions to defined contribution retirement plan	692,912	957,190
	12,396,345	14,940,998

(c) Other operating expenses

	2011 HK$	2010 HK$
Impairment of exploration and evaluation assets	22,656,172	—
Impairment of goodwill	79,525,907	—
	102,182,079	—

(d) Other items:

	2011 HK$	2010 HK$
Amortisation of exploration and evaluation assets	207,108	196,498
Amortisation of interest in leasehold land held for own use under operating lease	147,753	140,182
Auditors' remuneration	934,397	724,024
Cost of inventories sold (Note 18(b))	28,357,777	16,339,278
Depreciation	24,685,791	429,616
Exploration and evaluation assets written off	919,646	—
Operating lease charges in respect of:		
– equipment and machinery	—	154,579
– office equipment	53,350	39,949
– office premises	1,195,384	1,126,474
– staff housing	22,907	15,986

The cost of inventories sold includes HK$25,958,363 (2010: HK$4,379,944) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 7(b) for each of these types of expenses.

(Expressed in Hong Kong dollars)

8 INCOME TAX

(a) The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profit which is subject to Hong Kong Profits Tax for the years ended 31 December 2011 and 2010.

No provision of Malaysian Income Tax has been made as the Group did not have assessable profit which is subject to Malaysian Income Tax for the years ended 31 December 2011 and 2010. Income tax for the year ended 31 December 2010 represented under-provision for Malaysian Income Tax on interest income in prior year.

No provision for Indonesian Income Tax has been made as the Group did not have assessable profit which is subject to Indonesian Income Tax for the years ended 31 December 2011 and 2010.

Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), the Group is not subject to any income tax in this jurisdiction.

(b) The reconciliation between tax expense and accounting loss at applicable tax rates is as follows:

	2011 HK$	2010 HK$
Loss before taxation	**(212,847,944)**	(46,414,016)
Notional tax on loss before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**(41,478,774)**	(9,543,218)
Tax effect of non-taxable income	**(1,156,834)**	(166,119)
Tax effect of non-deductible expenses	**24,494,600**	1,902,975
Tax effect of unused tax losses not recognised	**12,148,646**	7,836,679
Tax effect of temporary differences not recognised	**5,992,362**	(30,317)
Under-provision in prior year	**—**	4,132
Actual tax expense	**—**	4,132

(Expressed in Hong Kong dollars)

9 DIRECTORS' REMUNERATION

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

	2011				
	Directors' fees HK$	Salaries, allowances and benefits in kind HK$	Discretionary bonuses HK$	Retirement scheme contributions HK$	Total HK$
Executive directors:					
Chong Wee Chong (resigned on 30 June 2011)	—	229,065	—	27,488	256,553
Lim Ooi Hong	—	509,034	—	61,084	570,118
Goh Sin Huat	—	916,261	—	109,951	1,026,212
Leung Wai Kwan	—	520,000	—	12,000	532,000
Independent non-executive directors:					
Chong Lee Chang	109,793	—	—	—	109,793
Lam Cheung Shu (resigned on 1 June 2011)	50,700	—	—	—	50,700
Wong Choi Kay	112,145	—	—	—	112,145
Tony Tan (appointed on 1 June 2011)	63,782	—	—	—	63,782
Total	336,420	2,174,360	—	210,523	2,721,303

(Expressed in Hong Kong dollars)

9 DIRECTORS' REMUNERATION *(continued)*

	2010				
	Directors' fees HK$	Salaries, allowances and benefits in kind HK$	Discretionary bonuses HK$	Retirement scheme contributions HK$	Total HK$
Executive directors:					
Chong Wee Chong	134,697	434,659	—	53,656	623,012
Lim Ooi Hong	73,317	347,727	—	43,224	464,268
Goh Sin Huat (appointed on 1 September 2010)	—	289,772	—	34,773	324,545
Leung Wai Kwan (appointed on 1 September 2010)	—	160,000	—	4,000	164,000
Gao Qi Fu (resigned on 1 September 2010)	75,313	—	—	—	75,313
Independent non-executive directors:					
Chong Lee Chang	109,193	—	—	—	109,193
Lam Cheung Shu	109,193	—	—	—	109,193
Wong Choi Kay	106,853	—	—	—	106,853
Tony Tan (resigned on 1 September 2010)	71,573	—	—	—	71,573
Total	680,139	1,232,158	—	135,653	2,047,950

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2010: two) are directors whose emoluments are disclosed in Note 9. The aggregates of the emoluments in respect of the other three (2010: three) individuals are as follows:

	2011 HK$	2010 HK$
Salaries, allowances and benefits in kind	**2,681,389**	1,374,242
Retirement scheme contributions	**79,058**	6,000
	2,760,447	1,380,242

(Expressed in Hong Kong dollars)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS *(continued)*

The emoluments of the three (2010: three) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2011	2010
HK$Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**—**	—
HK$1,500,001 to HK$2,000,000	**—**	—
HK$2,000,001 to HK$2,500,000	**—**	—
	3	3

During the year, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No directors of the Company have waived or agreed to waive any emoluments during the years ended 31 December 2011 and 2010.

11 LOSS PER SHARE

(a) Basic loss per share

The calculation of loss per share is based on the loss attributable to owners of the Company of HK$207,377,657 (2010: HK$46,315,021) and the weighted average of 3,281,851,789 (2010: 2,177,710,807) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2011	2010
Issued ordinary shares at 1 January	**2,519,555,556**	1,804,000,000
Effect of issue of new shares pursuant to a share placing (Note 29(b)(iii))	**299,013,699**	322,082,192
Effect of issue of new shares pursuant to an acquisition (Note 29(b)(iii))	**459,871,575**	51,628,615
Effect of issue of new shares pursuant to conversion of warrants (Note 29(b)(iii))	**3,410,959**	—
Weighted average number of ordinary shares at 31 December	**3,281,851,789**	2,177,710,807

11 LOSS PER SHARE *(continued)*

(b) Diluted loss per share

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and warrants since their exercise would result in a decrease in loss per share.

12 SEGMENT REPORTING

The Group has identified the reportable segments set out below. The segment information reported internally to the Group's most senior executive management (being the chief operating decision maker) ("CODM") for the purposes of resource allocation and performance assessment is the same as those reported in the consolidated financial statements.

Mining of dolomite and manufacture of magnesium ingots	This segment includes trading of magnesium ingots. Currently, the Group's trading activities are mainly carried out in the United States of America ("USA") and Malaysia.
Exploration of iron ore, coal and manganese	This segment is engaged in the exploration of iron ore, coal and manganese in the Republic of Indonesia ("Indonesia"). The activities carried out in Indonesia are through non-wholly owned subsidiaries.

The accounting policies of the operating segment are the same as those described in Note 2 to the consolidated financial statements.

(a) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment assets included all non-current assets and current assets with the exception of pledged deposit, cash at bank and in hand and other corporate assets. Segment liabilities included non-current liabilities and current liabilities with the exception of secured bank loans, convertible bonds, derivative component of convertible bonds, deferred tax liabilities, unsecured loans from third parties and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from depreciation or amortisation of assets attributable to those segments.

(Expressed in Hong Kong dollars)

12 SEGMENT REPORTING *(continued)*

(a) Segment results, assets and liabilities *(continued)*

Segment loss represents loss resulted by each segment without allocation of central administration costs including interest on bank loans, convertible bonds and unsecured loans from third parties, and directors' emoluments, etc. This is the measure reported to the Group's CODM for the purpose of resource allocation and assessment of segment performance.

	Mining of dolomite and manufacture of magnesium ingots HK$	Exploration of iron ore, coal and manganese HK$	Total HK$
Year ended 31 December 2011			
Reportable segment revenue (Note)	11,185,489	—	11,185,489
Segment profit/(loss)	7,178,021	(9,169,024)	(1,991,003)
Interest income	325,823	1,863	327,686
Finance costs	(35,798,202)	—	(35,798,202)
Depreciation and amortisation	(24,949,562)	(38,857)	(24,988,419)
Exploration and evaluation assets written off	—	(919,646)	(919,646)
Gain on disposal of property, plant and equipment	43,632	12,214	55,846
Impairment of			
– exploration and evaluation assets	—	(22,656,172)	(22,656,172)
– goodwill	—	(79,525,907)	(79,525,907)
Write down of inventories	(11,534,063)	—	(11,534,063)
Additions to segment non-current assets	79,529,537	220,829,145	300,358,682
As at 31 December 2011			
Segment assets	750,810,759	301,571,025	1,052,381,784
Segment liabilities	(10,597,078)	(5,199,008)	(15,796,086)

(Expressed in Hong Kong dollars)

12 SEGMENT REPORTING *(continued)*

(a) Segment results, assets and liabilities *(continued)*

	Mining of dolomite and manufacture of magnesium ingots HK$ (Restated)	Exploration of iron ore, coal and manganese HK$ (Restated)	Total HK$ (Restated)
Year ended 31 December 2010			
Reportable segment revenue (Note)	8,497,324	—	8,497,324
Segment loss	(21,709,777)	(107,023)	(21,816,800)
Interest income	182,021	—	182,021
Finance costs	(1,258,552)	—	(1,258,552)
Depreciation and amortisation	(730,591)	—	(730,591)
Gain on disposal of property, plant and equipment	4,025	—	4,025
Income tax expense	(4,132)	—	(4,132)
Additions to segment non-current assets	122,792,950	183,677,806	306,470,756
As at 31 December 2010			
Segment assets	731,512,870	183,982,906	915,495,776
Segment liabilities	(57,555,813)	(3,421,291)	(60,977,104)

Note:

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2010: Nil).

(Expressed in Hong Kong dollars)

12 SEGMENT REPORTING *(continued)*

(b) Reconciliations of reportable segments revenue, profit or loss, assets and liabilities

	2011 HK$	2010 HK$ (Restated)
Revenue		
Reportable segment revenue	**11,185,489**	8,497,324
Loss		
Reportable segment profit/(loss)	**(1,991,003)**	(21,816,800)
Depreciation and amortisation	**(25,040,652)**	(766,296)
Exploration and evaluation assets written off	**(919,646)**	—
Fair value gain on derivative component of convertible bonds	**—**	397,565
Finance costs	**(62,561,975)**	(7,457,972)
Gain on repayment of convertible bonds	**6,871,105**	—
Interest income	**338,407**	276,326
Impairment of goodwill	**(79,525,907)**	—
Impairment of exploration and evaluation assets	**(22,656,172)**	—
Net gain on disposal of property, plant and equipment	**53,628**	4,025
Write down of inventories	**(11,534,063)**	—
Other unallocated amounts	**(15,881,666)**	(17,050,864)
Consolidated loss before taxation	**(212,847,944)**	(46,414,016)

(Expressed in Hong Kong dollars)

12 SEGMENT REPORTING *(continued)*

(b) Reconciliations of reportable segments revenue, profit or loss, assets and liabilities *(continued)*

	2011 HK$	2010 HK$ (Restated)
Assets		
Reportable segment assets	**1,052,381,784**	915,495,776
Unallocated corporate assets:		
Pledged bank deposits	**48,338**	3,811,658
Cash at bank and in hand	**28,194,751**	44,039,009
Others	**5,729,683**	4,503,365
Consolidated total assets	**1,086,354,556**	967,849,808
Liabilities		
Reportable segment liabilities	**(15,796,086)**	(60,977,104)
Unallocated corporate liabilities:		
Bank loans, secured	**(427,042,362)**	(404,213,207)
Convertible bonds and derivative component of convertible bonds	**(26,159,373)**	(121,801,855)
Unsecured loans from third parties	**(156,374,083)**	—
Deferred tax liabilities	**(16,649,071)**	(16,649,071)
Others	**(2,387,246)**	(2,022,134)
Consolidated total liabilities	**(644,408,221)**	(605,663,371)

(Expressed in Hong Kong dollars)

12 SEGMENT REPORTING *(continued)*

(c) Geographical information

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, goodwill, exploration and evaluation assets and mining deposit ("specified non-current assets"). The geographical location of customers is based on the location at which the goods are delivered. The geographical location of the specified non-current assets is based on: (1) the physical location of the asset in case of property, plant and equipment; and (2) the location of the operations to which they are allocated, in case of intangible assets and goodwill.

	USA		Malaysia		Others*		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$
Turnover	**7,996,233**	3,257,263	**142,283**	4,986,902	**3,046,973**	253,159	**11,185,489**	8,497,324

* Others principally included Japan and Singapore.

	Hong Kong		Malaysia		Indonesia		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$
		(Restated)		(Restated)		(Restated)		(Restated)
Specified non-current assets	**957,993**	145,847	**690,011,102**	654,731,399	**301,311,140**	183,677,806	**992,280,235**	838,555,052

(d) Information about major customers

Revenue from sales of goods to customers represents 10% or more of the Group's total revenue is shown as follows:

	2011	2010
	HK$	HK$
Customer a	**6,294,041**	4,805,750
Customer b	**2,314,364**	3,257,263
Customer c	**1,702,192**	—

All revenue disclosed above is related to the "mining of dolomite and manufacture of magnesium ingots" reportable segment.

(Expressed in Hong Kong dollars)

13 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Buildings	Construction in progress	Plant and machinery	Motor vehicles	Furniture and fittings	Office equipment	Computer equipment	Retorts	Sub-total	Interest in leasehold land held for own use under operating lease	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Cost:											
At 1 January 2010	–	460,386,928	–	893,370	361,014	18,792	71,669	–	461,731,773	13,305,811	475,037,584
Additions	375,514	106,901,198	8,057,425	2,066,971	5,384,183	3,250	9,992	–	122,798,533	–	122,798,533
Transfer	147,066,516	(620,093,594)	390,686,417	–	535,736	–	–	81,804,925	–	–	–
Disposals	–	–	–	(100,914)	–	–	–	–	(100,914)	–	(100,914)
Exchange adjustments	–	52,805,468	–	102,468	30,464	–	–	–	52,938,400	1,526,151	54,464,551
At 31 December 2010	147,442,030	–	398,743,842	2,961,895	6,311,397	22,042	81,661	81,804,925	637,367,792	14,831,962	652,199,754
At 1 January 2011	147,442,030	–	398,743,842	2,961,895	6,311,397	22,042	81,661	81,804,925	637,367,792	14,831,962	652,199,754
Additions	48,349,741	–	21,347,958	1,214,958	6,587,345	56,419	10,146	1,451,054	79,017,621	–	79,017,621
Additions through acquisition of subsidiaries (Note 31b))	33,515	–	–	23,386	–	–	–	–	56,901	–	56,901
Disposals	–	–	–	(206,101)	(11,089)	–	–	–	(217,190)	–	(217,190)
Exchange adjustments	(4,151,606)	–	(11,223,408)	(84,431)	(174,961)	(885)	(281)	(2,302,556)	(17,938,128)	(417,474)	(18,355,602)
At 31 December 2011	191,673,680	–	408,868,392	3,909,707	12,712,692	77,576	91,526	80,953,423	698,286,996	14,414,488	712,701,484

(Expressed in Hong Kong dollars)

13 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) The Group *(continued)*

	Buildings	Construction in progress	Plant and machinery	Motor vehicles	Furniture and fittings	Office equipment	Computer equipment	Retorts	Sub-total	Interest in leasehold land held for own use under operating lease	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Accumulated depreciation and amortisation:											
At 1 January 2010	–	–	–	215,898	44,721	419	5,192	–	266,230	506,620	772,850
Charge for the year	8,234	–	–	164,668	230,569	2,096	24,049	–	429,616	140,182	569,798
Written back on disposals	–	–	–	(4,025)	–	–	–	–	(4,025)	–	(4,025)
Exchange adjustments	369	–	–	31,951	14,773	–	7	–	47,100	64,382	111,482
At 31 December 2010	8,603	–	–	408,492	290,063	2,515	29,248	–	738,921	711,184	1,450,105
At 1 January 2011	8,603	–	–	408,492	290,063	2,515	29,248	–	738,921	711,184	1,450,105
Charge for the year	3,842,647	–	16,106,921	367,704	1,025,050	15,406	26,892	3,301,171	24,685,791	147,753	24,833,544
Written back on disposals	–	–	–	(112,069)	(4,799)	–	–	–	(116,868)	–	(116,868)
Exchange adjustments	(145,213)	–	(590,230)	(14,066)	(44,891)	(29)	(79)	(121,076)	(915,584)	(25,435)	(941,019)
At 31 December 2011	3,706,037	–	15,516,691	650,061	1,265,423	17,892	56,061	3,180,095	24,392,260	833,502	25,225,762
Carrying amount:											
At 31 December 2011	187,967,643	–	393,351,701	3,259,646	11,447,269	59,684	35,465	77,773,328	673,894,736	13,580,986	687,475,722
At 31 December 2010	147,433,427	–	398,743,842	2,553,403	6,021,334	19,527	52,413	81,804,925	636,628,871	14,120,778	650,749,649

(Expressed in Hong Kong dollars)

13 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) The Company

	Office equipment HK$	Furniture and fittings HK$	Computer equipment HK$	Motor vehicle HK$	Total HK$
Cost:					
At 1 January 2010	18,792	95,418	71,669	—	185,879
Additions	3,250	—	—	—	3,250
At 31 December 2010	22,042	95,418	71,669	—	189,129
At 1 January 2011	22,042	95,418	71,669	—	189,129
Additions	—	3,800	—	858,446	862,246
At 31 December 2011	22,042	99,218	71,669	858,446	1,051,375
Accumulated depreciation:					
At 1 January 2010	419	2,143	5,192	—	7,754
Charge for the year	2,096	9,542	23,890	—	35,528
At 31 December 2010	2,515	11,685	29,082	—	43,282
At 1 January 2011	**2,515**	**11,685**	**29,082**	**—**	**43,282**
Charge for the year	**2,204**	**9,700**	**23,890**	**14,307**	**50,101**
At 31 December 2011	**4,719**	**21,385**	**52,972**	**14,307**	**93,383**
Carrying amount:					
At 31 December 2011	**17,323**	**77,833**	**18,697**	**844,139**	**957,992**
At 31 December 2010	19,527	83,733	42,587	—	145,847

(Expressed in Hong Kong dollars)

13 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(c) Included in the Group's property, plant and equipment as at 31 December 2011 are buildings, plant and machinery, retorts and interest in leasehold land held for own use under operating lease situated in Malaysia, with carrying amounts of HK$187,917,103 (2010: HK$147,433,427), HK$394,845,689 (2010: HK$398,743,842), HK$77,773,328 (2010: HK$81,804,925) and HK$13,580,986 (2010: HK$141,120,778), respectively. In light of the continuing loss-making of CVMSB, which owns and operates these assets in Malaysia, the directors of the Company conducted a review on the recoverable amounts of these assets by reference to those assets' value in use and determined that the recoverable amounts of these assets approximate to their carrying amount and no impairment loss was recognised (2010: Nil). The cash flow projections were based on financial budget approved by the management covering a 10-year period, which represent approximately these assets' remaining useful life, and a discount rate of 12.4%. Other key assumptions applied in the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. The estimation is based on the past performance of mining of dolomite and manufacture of magnesium ingots, and management's expectations for the future market developments. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of these assets to exceed the aggregate recoverable amount of them.

(d) The carrying amount of properties of the Group is as follows:

	2011	2010
	HK$	HK$
Interest in leasehold land held for own use under operating leases outside Hong Kong - long term	**13,580,986**	14,120,778

(e) The significant portion of buildings, retorts and the interest in leasehold land held for own use under operating lease of the Group with an aggregate carrying amount of HK$277,820,364 (2010: HK$243,359,130) are pledged to a bank for banking facilities granted to the Group (See Note 26).

(f) Property, plant and equipment held under finance leases

The Group leases motor vehicles and equipment under finance leases expiring in 4 to 9 years. None of the leases include contingent rentals. During the year, additions to motor vehicles and equipment of the Group financed by new finance leases were HK$1,177,184 (2010: HK$3,886,321). As at 31 December 2011, the carrying amount of motor vehicles and furniture and fittings held under finance leases of the Group was HK$5,006,999 (2010: HK$4,583,534).

The Company leases a motor vehicle under a finance lease expiring in 5 years. It does not include contingent rentals. During the year, addition to motor vehicle of the Company financed by a new finance lease was HK$858,446 (2010: Nil). As at 31 December 2011, the carrying amount of a motor vehicle held under a finance lease of the Company was HK$844,139 (2010: Nil).

(Expressed in Hong Kong dollars)

14 GOODWILL

	The Group
Cost:	HK$
At 1 January 2009, 31 December 2009 and 1 January 2010 (as restated)	—
Addition through acquisition of subsidiaries (Note 31(a))	79,525,907
At 31 December 2010 (as restated)	79,525,907
At 1 January 2011 (as restated)	79,525,907
Addition through acquisition of subsidiaries (Note 31(b))	220,209,759
At 31 December 2011	299,735,666
Accumulated impairment losses:	
At 1 January 2009, 31 December 2009, 1 January 2010, 31 December 2010 and 1 January 2011 (as restated)	—
Impairment loss	79,525,907
At 31 December 2011	79,525,907
Carrying amount:	
At 31 December 2011	220,209,759
At 31 December 2010 (as restated)	79,525,907
At 31 December 2009 (as restated)	—

(Expressed in Hong Kong dollars)

14 GOODWILL *(continued)*

The goodwill which has arisen from the acquisition of subsidiaries during the year ended 31 December 2010 is set out in Note 31(a). In the opinion of the directors of the Company, the goodwill represents the future economic benefits arising from the potential growth in the business acquired.

A valuation report, prepared by an independent qualified professional valuer, Norton Appraisals Limited ("Norton") and received in the current year, shows that the fair values of exploration and evaluation assets of the acquired subsidiaries at the date of acquisition, determined based on the income-based method, were HK$103,196,172. The comparative figures of 2010 have been restated as if the initial accounting had been completed from the acquisition date.

The following table discloses the adjustments that have been made to the consolidated statement of financial position at 31 December 2010.

	As originally stated HK$	Adjustments to fair value of assets acquired in prior years HK$	As restated HK$
Goodwill	120,479,667	(40,953,760)	79,525,907
Exploration and evaluation assets	2,292,714	100,903,458	103,196,172
Deferred tax liabilities	—	(16,649,071)	(16,649,071)
Total effect on assets and liabilities	122,772,381	43,300,627	166,073,008
Exchange reserve	29,344,462	(5,511)	29,338,951
Non-controlling interests	159	43,306,138	43,306,297
Total effect on equity	29,344,621	43,300,627	72,645,248

14 GOODWILL *(continued)*

The goodwill which has arisen from the acquisition of subsidiaries during the year ended 31 December 2011 was determined on a provisional basis. In the opinion of the directors of the Company, the provisional goodwill represents the potential fair value adjustments on the identified assets and liabilities acquired from the acquisition, which included production operating mining permit for manganese in Indonesia. As further discussed in Note 31(b), goodwill was determined on a provisional basis as the Company is unable to complete the initial accounting of the acquisition during the year.

For the purposes of impairment testing, goodwill has been allocated to the Group's cash-generating unit ("CGU") of exploration of iron ore, coal and manganese according to the business segment for reporting segment information.

The recoverable amount of this CGU has been determined based on valuation reports on the acquired subsidiaries prepared by Norton. The income-based approach was adopted to determine the recoverable amount. The cash flow projections are based on financial budgets approved by management and the cash flows beyond 5-year period are extrapolated with zero growth rate, and at a discounted rate of 20%. Other key assumptions applied in the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. The estimation is based on the CGU's past performance and management's expectations for the future market developments.

During the year, there was significant prices fluctuation on coal and iron ore, and the Group's indirectly held subsidiary, PT. Commerce Venture Iron Ore (formerly known as PT. Rimbaka Mining Makmur) ("PTCV Iron") has surrendered part of the exploration mining permit for iron ore in Penanggalan Subdistrict, Subulussalam City, Nanggroe Aceh Province of Indonesia, from 1,500 hectares to 450 hectares in area. In the opinion of the directors of the Company, an impairment of HK$79,525,907 (2010: Nil) has been made in the consolidated income statement.

(Expressed in Hong Kong dollars)

15 EXPLORATION AND EVALUATION ASSETS

	The Group HK$
Cost:	
At 1 January 2009 (as restated)	3,637,463
Exchange adjustments	45,896
At 31 December 2009 (as restated)	3,683,359
At 1 January 2010 (as restated)	3,683,359
Arising on acquisition of subsidiaries (Note 31(a))	103,196,172
Additions	946,032
Exchange adjustments	432,169
At 31 December 2010 (as restated)	108,257,732
At 1 January 2011 (as restated)	108,257,732
Arising on acquisition of subsidiaries (Note 31(b))	252,884
Written off	(919,646)
Exchange adjustments	(161,683)
At 31 December 2011	107,429,287
Accumulated amortisation and impairment:	
At 1 January 2009, 31 December 2009 and 1 January 2010 (as restated)	—
Charge for the year	196,498
Exchange adjustments	8,793
At 31 December 2010 (as restated)	205,291
At 1 January 2011 (as restated)	205,291
Charge for the year	207,108
Impairment loss	22,656,172
Exchange adjustments	(13,374)
At 31 December 2011	23,055,197
Carrying amount:	
At 31 December 2011	84,374,090
At 31 December 2010 (as restated)	108,052,441
At 31 December 2009 (as restated)	3,683,359

15 EXPLORATION AND EVALUATION ASSETS *(continued)*

(i) The subsidiary, CVMSB has undertaken various feasibility studies in relation to the mining and extraction of dolomite in Peninsular Malaysia 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 ("PSDC"), 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, Peninsular 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 terminated early by the Group by giving 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 33(b)).

Mining activities for this dolomite project had started in 2010 and the amortisation charge relating to the project for the year is included in "administrative expenses" (2010: "administrative expenses") in the consolidated income statement.

(ii) PTCV Iron and PT. Commerce Venture Coal (formerly known as PT. Mega Fiume Internasional) ("PTCV Coal"), both indirectly held subsidiaries of the Company, are undertaking various feasibility studies in relation to the mining and extraction of coal, iron ore and manganese in Indonesia. PTCV Iron and PTCV Coal have exploration mining permits which must be obtained to conduct stages of general surveys, explorations and feasibility studies in Indonesia, pursuant to the Indonesian mining law.

PTCV Coal holds exploration mining permits for (i) coal exploration in an area of 10,000 hectares in Beutong and Tadu Raya Subdistrict, Nagan Raya Regency, Nanggroe Aceh Darussalam Province of Indonesia, valid until 7 October 2013 ("Permit 1"); and (ii) manganese exploration in an area of 3,710 hectares in Bakongan Subdistrict, South Aceh Regency, Nanggroe Aceh Darussalam Province of Indonesia, valid until 6 November 2011 ("Permit 2").

PTCV Iron holds exploration mining permits for (i) coal exploration in an area of 9,825 hectares in Kuala and Tadu Raya Subdistrict, Nagan Raya Regency, Nanggroe Aceh Darussalam Province of Indonesia, valid until 5 March 2014 ("Permit 3"); and (ii) iron ore exploration in an area of 1,500 hectares in Pananggalan Subdistrict, Subulussalam City, Nanggroe Aceh Darussalam Province of Indonesia, valid until 15 December 2011 ("Permit 4").

Based on Indonesian mining law (Law No. 4 of 2009), an exploration mining permit for coal can be given for a maximum period of 7 years while an exploration mining permit for iron or manganese can only be given for a maximum period of 8 years. Production operation mining permits are guaranteed to be granted for undertaking the production operation stage activity which may be valid for up to 20 years and may be extended two times for 10 years each time. In the opinion of the directors of the Company, applications for extension will be granted to the Group ultimately without material additional costs.

15 EXPLORATION AND EVALUATION ASSETS *(continued)*

Permit 2 and Permit 4 have expired in the year. The Group has submitted applications to the relevant local authorities for extension of these permits. At the approval date of the consolidated financial statements, a one year extension for Permit 2 and Permit 4 have been granted, respectively. In respect to Permit 4, the Group submitted to the local authorities a lower area of exploration for renewal as some areas were not commercially viable to continue exploration. Hence, the area of iron ore exploration for Permit 4 was reduced from 1,500 hectares to 450 hectares upon its renewal.

(iii) PT. Laksbang Mediatama ("PTLM") has been granted a production operation mining permit for manganese in an area of 195 hectares in the Jatimulyo Village, Girimulyo Subdistrict, Kulon Progo Regency, Daerah Istimewa Yogyakarta Province, Indonesia, ("Mining area") during the year. The permit is used for mining activities including construction, mining, processing and refining or smelting as well as hauling and sales of manganese in the Mining area. The production operation mining permit is valid for a period of 10 years from 24 February 2011 and is capable of being extended for two further terms of 10 years each at the maximum. PTLM has been undertaking various feasibility studies in relation to the mining of and exploration for manganese in the Mining area.

The permit was acquired through a business combination which took place in 2011. As further discussed in Note 31(b) to the consolidated financial statements, the initial accounting for this acquisition has not been completed at year end 2011. The related exploration assets are carried at its provisional fair value as at acquisition date.

(iv) The Group carried out reviews of the recoverable amounts of various exploration mining permits and production operation mining permit in 2011 which formed part of the CGU of exploration of iron ore, coal and manganese. Due to price fluctuation in the year and surrendered iron ore exploration mining area, an impairment loss of HK$22,656,172 (2010: Nil) has been recognised in the consolidated income statement for the year ended 31 December 2011. Details of the impairment losses calculation are provided in Note 14 to the consolidated financial statements.

(Expressed in Hong Kong dollars)

16 MINING DEPOSIT

This amount represents a deposit of RM90,000 (equivalent to HK$220,664) at 31 December 2011 (2010: RM90,000 (equivalent to HK$227,055) paid to HPC pursuant to the Mining Agreement (see Note 15(i)) by the Group.

17 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2011	2010
	HK$	HK$
Unlisted shares, at cost	**418,633,636**	198,633,636
Impairment loss	**(108,037,403)**	—
	310,596,233	198,633,636
Amounts due from subsidiaries	**343,068,999**	238,398,747
Impairment loss	**(324,792,456)**	—
	18,276,543	238,398,747
	328,872,776	437,032,383

(Expressed in Hong Kong dollars)

17 INVESTMENTS IN SUBSIDIARIES *(continued)*

Details of the subsidiaries as at 31 December 2011 and 2010 are as follows:

Name of company	Place of incorporation and operation	Issued and paid up capital	Percentage of effective ownership interest Direct 2011	Direct 2010	Indirect 2011	Indirect 2010	Principal activities	Note
CVMSB	Malaysia	RM36,000,000	**100%**	100%	**—**	—	Mining of dolomite and manufacturing of magnesium ingots	(a)
CVM Marketing Limited	BVI	US$10,000	**—**	—	**100%**	—	Investment holding	(a)
CVM International Marketing Sdn. Bhd.	Malaysia	RM2	**—**	—	**100%**	—	Dormant	(a)
CVM Marketing Sdn. Bhd. (formerly known as CVM Metal Recycle Sdn. Bhd.)	Malaysia	RM100,000	**60%**	60%	**—**	—	Dormant	(a)
CVM International Limited	BVI	US$10,000	**100%**	100%	**—**	—	Investment holding	(a)
CVM Minerals Indonesia Sdn. Bhd. (formerly known as Platinum Goldhill Sdn. Bhd.)	Malaysia	RM10,000	**—**	—	**51%**	51%	Investment holding	(a)
PTCV Iron (formerly known as PT. Rimbaka Mining Makmur)	Indonesia	RPH75,000,000	**—**	—	**48.45%**	48.45%	Exploration of coal and iron ore	(b)
PTCV Coal (formerly known as PT. Mega Fiume Internasional)	Indonesia	RPH250,000,000	**—**	—	**48.45%**	48.45%	Exploration of coal and manganese	(b)
Step Pacific Development Limited	BVI	US$10,000	**51%**	—	**—**	—	Investment holding	(a)
Stabil Megamas Sdn. Bhd.	Malaysia	RM10,000	**—**	—	**51%**	—	Investment holding	(a)
PTLM	Indonesia	RPH5,000,000,000	**—**	—	**50.50%**	—	Exploration of manganese	(c)

(Expressed in Hong Kong dollars)

17 INVESTMENTS IN SUBSIDIARIES *(continued)*

Notes:

(a) Audited by Baker Tilly Monteiro Heng.

(b) Audited by Baker Tilly Indonesia.

(c) Audited by Achmad, Rasyid Hisbullah & Jerry.

In light of the continuing operating loss in the Group's operations in the mining of dolomite, the manufacture of magnesium and the exploration of iron ore, coal and manganese, the directors of the Company have reviewed the carrying value of the investments in subsidiaries and an impairment of HK$108,037,403 has been recognised during the year in respect of its investments in subsidiaries in relation to the Group's operations in the mining of dolomite, the manufacture of magnesium and the exploration of iron ore, coal and manganese.

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

18 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	The Group	
	2011	2010
	HK$	HK$
Raw materials	**6,473,544**	3,644,096
Work-in-progress	**17,391,362**	99,016
Finished goods	**15,876,334**	910,074
	39,741,240	4,653,186

(Expressed in Hong Kong dollars)

18 INVENTORIES *(continued)*

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	The Group	
	2011	2010
	HK$	HK$
Carrying amount of inventories sold	**16,823,714**	16,339,278
Write down of inventories	**11,534,063**	—
	28,357,777	16,339,278

Because of fluctuations in the market price of magnesium during the year, there was a significant reduction in the net realisable value of inventories as at 31 December 2011. As a result, a write down of inventories of HK$11,534,063 (2010: Nil) was made at year end.

19 TRADE RECEIVABLES

	The Group	
	2011	2010
	HK$	HK$
Trade receivables	**—**	8,795,408

All of the trade receivables are expected to be recovered within one year.

(a) Ageing analysis

An ageing analysis of trade receivables, based on the invoice date, is as follows:

	The Group	
	2011	2010
	HK$	HK$
Neither past due nor impaired	**—**	8,795,408

Trade receivables are due within 15 days from the date of the bill of lading for exports sales or date of invoice for local sales. Further details on the Group's credit policy are set out in Note 32(b).

Receivables that were neither past due nor impaired related to independent customers that have a good track record with the Group. Based on past experience, the directors of the Company believed that no impairment allowance was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable. The Group does not hold any collateral over these balances.

(Expressed in Hong Kong dollars)

19 TRADE RECEIVABLES *(continued)*

(b) At 31 December 2011, none of trade receivables (2010: HK$8,795,408) are pledged as securities for banking facilities granted to the Group (See Note 26).

20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$	HK$	**HK$**	HK$
Other receivables	**3,857,672**	22,112,925	**1,600**	26,028
Advance payment to a contractor	**9,604,967**	39,800,331	**—**	—
Government grant receivables	**922,714**	949,437	**—**	—
Deposits and prepayments	**11,699,988**	5,084,463	**6,317,723**	4,254,360
Amount due from a director	**—**	48,339	**—**	48,339
Amount due from a related party	**4,651**	—	**—**	—
	26,089,992	67,995,495	**6,319,323**	4,328,727

Apart from certain of the Group's deposits and prepayments of HK$4,976,918 as at 31 December 2011 (2010: HK$2,430,150), and of the Company's deposits and prepayments of HK$331,594 (2010: HK$2,164,950) as at 31 December 2011, the remaining prepayments, deposits and other receivables (including amounts due from subsidiaries) of the Group and the Company are expected to be recovered or recognised as expenses within one year.

Included in other receivables was an amount due from a member of staff and pursuant to section 161B of the Hong Kong Companies Ordinance, the disclosure is as follows:

Name	Term of loan	The Group Balance at 31 December 2011 HK$	Balance at 1 January 2011 HK$	Maximum amount outstanding during the year HK$
Dato' Lim Hui Boon	Interest-free, unsecured and has no fixed terms of repayment	—	**9,901**	**9,901**

(Expressed in Hong Kong dollars)

20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

Amount due from a director disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

Name	Term of loan	The Group and the Company Balance at 31 December 2011	Balance at 1 January 2011	Maximum amount outstanding during the year
		HK$	HK$	HK$
Chong Wee Chong	Interest-free, unsecured and has no fixed terms of repayment	—	48,339	48,339

Amount due from a related party disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

Name	Term of loan	The Group Balance at 31 December 2011	Balance at 1 January 2011	Maximum amount outstanding during the year
		HK$	HK$	HK$
HWG Tin Mining Sdn. Bhd. ("HWGTM")	Interest-free, unsecured and has no fixed terms of repayment	4,651	—	4,651

HWGTM is a subsidiary of Ho Wah Genting Berhad which is a shareholder of the Company. The amount is non-trade in nature.

21 PLEDGED DEPOSIT

The Group's deposit of HK$48,338 (2010: HK$3,811,658) is pledged to a bank for loan facilities granted to the Group (See Note 26).

As at 31 December 2011, the Company did not have any pledged deposits. As at 31 December 2010, the Company's deposit of HK$3,784,248 was pledged to a bank for loan facilities granted to CVMSB. The pledged deposit was in Ringgit Malaysia and bore interest rates ranging from 2.16% p.a. to 2.78% p.a.

(Expressed in Hong Kong dollars)

22 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$	HK$	**HK$**	HK$
Trade payables	**1,651,591**	115,388	**—**	—
Accrued interest on bank loans	**7,045,297**	4,339,767	**—**	—
Accrued interest on unsecured loans	**6,374,083**	—	**6,374,083**	—
Payables for construction in progress	**—**	38,860,815	**—**	—
Other payables and accrued expenses	**11,807,751**	18,831,961	**1,265,324**	2,005,763
	26,878,722	62,147,931	**7,639,407**	2,005,763

All of the above payables are expected to be settled or recognised as income within one year, or are repayable on demand.

(a) An ageing analysis of trade payables is as follows:

	The Group	
	2011	2010
	HK$	HK$
Current	**1,529,829**	32,663
Due within 3 months	**105,663**	82,725
Due after 3 months but within 12 months	**16,099**	—
	1,651,591	115,388

(Expressed in Hong Kong dollars)

23 OBLIGATIONS UNDER FINANCE LEASES

(a) The Group

At 31 December 2011, the Group had obligations under finance leases repayable as follows:

	2011		2010	
	Present value of the minimum lease payments HK$	Total minimum lease payments HK$	Present value of the minimum lease payments HK$	Total minimum lease payments HK$
Within 1 year	1,138,117	1,331,768	907,296	1,134,760
After 1 year but within 2 years	1,207,103	1,331,768	969,885	1,134,760
After 2 years but within 5 years	1,648,493	1,748,121	1,958,073	2,126,850
After 5 years	69,308	70,495	268,727	279,600
	2,924,904	3,150,384	3,196,685	3,541,210
	4,063,021	4,482,152	4,103,981	4,675,970
Less: total future interest expenses		(419,131)		(571,989)
Present value of lease obligations		4,063,021		4,103,981

(Expressed in Hong Kong dollars)

23 OBLIGATIONS UNDER FINANCE LEASES *(continued)*

(b) The Company

At 31 December 2011, the Company had obligations under finance leases repayable as follows:

	2011		2010	
	Present value of the minimum lease payments HK$	Total minimum lease payments HK$	Present value of the minimum lease payments HK$	Total minimum lease payments HK$
Within 1 year	163,077	187,140	—	—
After 1 year but within 2 years	169,156	187,140	—	—
After 2 years but within 5 years	433,892	452,255	—	—
	603,048	639,395	—	—
	766,125	826,535	—	—
Less: total future interest expenses		(60,410)		—
Present value of lease obligations		766,125		—

The policies of the Group and the Company are to lease certain of its motor vehicles and equipment under finance leases expiring in 4 to 9 years and 5 years, respectively (2010: 4 to 9 years and nil, respectively). As at 31 December 2011, the average effective borrowing rate of the Group and the Company was 6.8% p.a. and 2.2% p.a., respectively (2010: 3.6% p.a. and nil, respectively). Interest rates are fixed at the contract dates and thus expose the Group and the Company to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group and the Company have an option to purchase the motor vehicles and equipment at nominal prices.

24 AMOUNTS DUE TO RELATED PARTIES

The amounts are trade in nature, unsecured, interest free and have no fixed terms of repayment.

25 CONVERTIBLE BONDS

(a) On 20 August 2010, the Company entered into a placing agreement with a placing agent, Cinda International Capital Limited ("Cinda"), for the issue of thirteen months 15% coupon convertible bonds with nominal value of HK$116,000,000. On 27 August 2010, the Company and Cinda entered into the supplemental agreement to amend the terms of the placing agreement so as to allow the placing to be completed in tranches and to embed the cash settlement option in the convertible bonds.

The bondholders may convert the whole or part of the principal amount of the convertible bonds into fully paid ordinary shares with a par value of HK$0.025 each of the Company at HK$0.27 each for the period commencing from the date falling on the expiry of twelve months from the date of issuance of the convertible bonds up to three days before the maturity date. Maturity date is the date falling on the expiry of thirteen months from the issuance date of the convertible bonds.

The convertible bonds contain two components, a liability component and a conversion option derivative. The fair value of the derivative component was estimated at the issuance date using a binomial model and the change in fair value of that component at the end of reporting date was recognised in the consolidated income statement. The residual amount is assigned as the liability component.

(Expressed in Hong Kong dollars)

25 CONVERTIBLE BONDS *(continued)*

(a) *(continued)*

Drawdown date	7 September 2010	27 September 2010	20 October 2010	
Drawdown amount	HK$51,000,000	HK$50,000,000	HK$15,000,000	

	Tranche 1 HK$	Tranche 2 HK$	Tranche 3 HK$	Total HK$
Liability component				
Balance as at drawdown date	48,360,900	47,629,875	14,190,554	110,181,329
Effective interest expenses payable for the year	3,128,355	2,488,364	582,701	6,199,420
At 31 December 2010	51,489,255	50,118,239	14,773,255	116,380,749
Effective interest expenses payable for the year	7,798,246	8,006,760	2,664,244	18,469,250
Interest paid during the year	(7,650,000)	(7,500,000)	(2,250,000)	(17,400,000)
Repaid by unsecured loans	(50,000,000)	(50,000,000)	—	(100,000,000)
Repaid by cash	(1,000,000)	—	(15,000,000)	(16,000,000)
Gain on repayment	(637,501)	(624,999)	(187,499)	(1,449,999)
At 31 December 2011	—	—	—	—

	Tranche 1 HK$	Tranche 2 HK$	Tranche 3 HK$	Total HK$
Conversion option derivative				
Balance as at drawdown date	2,639,100	2,370,125	809,446	5,818,671
Fair value gain for the year	(280,527)	(69,518)	(47,520)	(397,565)
At 31 December 2010	2,358,573	2,300,607	761,926	5,421,106
Gain on repayment	(2,358,573)	(2,300,607)	(761,926)	(5,421,106)
At 31 December 2011	—	—	—	—

(Expressed in Hong Kong dollars)

25 CONVERTIBLE BONDS *(continued)*

(a) *(continued)*

	Liability component HK$	Conversion option derivative HK$	Total HK$
Summary			
Convertible bonds issued during the year	110,181,329	5,818,671	116,000,000
Interest charged	6,199,420	—	6,199,420
Fair value gain for the year	—	(397,565)	(397,565)
At 31 December 2010	116,380,749	5,421,106	121,801,855
At 1 January 2011	116,380,749	5,421,106	121,801,855
Interest charged	18,469,250	—	18,469,250
Interest paid during the year	(17,400,000)	—	(17,400,000)
Repaid by cash (Note)	(16,000,000)	—	(16,000,000)
Repaid by unsecured loans (Note)	(100,000,000)	—	(100,000,000)
Gain on repayment	(1,449,999)	(5,421,106)	(6,871,105)
At 31 December 2011	—	—	—

Note

During the year, the directors of the Company have renegotiated and restructured the convertible bonds with various holders. The convertible bonds were repaid partially by cash amounting to HK$16,000,000, and partially by unsecured loans of HK$100,000,000 (see Note 27), resulting in a gain of HK$6,871,105.

(Expressed in Hong Kong dollars)

25 CONVERTIBLE BONDS *(continued)*

(a) *(continued)*

The estimate of the fair value of the conversion option derivative was based on the binomial model. Details of the assumptions of conversion option derivative are as follows:

	Tranche 1	
Date of valuation	**7 September 2010**	**31 December 2010**
Share price (HK$)	0.217	0.224
Conversion price (HK$)	0.270	0.270
Volatility	65.021%	54.097%
Maturity period	1.08 years	0.76 years
Conversion period	Within 1.08 years	Within 0.76 years
Risk free rate of interest	0.285%	0.326%

	Tranche 2	
Date of valuation	**27 September 2010**	**31 December 2010**
Share price (HK$)	0.220	0.224
Conversion price (HK$)	0.270	0.270
Volatility	65.264%	53.460%
Maturity period	1.08 years	0.82 years
Conversion period	Within 1.08 years	Within 0.82 years
Risk free rate of interest	0.307%	0.329%

	Tranche 3	
Date of valuation	**20 October 2010**	**31 December 2010**
Share price (HK$)	0.247	0.224
Conversion price (HK$)	0.270	0.270
Volatility	65.417%	54.211%
Maturity period	1.08 years	0.88 years
Conversion period	Within 1.08 years	Within 0.88 years
Risk free rate of interest	0.399%	0.333%

The interest charged for the year is calculated by applying an effective interest rate with a range from 19.86% p.a. to 20.53% p.a. to the liability component up to the repayment date (2010: six months).

The directors of the Company estimated the fair value of the liability component of the convertible bonds at 31 December 2010 to be approximately HK$126,553,000. This fair value had been calculated by discounting the future cash flows at the market rate.

(Expressed in Hong Kong dollars)

25 CONVERTIBLE BONDS *(continued)*

(b) On 1 September 2011, the Company entered into a placing agreement with a placing agent, Cheong Lee Securities Limited for the issue of convertible bonds with maturity date on the third anniversary of the date of issue for an aggregate principal amount of HK$80,000,000. The convertible bonds bear interest at 10% p.a. payable annually and are unsecured. As at the end of reporting period, the aggregate amount of convertible bonds being available was HK$43,000,000.

The bondholders at any time before maturity can convert the whole or part of the principal amount of the convertible bonds into ordinary shares of the Company at the conversion price of HK$0.10 per share.

Upon maturity any unredeemed and unconverted bonds will be redeemed at 100% of the outstanding principal amount in cash.

The convertible bonds may be early redeemed at 100% of the outstanding principal amount of the bond at any time at the option of the Company up to maturity provided that the Company has given not less than 7 business days' prior notice to the bondholder(s) of its intention to make that redemption.

The net proceeds received from the issuance of the convertible bonds have been split between the liability element and an equity component, as follows:

Drawdown date	2 December 2011	30 December 2011	
Drawdown amount	HK$26,000,000	HK$17,000,000	
	Tranche 1	**Tranche 2**	**Total**
	HK$	**HK$**	**HK$**
Nominal value of convertible bonds issued	26,000,000	17,000,000	43,000,000
Capitalisation of transaction costs	(650,000)	(425,000)	(1,075,000)
Equity component	(9,643,725)	(6,553,950)	(16,197,675)
Liability component	15,706,275	10,021,050	25,727,325
Interest charged	413,526	18,522	432,048
Liability component at 31 December 2011	16,119,801	10,039,572	26,159,373

The interest charged for the year is calculated by applying an effective interest rate with a range from 32.03% p.a.to 33.73% p.a. to the liability component for the number of days to the end of reporting period since the bonds were issued.

The directors of the Company estimate the fair value of the liability component of the convertible bonds at 31 December 2011 to be approximately HK$26,011,000. This fair value has been calculated by discounting the future cash flows at the market rate.

(Expressed in Hong Kong dollars)

26 BANK LOANS - SECURED

The Group

	2011			2010		
	Nominal value HK$	Less: unamortised costs HK$	Total HK$	Nominal value HK$	Less: unamortised costs HK$	Total HK$
Bank loans, secured	423,237,934	(3,240,869)	419,997,065	403,661,568	(3,788,128)	399,873,440

At 31 December 2011, interest bearing bank loans are due for repayment as follows:

	2011 HK$	2010 HK$
Portion of term loans due for repayment within 1 year	—	261,118,236
Term loans due for repayment after one year:		
After 1 year but within 2 years	—	10,825,776
After 2 years but within 5 years	255,435,464	38,407,395
After 5 years	164,561,601	89,522,033
	419,997,065	138,755,204
	419,997,065	399,873,440

The amounts due are based on the scheduled repayment dates set out in the loan agreement and ignored the effect of any repayment on demand clause.

(Expressed in Hong Kong dollars)

26 BANK LOANS - SECURED *(continued)*

	2011 HK$	2010 HK$
Transaction costs		
Cost:		
At 1 January	9,978,097	8,541,398
Cost incurred during the year	—	457,016
Exchange adjustments	(368,714)	979,683
At 31 December	9,609,383	9,978,097
Accumulated amortisation:		
At 1 January	6,189,969	5,241,657
Amortisation for the year	457,410	347,104
Exchange adjustments	(278,865)	601,208
At 31 December	6,368,514	6,189,969
Unamortised transaction costs	3,240,869	3,788,128

The secured bank loans as at 31 December 2011 are interest bearing at 8.6% p.a. (2010: 8.3% p.a.). These bank loans were restructured on 25 July 2011 by Bank Rakyat. In accordance with the restructured bank loan agreement, the Group is required to repay the bank loans by monthly instalment of RM670,000 (equivalent to HK$1,747,293) with effect from August 2011 to December 2013 and increasing to RM4,200,000 (equivalent to HK$10,297,651) from January 2014 to the second last repayment of the loans in 2018.

The secured bank loans as at 31 December 2010 were restructured on 5 July 2010 by Bank Rakyat. In accordance with the restructured bank loan agreements, the Group was required to repay monthly instalment of RM743,065 (equivalent to HK$1,874,628) commencing on or before 31 January 2011 and increasing to RM2,190,758 (equivalent to HK$5,526,914) commencing on or before 2 March 2011 for the next 10 years.

26 BANK LOANS - SECURED *(continued)*

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

(i) a legal charge over the land and factory building to be erected thereon held by CVMSB;

(ii) assignment of trade receivables;

(iii) a debenture creating fixed and floating legal charge over all present and future assets of CVMSB excluding the performance bonds;

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

(v) an assignment of all CVMSB's rights, benefits and interest under insurance undertaken by CVMSB as part of its operations for the Project;

(vi) an assignment over the existing revenue accounts maintained at Bank Rakyat and monies standing to the credit of the revenue account in favour of the bank, the revenue accounts shall be operated solely by the bank;

(vii) a first fixed charge/assignment over the retorts of CVMSB;

(viii) an assignment over the insurance policies of the retorts of CVMSB; and

(ix) any other securities as may be advised by the appointed legal counsel.

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 CVMSB's production operation commences, which was in or around February 2011. Further details of the Group's management of liquidity risk are set out in Note 32(e). As at 31 December 2011, none of the covenants relating to the drawdown facilities had been breached (2010: Nil).

(Expressed in Hong Kong dollars)

27 UNSECURED LOANS FROM THIRD PARTIES

	The Group and the Company	
	2011	2010
	HK$	HK$
Within 1 year	**100,000,000**	—
After 1 year but within 2 years	**—**	—
After 2 years but within 5 years	**50,000,000**	—
	50,000,000	—
	150,000,000	—

The amounts due are based on the scheduled repayment dates set out in the loan agreements which do not have a repayment on demand clause.

On 13 June 2011, the Company entered into a loan agreement with an independent third party for an unsecured loan of HK$50,000,000 at an interest rate of 12% p.a. payable half yearly. The loan is wholly repayable on or before June 2014.

On 14 October 2011, the Company entered into loan agreements with various holders of convertible bonds. Pursuant to which the holders of convertible bonds agreed to make available to the Company with aggregate loan facilities of HK$100,000,000. The Company applied these loans for repayment of the outstanding amount due under the convertible bonds issued by the Company in September 2010 in the principal sum of respective amount and registered in the name of the lenders. The unsecured loans are recognised initially a fair value less attributable transaction costs. In the opinion of the directors of the Company, the principal value of the unsecured loans is approximate to its fair value. These loans are unsecured, interest bearing at 15% p.a. payable half yearly and repayable within 12 months from the drawdown date.

In March 2012, the Company had successfully negotiated with these lenders to defer the repayment by six months and eighteen days to May 2013.

(Expressed in Hong Kong dollars)

28 DEFERRED TAX LIABILITIES

	Exploration and evaluation assets HK$
At 1 January 2009, 31 December 2009 and 1 January 2010 (as restated)	—
Arising on acquisition of subsidiaries (Note 31(a))	(16,649,071)
At 31 December 2010 (as restated), 1 January 2011 and 31 December 2011	(16,649,071)

As at 31 December 2011, the Group has not recognised deferred tax assets in respect of accumulated tax losses of approximately HK$96,224,000 (2010: HK$43,389,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions. The tax losses do not expire under current tax legislation. Other temporary differences are not material.

As at 31 December 2011, the Group has deductible temporary differences of approximately HK$23,883,000 (2010: Nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

(Expressed in Hong Kong dollars)

29 CAPITAL AND RESERVES

(a) Movements in components of 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

	Note	Share capital HK$	Share premium HK$ (Note (d)(ii))	Capital reserve HK$ (Note (d)(i))	Other reserve HK$ (Note (d)(v))	Convertible bond equity reserve HK$ (Note (d)(iv))	Accumulated losses HK$	Total HK$
At 1 January 2010		45,100,000	68,090,412	—	33,925,000	—	(12,250,678)	134,864,734
Changes in equity for 2010:								
Total comprehensive loss for the year		—	—	—	—	—	(21,875,495)	(21,875,495)
Shares issued pursuant to a share placing	29(b)	9,000,000	116,996,696	—	—	—	—	125,996,696
Shares issued pursuant to an acquisition	29(b)	8,888,889	86,520,955	—	—	—	—	95,409,844
At 31 December 2010		62,988,889	271,608,063	—	33,925,000	—	(34,126,173)	334,395,779
At 1 January 2011		62,988,889	271,608,063	—	33,925,000	—	(34,126,173)	334,395,779
Changes in equity for 2011:								
Total comprehensive loss for the year		—	—	—	—	—	(466,662,419)	(466,662,419)
Shares issued pursuant to a share placing	29(b)	8,500,000	67,082,000	—	—	—	—	75,582,000
Shares issued pursuant to an acquisition	29(b)	16,328,125	192,671,875	—	—	—	—	209,000,000
Warrants issued pursuant to the warrant placing	29(c)	—	—	1,363,136	—	—	—	1,363,136
Conversion of warrants to shares	29(b)	125,000	1,250,000	(25,000)	—	—	—	1,350,000
Equity component of convertible bonds	25(b)	—	—	—	—	16,197,675	—	16,197,675
At 31 December 2011		87,942,014	532,611,938	1,338,136	33,925,000	16,197,675	(500,788,592)	171,226,171

(Expressed in Hong Kong dollars)

29 CAPITAL AND RESERVES *(continued)*

(b) Share capital

(i) Authorised and issued share capital

The Company

		2011		2010	
	Note	Number of shares	Amount HK$	Number of shares	Amount HK$
Authorised:					
At 1 January		10,000,000,000	250,000,000	4,800,000,000	120,000,000
Increase in authorised share capital	(ii)	—	—	5,200,000,000	130,000,000
At 31 December		10,000,000,000	250,000,000	10,000,000,000	250,000,000
Issued and fully paid:					
At 1 January		2,519,555,556	62,988,889	1,804,000,000	45,100,000
Shares issued pursuant to a share placing	(iii)	340,000,000	8,500,000	360,000,000	9,000,000
Shares issued pursuant to an acquisition	(iii)	653,125,000	16,328,125	355,555,556	8,888,889
Conversion of warrants to shares	(iii)	5,000,000	125,000	—	—
At 31 December		3,517,680,556	87,942,014	2,519,555,556	62,988,889

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.

(ii) Increase in authorised share capital

By an ordinary resolution passed on 22 October 2010, the authorised ordinary share capital of the Company was increased to HK$250,000,000 by the creation of an additional 5,200,000,000 ordinary shares of HK$0.025 each, ranking pari passu with existing shares of the Company in all respects.

29 CAPITAL AND RESERVES *(continued)*

(b) Share capital *(continued)*

(iii) Issue of shares

On 10 February 2010, 360,000,000 ordinary shares of HK$0.025 each were placed out at a price of HK$0.36 each raising HK$129,600,000. Proceeds of HK$9,000,000, representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$120,600,000, after share issuance expenses of HK$3,603,304, were credited to the share premium account.

On 9 November 2010, the Company issued 355,555,556 ordinary shares of HK$0.27 each to the then shareholders of CVM International Limited pursuant to the agreement for the sale and purchase of shares dated 30 July 2010 (see Note 31(a)).

On 14 February 2011, 340,000,000 ordinary shares of HK$0.025 each were placed out at a price of HK$0.228 each raising HK$77,520,000. Proceeds of HK$8,500,000, representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$69,020,000, after share issuance expenses of HK$1,938,000, were credited to the share premium account.

On 19 April 2011, the Company issued 653,125,000 ordinary shares of HK$0.32 each to the then shareholders of Step Pacific Development Limited pursuant to the agreement for the sale and purchase of shares dated 23 February 2011. (See Note 31(b))

On 27 April 2011, 5,000,000 warrants were converted to ordinary shares at a subscription price of HK$0.27 each.

(c) Share warrants

On 17 February 2011, the Company issued 163,900,000 warrants at HK$0.005 each to ten independent third parties raising HK$819,500. The warrants entitled the holders to subscribe for 163,900,000 new shares of the Company at a subscription price of HK$0.27 each for a period of 12 months commencing from the date of issue of the warrants.

On 6 October 2011, the Company issued 543,636,000 warrants at HK$0.001 each to seven independent third parties raising HK$543,636. The warrants entitled the holders to subscribe for 543,636,000 new shares of the Company at a subscription price of HK$0.1 per each for a period of 36 months commence from the date of issue of the warrants.

29 CAPITAL AND RESERVES *(continued)*

(d) Nature and purpose of reserves

(i) Capital reserve

The capital reserve mainly represents the net proceeds received from the issue of warrants of the Company. The reserve will be transferred to share capital and share premium account upon the exercise of the warrants.

(ii) Share premium

The application of the share premium account is governed by sections 48B and 49H of the Hong Kong Companies Ordinance.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(t).

(iv) Convertible bond equity reserve

The value of the unexercised equity component of convertible bonds issued by the Company is recognised in accordance with the accounting policies set out in Note 2(k).

(v) Other reserve

The Group

Other reserve of the Group represents the reserve arising from the reverse acquisition on 14 October 2008.

On 14 October 2008, the Company acquired the entire issued and fully paid-up share capital of CVMSB, a company incorporated in Malaysia.

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 HK$0.10 per new share.

The Company

Other reserve of the Company represents the difference between the value of the 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.

29 CAPITAL AND RESERVES *(continued)*

(d) Nature and purpose of reserves *(continued)*

(vi) Distributability of reserves

At 31 December 2011, there were no realised profits available for distribution to owners of the Company (2010: Nil).

(e) 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 owners and benefits for other stakeholders.

The Group defines "capital" as including all components of equity and interest bearing borrowings, less unaccrued proposed dividends. On this basis the amount of capital employed at 31 December 2011 was HK$1,003,948,211 (2010 (restated): HK$844,659,416).

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.

30 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 is to remain 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").

30 SHARE OPTION SCHEME *(continued)*

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$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 HK$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 the Stock Exchange's daily quotations sheets on the date of the grant of the options, the average closing price per share as stated in the Stock Exchange'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 has been granted by the Company under the Scheme since its adoption.

31 BUSINESS COMBINATION

(a) Acquisition of CVM International Limited and its subsidiaries

On 30 July 2010, to diversify the Group's business from its mineral dolomite and magnesium business, the Company entered into a conditional Sale and Purchase Agreement to purchase the 100% issued share capital of CVM International Limited ("CVM International") and its subsidiaries, for an aggregate consideration of HK$120,000,000 to be satisfied by HK$24,000,000 cash and HK$96,000,000 by an issue and allotment of 355,555,556 new shares of HK$0.025 each of the Company, at HK$0.27 per share (See Note 29(b)(iii)).

(Expressed in Hong Kong dollars)

31 BUSINESS COMBINATION *(continued)*

(a) Acquisition of CVM International Limited and its subsidiaries *(continued)*

The above transaction was approved by the members of the Company at the extraordinary general meeting held on 22 October 2010. The effective date of the acquisition was 8 November 2010.

	Acquirees' carrying amount and provisional fair value at acquisition date HK$	Acquiree's company restated fair value at acquisition date HK$
Net assets acquired:		
Exploration and evaluation assets	2,292,714	103,196,172
Prepayments, deposits and other receivables	311,417	311,417
Cash at bank and in hand	74,727	74,727
Other payables and accruals	(3,164,824)	(3,164,824)
Deferred tax liabilities	—	(16,649,071)
	(485,966)	83,768,421
Non-controlling interests	11,810	(43,294,328)
Goodwill	120,474,156	79,525,907
Total consideration	120,000,000	120,000,000
Satisfied by:		
Cash paid	24,000,000	24,000,000
Share consideration, at fair value	96,000,000	96,000,000
	120,000,000	120,000,000
Net cash outflow arising on the acquisition:		
Cash consideration paid	(24,000,000)	(24,000,000)
Bank balances and cash acquired	74,727	74,727
	(23,925,273)	(23,925,273)

31 BUSINESS COMBINATION *(continued)*

(a) Acquisition of CVM International Limited and its subsidiaries *(continued)*

Goodwill arising on the acquisition of CVM International during the prior years was determined on a provisional basis as the nature and fair value of the identifiable assets acquired could be determined on a provisional value only. The Company obtained independent valuation to assess the fair value during the year and the provisional goodwill was adjusted accordingly upon the completion of the initial accounting as set out in Note 14.

(b) Acquisition of Step Pacific Development Limited ("Step Pacific") and its subsidiaries

On 23 February 2011, to diversify the Group's business from its mineral dolomite and magnesium business, an agreement (the "Agreement") was entered into between the Company, Mr. Teoh Tek Siong and United Fortune Enterprises Limited (the "Vendors"), pursuant to which the Company has conditionally agreed to purchase and the Vendors have conditionally agreed to sell 51% of the issued share capital of Step Pacific for a consideration of HK$220,000,000, which was satisfied by the payment of deposit in cash of HK$11,000,000 to the Vendors upon signing the Agreement and by the issue of an aggregate of 653,125,000 ordinary shares of the Company to the Vendors (Note 29(b)(iii)).

The acquired business contributed nil revenues and a net loss of HK$3,278,395 to the Group for the period from 19 April 2011 to 31 December 2011. Had the above acquisition occurred on 1 January 2011, the directors of the Company estimate that the Group's revenue and loss before taxation would remain unchanged. These amounts have been calculated using the Group's accounting policies and by assuming the control dates of the subsidiaries being held by Step Pacific remain unchanged.

(Expressed in Hong Kong dollars)

31 BUSINESS COMBINATION *(continued)*

(b) Acquisition of Step Pacific Development Limited and its subsidiaries *(continued)*

The above acquisition was approved by the members of the Company in an extraordinary general meeting held on 8 April 2011. The effective date of the acquisition was 19 April 2011.

	Acquirees' carrying amount and provisional fair value at acquisition date HK$
Net assets acquired:	
Property, plant and equipment (Note 13)	56,901
Exploration and evaluation assets (Note 15)	252,884
Prepayments, deposits and other receivables	209,350
Cash at bank and in hand	12,645
Other payables and accruals	(947,226)
	(415,446)
Non-controlling interests	205,687
Provisional goodwill	220,209,759
Total consideration	220,000,000
Satisfied by:	
Cash paid	11,000,000
Share consideration, at fair value	209,000,000
	220,000,000
Net cash outflow arising on the acquisition:	
Cash consideration paid	(11,000,000)
Bank balances and cash acquired	12,645
	(10,987,355)

Goodwill arising on the acquisition of Step Pacific in the current year is determined on a provisional basis as the nature and fair value of the identifiable assets acquired could be determined on a provisional basis only. The Company is in the process of finalising the independent valuation to access the fair value. It may be adjusted upon the completion of the initial accounting.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

(a) Financial risk management objectives and policies

Management has adopted certain policies for financial risk management with the 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 cash and cash equivalents, trade receivables, prepayments, deposits and other receivables. The exposure to this credit risk is monitored by management on an ongoing basis and management do not expect any counterparty to fail to meet its obligations.

Cash and cash equivalents are placed at financial institutions that have sound credit rating.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 15 days from the date of bill of lading. Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances before any further credit is granted. Normally the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2011, there was no trade receivable. As at 31 December 2010, 57% of the trade receivables was due from the Group's largest customer.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the consolidated statement of financial position. Except for the financial guarantees given by the Group as set out in Note 35, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to the credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 35.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 19.

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

(c) Foreign currency risk

The Group is exposed to foreign currency risk through trade receivables and payables that are denominated in a currency other than the functional currency of the operations to which the transactions relate.

(i) Exposure to currency risk

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

Exposure to foreign currencies (expressed in HK$)

	2011		2010	
	Ringgit Malaysia HK$	**United States Dollars HK$**	Ringgit Malaysia HK$	United States Dollars HK$
The Group				
Payables for construction in progress	—	—	—	(38,860,815)
Pledged deposit	—	—	3,784,248	—
Trade and other payables	—	**(1,011,833)**	—	—
Trade receivables	—	—	—	8,795,408
	—	**(1,011,833)**	3,784,248	(30,065,407)

	2011 Ringgit Malaysia HK$	2010 Ringgit Malaysia HK$
The Company		
Pledged deposit	—	3,784,248

(Expressed in Hong Kong dollars)

32 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 end of the reporting period, assuming all other variable risk variables remained constant. Other components of the equity would not be affected by changes in the foreign exchange rate:

	2011		2010	
	Increase/ (decrease) in foreign exchange rates	**(Increase)/ decrease in loss after tax and accumulated losses HK$**	Increase/ (decrease) in foreign exchange rates	(Increase)/ decrease in loss after tax and accumulated losses HK$
United States Dollars	**5%**	**(50,592)**	5%	(1,503,270)
	(5)%	**50,592**	(5)%	1,503,270
Ringgit Malaysia	—	—	5%	189,212
	—	—	(5)%	(189,212)

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 end of the reporting period. 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 basis as for 2010.

In addition, the operations of the Company's investments in Malaysia and Indonesia are mainly transacted in Ringgit Malaysia ("RM") and Rupiah ("RPH") respectively. Any distributions from these investments in RM and RPH may expose the Company to a certain degree of risk resulting from fluctuation in these currencies against HK$.

(Expressed in Hong Kong dollars)

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

(d) Interest rate risk

The interest rate risk of the Group and the Company arise primarily from bank loans, unsecured loans from third parties and convertible bonds. Borrowings issued at variable rates and fixed rates expose the Group and the Company 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 and the Company's borrowings at the end of the reporting period.

The Group

	2011		2010	
	Effective interest rate	Amount HK$	Effective interest rate	Amount HK$
Variable rate borrowings:				
– Secured bank loans	8.6% p.a.	419,997,065	7.6% p.a. - 8.3% p.a.	399,873,440
Fixed rate borrowings:				
– Convertible bonds	10% p.a.	26,159,373	15% p.a.	121,801,855
– Obligations under a finance leases	2.2% p.a.- 11.2% p.a.	4,063,021	2.4% p.a.- 3.6% p.a.	4,103,981
– Unsecured loans from third parties	12% p.a.- 15% p.a.	150,000,000	—	—
		600,219,459		525,779,276

(Expressed in Hong Kong dollars)

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

(d) Interest rate risk *(continued)*

The Company

	2011		2010	
	Effective interest rate	Amount HK$	Effective interest rate	Amount HK$
Fixed rate borrowings:				
– Convertible bonds	**10% p.a.**	**26,159,373**	15% p.a.	121,801,855
– Obligations under a finance lease	**2.2% p.a.**	**766,125**	2.4% p.a. – 3.6% p.a.	4,103,981
– Unsecured loans from third parties	**12% p.a. – 15.2% p.a.**	**150,000,000**	12% p.a. – 15.2% p.a.	—
		176,925,498		125,905,836

Sensitivity analysis

At 31 December 2011, 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 and the Company's loss before tax and combined equity by approximately HK$6,002,000 and HK$1,769,000, respectively (2010: HK$5,257,800 and HK$1,259,000, respectively).

The sensitivity analysis above indicates instantaneous change in the Group's and the Company's loss before tax (and accumulated losses) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group and the Company which expose the Group and the Company to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flows interest rate risk arising from variable rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss before 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 2010.

(Expressed in Hong Kong dollars)

32 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 Group had net current liabilities of HK$480,759,925 (2010: HK$456,522,859) at 31 December 2011 which include secured bank loans, convertible bonds and unsecured loans from third parties of HK$419,997,065 (2010: HK$399,873,440), HK$26,159,373 (2010: HK$116,380,749) and HK$100,000,000 (2010: Nil), respectively. The directors of the Company closely monitor the cash flows of the Group and the Company and upon maturity, arrange renewal and refinancing of these borrowings, where necessary, to enable the Group to carry on its operations in the foreseeable future. As disclosed in Note 2(b) to the consolidated financial statements, the directors of the Company have taken action to mitigate the liquidity issues faced by the Group and the Company. Accordingly, the directors of the Company are of the opinion that the Group's and the Company's liquidity risk is minimal.

The following table details the remaining contractual maturities at the end of the reporting period 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 variable, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

		2011 Contracted undiscounted cash flow				
	Carrying amount at 31 December HK$	Total HK$	Within 1 year or on demand HK$	More than 1 year but less than 2 years HK$	More than 2 years but less than 5 years HK$	More than 5 years HK$
The Group						
Convertible bonds	26,159,373	55,900,000	4,300,000	4,300,000	47,300,000	—
Secured bank loans*	419,997,065	549,614,432	19,211,336	19,211,336	333,905,279	177,286,481
Obligations under finance leases	4,063,021	4,482,152	1,331,768	1,331,768	1,748,121	70,495
Trade and other payables	26,878,722	26,878,721	26,878,721	—	—	—
Amounts due to related parties	660,969	660,969	660,969	—	—	—
Unsecured loans from third parties	150,000,000	176,625,917	117,762,295	6,000,000	52,863,622	—
	627,759,150	814,162,191	170,145,089	30,843,104	435,817,022	177,356,976

(Expressed in Hong Kong dollars)

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

(e) Liquidity risk *(continued)*

		2010 Contracted undiscounted cash flow				
	Carrying amount at 31 December	Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$	HK$	HK$	HK$	HK$	HK$
The Group						
Convertible bonds	121,801,855	134,850,000	134,850,000	—	—	—
Secured bank loans*	399,873,440	655,925,056	59,018,391	66,322,963	198,968,888	331,614,814
Obligations under finance leases	4,103,981	4,675,970	1,134,760	1,134,760	2,126,850	279,600
Trade and other payables	62,147,931	62,147,931	62,147,931	—	—	—
Amounts due to related parties	1,087,093	1,087,093	1,087,093	—	—	—
	589,014,300	858,686,050	258,238,175	67,457,723	201,095,738	331,894,414

* The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignored the effect of any repayment on demand clause (see Note 26).

(Expressed in Hong Kong dollars)

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

(e) Liquidity risk *(continued)*

	Carrying amount at 31 December HK$	2011 Contracted undiscounted cash flow Total HK$	Within 1 year HK$	More than 1 year but less than 2 years HK$	More than 2 years but less than 5 years HK$	More than 5 years HK$
The Company						
Convertible bonds	26,159,373	55,900,000	4,300,000	4,300,000	47,300,000	—
Trade and other payables	7,639,407	7,639,407	7,639,407	—	—	—
Obligations under finance leases	766,125	826,535	187,140	187,140	452,255	—
Unsecured loans from third parties	150,000,000	176,625,917	117,762,295	6,000,000	52,863,622	—
	184,564,905	240,991,859	129,888,842	10,487,140	100,615,877	—

	Carrying amount at 31 December HK$	2010 Contracted undiscounted cash flow Total HK$	Within 1 year HK$	More than 1 year but less than 2 years HK$	More than 2 years but less than 5 years HK$	More than 5 years HK$
The Company						
Convertible bonds	121,801,855	134,850,000	134,850,000	—	—	—
Trade and other payables	2,005,763	2,005,763	2,005,763	—	—	—
	123,807,618	136,855,763	136,855,763	—	—	—

(Expressed in Hong Kong dollars)

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

(f) Categories of financial instruments

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$	HK$	**HK$**	HK$
Financial assets				
Loans and receivables (including trade and other receivables)	**52,333,082**	120,641,570	**23,960,308**	17,025,167
Financial liabilities				
Financial liabilities at amortised cost (including trade and other payables)	**627,759,150**	583,593,194	**184,564,905**	118,386,512
Financial liabilities at fair value through profit or loss	**—**	5,421,106	**—**	5,421,106

(g) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measure using quoted prices (unadjusted) in active markets for identical financial instruments.

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

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

(g) Fair values *(continued)*

(i) Financial instruments carried at fair value (continued)

2011

	The Group and the Company			
	Level 1	Level 2	Level 3	Total
	HK$	HK$	HK$	HK$
Liabilities				
Derivative component of convertible bonds	—	—	—	—

2010

	The Group and the Company			
	Level 1	Level 2	Level 3	Total
	HK$	HK$	HK$	HK$
Liabilities				
Derivative component of convertible bonds	—	—	5,421,106	5,421,106

(Expressed in Hong Kong dollars)

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

(g) Fair values *(continued)*

(i) Financial instruments carried at fair value (continued)

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	The Group and the Company	
	2011	2010
	HK$	HK$
Conversion option embedded in convertible bonds:		
At 1 January	**5,421,106**	5,818,671
Changes in the fair value recognised in profit or loss during the year	**—**	(397,565)
Gain on repayment	**(5,421,106)**	—
At 31 December	**—**	5,421,106
Total gain for the year included in profit or loss for assets held at the end of the reporting period	**—**	397,565

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2011 and 2010.

(Expressed in Hong Kong dollars)

33 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding as at 31 December 2011 and 2010 not provided for in the consolidated financial statements were as follows:

	The Group	
	2011	2010
	HK$	HK$
Contracted for	**20,098,652**	25,001,261
Authorised but not contracted for	**—**	—
	20,098,652	25,001,261

(b) Future minimum royalty payments

Pursuant to the Mining Agreement (Note 15), the royalties to HPC are subject to a monthly minimum payment of RM30,000 (equivalent to HK$76,355) (2010: RM30,000 (equivalent to HK$12,443) 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 RM6,300,000 (equivalent to HK$16,034,574) (2010: RM6,660,000 (equivalent to HK$16,082,373) over the 20 year period.

(c) Operating lease commitments

At 31 December 2011, the total minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$	HK$	**HK$**	HK$
Within 1 year	**1,276,555**	669,318	**1,173,984**	602,715
After 1 year but within 5 years	**914,848**	111,005	**880,488**	—
	2,191,403	780,323	**2,054,472**	602,715

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 a contingent rental.

33 COMMITMENTS *(continued)*

(d) Environmental contingencies

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

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

(ii) the extent of required cleanup efforts;

(iii) varying costs of alternative remediation strategies;

(iv) changes in environmental remediation requirements; and

(v) the identification of new remediation sites.

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

34 MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$1,177,184 (2010: HK$3,886,321).

Part of the consideration for the acquisition of subsidiaries that occurred during the year comprised shares. Further details of the acquisition are set out in Note 31(b) above.

During the year, part of the convertible bonds issued in September and October 2010 was repaid from funds derived from unsecured loans from third parties. Further details are set out in Note 25(a) above.

(Expressed in Hong Kong dollars)

35 CONTINGENT LIABILITIES

Corporate guarantees issued

As at 31 December 2011, the Company has issued corporate guarantees totalling approximately RM184,600,000 (equivalent to HK$452,700,000) (2010: RM300,000,000 (equivalent to HK$757,000,000)) to a bank in respect of bank loan facilities granted to CVMSB.

The directors of the Company do not consider it probable that a claim will be made against the Company under the corporate guarantees. The maximum liability of the Company as at 31 December 2011 under the corporate guarantees issued is approximately RM171,300,000 (equivalent to HK$420,000,000) (2010: RM160,000,000 (equivalent to HK$404,000,000)).

In addition, as at 31 December 2011, the Company has issued a corporate guarantee totalling RM850,000 (equivalent to HK$2,084,048) (2010: RM850,000 (equivalent to HK$2,144,407) to a supplier in respect of the purchase of liquefied petroleum gas made by CVMSB.

As at 31 December 2011, the Company has issued corporate guarantees totalling RM1,272,026 (equivalent to HK$3,118,783) (2010: RM1,489,460 (equivalent to HK$3,757,657)) for finance lease creditors in respect of the purchase of motor vehicles and equipment by CVMSB.

The Company has not recognised any deferred income in respect of the corporate guarantees as its fair value cannot be reliably measured and its transaction price was nil for the years ended 31 December 2011 and 2010.

36 MATERIAL RELATED PARTY TRANSACTIONS

During the years ended 31 December 2011 and 2010, in addition to the transactions and balances disclosed in Notes 20 and 24 to the consolidated financial statements, the following related party transactions took place between the Group and related parties on terms mutually agreed by the parties concerned.

Name of party	Relationship
Ho Wah Genting Berhad (“HWGB”)	A shareholder of the Company
Ho Wah Genting Poipet Resorts Sdn. Bhd. (“HWGP”)	An associate of HWGB
HWG Tin Mining Sdn. Bhd. (“HWGTM”)	A subsidiary of HWGB
Perak State Development Corporation (“PSDC”)	A shareholder of the Company
Harta Perak Corporation Sdn. Bhd. (“HPC”)	A subsidiary of PSDC
Mr. Chong Wee Chong	A director of the Company

(Expressed in Hong Kong dollars)

36 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

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

(a) Recurring transactions

	2011	2010
	HK$	HK$
Office rent payable to:		
HWGB	**205,953**	202,841
Secretarial fees payable to:		
HWGB	—	14,489
Purchase of flight tickets from:		
HWGP	**718,474**	1,107,852
Maintenance fee payable to:		
HPC	**908,399**	905,539

(b) Non-recurring transactions

	2011	2010
	HK$	HK$
Purchase of a motor vehicle from:		
HWGB	—	759,687
Disposal of a motor vehicle to:		
HWGTM	**139,612**	96,591

(c) Amount due from a director

	2011	2010
	HK$	HK$
Chong Wee Chong	—	48,339

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

(Expressed in Hong Kong dollars)

36 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(d) Amount due from a member of staff

	2011 HK$	2010 HK$
Dato' Lim Hui Boon	**9,901**	9,901

The amount was unsecured, interest-free and had no fixed terms of repayment.

(e) Amount due from a related party

	2011 HK$	2010 HK$
HWGTM	**4,651**	—

(f) Amounts due to related parties

	2011 HK$	2010 HK$
HWGB	**138,442**	656,110
HPC	—	310,308
HWGP	**522,527**	120,675
	660,969	1,087,093

The amounts are trade in nature, unsecured, interest free and have no fixed terms of repayment.

(g) Key management personnel remuneration

	2011 HK$	2010 HK$
Directors' fees	**336,420**	680,139
Salaries, allowances and benefits in kind	**4,284,613**	2,606,400
Retirement scheme contributions	**221,044**	141,653
	4,842,077	3,428,192

37 NON-ADJUSTING AFTER THE REPORTING PERIOD EVENTS

(a) Acquisition of a subsidiary

To diversify the Group's business from its mining business, on 12 January 2012, an agreement (the "Agreement") was entered into between Nice Tone Enterprises Ltd. ("Nice Tone"), a wholly-owned subsidiary of the Company, vendors (Voice Key Group Limited ("Voice Key"), Chinacorp International Consultants Limited and Champion Tone Development Limited) and guarantors (Chu Yuk Lung, Au Yu Siu and Tan Chee Chuan), pursuant to which Nice Tone has conditionally agreed to purchase and the vendors have conditionally agreed to sell 51% of the issued share capital of Victory Dragon Holdings Limited ("Victory Dragon"), the holding company of 龍川升龍礦泉有限公司 (Long Chuan Shen Long Mineral Water Co., Limited) ("Shen Long") for the consideration of HK$200,000,000, which shall be satisfied by the payment of deposit in the sum of HK$10,000,000 to Voice Key upon signing the Agreement, by the issue of convertible bonds with monetary value of HK$106,840,000 to Voice Key, and by the issue of ordinary shares of the company with monetary value of HK$83,160,000 to the vendors.

Victory Dragon is principally engaged in investment holding. Victory Dragon is the sole beneficial owner of the entire registered and paid up capital of Shen Long. Shen Long is principally engaged in the business of manufacturing and distributing bottled natural mineral water in the PRC. Shen Long has a well established factory for manufacturing bottled natural mineral water in the PRC and holds relevant valid mining licences/ approvals for natural mineral water.

(b) Drawdown of convertible bonds

On 10 January 2012, 5 March 2012 and 23 March 2012, convertible bonds were issued with maturity date on the third anniversary of the date of issue for the principal of HK$10,000,000, HK$10,000,000 and HK$17,000,000, respectively. The convertible bonds bear interest at 10% p.a. payable annually and are unsecured.

38 ACCOUNTING JUDGEMENTS AND ESTIMATES

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

(a) Useful lives of property, plant and equipment

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.

38 ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(b) Impairment of property, plant and equipment

The Group reviews the carrying amounts of the assets at the end of each reporting 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 end of the reporting 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.

(c) Impairment of exploration and evaluation assets

In determining whether the Group's exploration and evaluation assets are impaired, management has to exercise judgement in the area of asset impairment, particularly in assessing (i) whether the Group is able to obtain and retain the right to exploit in the specific mining sites; and (ii) whether the carrying amount of the exploration and evaluation assets is likely to be recovered in full from successful development or by sale. In any such situation, the Group shall perform an impairment test in accordance with the accounting policies stated in Note 2 (h)(ii).

(d) Fair value of derivative components of convertible bonds

Convertible bonds of the Group are presented by separating the derivative component and the liability component. This requires an initial recognition of the derivative component at its fair value and its subsequent measurement at fair value determined by an option pricing model.

In assessing the fair value of the derivative component of convertible bonds, the binomial model was used. The binomial model is one of the generally accepted methodologies used to calculate the fair value of the derivative component of convertible bonds. The binomial model requires the input of subjective assumptions, including the expected dividend yield. Any changes in these assumptions can significantly affect the estimate of the fair value of the derivative component of the convertible bonds.

(e) Impairment of goodwill, exploration and evaluation assets

Determining whether exploration and evaluation assets and goodwill (collectively referred to as "CGU of exploration of iron ore, coal and manganese") are impaired requires an estimation of the value in use of the CGU to which these assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(Expressed in Hong Kong dollars)

38 ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(e) Impairment of goodwill, exploration and evaluation assets *(continued)*

The carrying amounts of exploration and evaluation assets and goodwill at the end of reporting period were HK$84,374,090 and HK$220,209,759, respectively, after impairment losses of HK$22,656,172 and HK$79,525,907, respectively, were recognised during the year ended 31 December 2011 (2010: Nil). Details of the impairment losses calculation are provided in notes 14 and 15 to the consolidated financial statements.

39 POSSIBLE IMPACT OF NEW AND REVISED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011

Up to the date of issue of the consolidated financial statements, the HKICPA has issued a number of new and revised standards and Interpretations which are not yet effective for the year ended 31 December 2011 and which have not been adopted in the consolidated financial statements. These include the following which may be relevant to the Group and the Company.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 7	Disclosures – Transfers of financial assets	1 July 2011
	Disclosures – Offsetting financial assets and financial liabilities	1 January 2013
	Mandatory effective date of HKFRS 9 and transaction disclosures	1 January 2015
HKFRS 9	Financial instruments	1 January 2013
HKFRS 10	Consolidated financial statements	1 January 2013
Amendments to HKAS 1	Presentation of items of other comprehensive income	1 July 2012
Amendments to HKAS 12	Deferred tax – recovery of underlying assets	1 January 2012
HKAS 19 (as revised in 2011)	Employee benefits	1 January 2013

The Group is in the process of making an assessment of the impact of these amendments, which are 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.