CVM Minerals Limited

南亞礦業有限公司

(incorporated in Hong Kong with limited liability)

Stock Code: 705

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

HIGHLIGHTS

The Board is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2010.

The unaudited consolidated loss attributable to equity holders of the Company for the six months ended 30 June 2010 was approximately HK$1.3 million. The total net assets value of the Group as at 30 June 2010 was approximately HK$238.1 million.

As at 30 June 2010, the net capital expenditure incurred by the Group had increased by 24% to approximately HK$589.6 million from approximately HK$474.2 million as at 31 December 2009. Approximately 97% of the capital expenditure was incurred for the construction of the Smelter.

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of CVM Minerals Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiary, Commerce Venture Magnesium Sdn. Bhd. ("**CVMSB**") (collectively referred to as the "**Group**") for the six months ended 30 June 2010 with comparative figures for the same period in 2009, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

(Expressed in Hong Kong dollars)

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

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

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

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

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

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

HK Interpretation 4 (Revised in December 2009)	*Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HKFRSs (Amendments)	*Improvements to HKFRSs 2009*

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

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

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

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

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

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

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

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	*Related Party Disclosures*[4]
HKAS 32 (Amendment)	*Classification of Rights Issues*[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 *Disclosures for First-time Adopters*[3]
HKFRS 9	*Financial Instruments*[5]
HK(IFRIC)-Int 14 (Amendment)	*Prepayments of a Minimum Funding Requirement*[4]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[3]

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

2 TURNOVER AND SEGMENT INFORMATION

Construction and installation works at the Group's Perak Magnesium Smelter in the State of Perak, Malaysia (the "**Smelter**") have been completed at the end of June 2010. In view thereof, the Group has yet to earn any revenue during the six months ended 30 June 2010.

The Group has one reportable segment, which is the mining of dolomite and manufacture of magnesium ingots. The segment information reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment is the same as those reported in these financial statements.

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

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

3 OTHER REVENUE

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

4 OTHER NET INCOME

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

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

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

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

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

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

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

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

6 INCOME TAX

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

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

No provision for Hong Kong Profits Tax has been made as the Group did not earn any income which is subject to Hong Kong Profits Tax during the periods ended 30 June 2010 and 2009.

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

7 LOSS PER SHARE

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

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

8 ADDITIONS TO FIXED ASSETS

During the period under review, the Group spent approximately HK$85,741,007 (2009: HK$175,693,231) on additions to fixed assets. These additions were mainly loan interest of HK$16,829,442 capitalized (2009: HK$11,248,553).

9 INVENTORIES

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

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

10 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

11 OBLIGATIONS UNDER FINANCE LEASES

The Group had obligations under finance leases repayable as follows:

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

12 OTHER PAYABLES AND ACCRUED EXPENSES

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

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

13 SHARE CAPITAL

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Company, via its wholly owned subsidiary, 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 stock piling purposes since June 2009.

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

BUSINESS REVIEW

The Perak Magnesium Smelter (the "Smelter")

Construction and installation works at the Group's Smelter in the State of Perak, Malaysia have been completed in June 2010. Details of the latest update on the Smelter are set out in the announcement dated 17 June 2010 of the Company (the "**Announcement**").

Further to that, the Board noted that the Smelter has entered into the production stage of producing magnesium ingots.

Financing of the Project

As at 30 June 2010, CVMSB had drawn down approximately RM99.6 million (equivalent to approximately HK$239.4 million) under the secondary financing of Kuwait Finance House (Malaysia) Berhad ("**KFHMB**"). CVMSB will continue to draw down monies under the secondary financing of KFHMB until completion of the Smelter when the bank guarantee from Bank Kerjasama Rakyat Malaysia Berhad ("**Bank Rakyat**") is converted to a term loan facility. On 4 May 2009, CVMSB obtained an additional term financing facility of RM25 million (equivalent to approximately HK$60.1 million) from Bank Rakyat for the purchase of retorts, details of which are disclosed in the announcement dated 18 May 2009 of the Company. Total facilities drawn down from KFHMB and Bank Rakyat as at 30 June 2010 amounted to approximately RM99.6 million (equivalent to approximately HK$239.4 million) and approximately RM61 million (equivalent to approximately HK$146.7 million) respectively (as at 31 December 2009: approximately RM99.6 million (equivalent to approximately HK$ 225.3 million) and approximately RM58.5 million (equivalent to approximately HK$ 132.4 million) respectively).

Capital raising exercise

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

On the same date, the Company entered into a placing agreement with the Placing Agents pursuant to which the Placing Agents have agreed, as the placing agents of the Company and on a best effort basis, to procure placees to subscribe for up to 80,000,000 new ordinary shares at the price of HK$0.36 per share (the "**New Placing**").

The Top-up Placing, the Subscription and the New Placing was completed on 10 February 2010. The gross proceeds and the net proceeds (after deducting the placing commission and relevant expenses) from the Top-Up Placing, the Subscription and the New Placing amounted to HK$129.6 million and HK$126.1 million respectively.

Latest update subsequent to financial period of 30 June 2010

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

The convertible bonds bear interest at 15% per annum, maturing on the thirteenth months after the date of issue and are convertible into conversion shares at the initial conversion price of HK$0.27 each.

Assuming the maximum amount of the convertible bonds of HK$116.0 million are issued, the net proceeds from the Placing shall be approximately HK$114.1 million and are intended to be used for the general working capital of the Group's proposed project in Indonesia as well as future corporate and acquisition exercises. Upon full conversion of the maximum principal amount of the convertible bonds of HK$116.0 million, 429,629,629 conversion shares will be issued, representing approximately 19.85% of the issued share capital of the Company as at the date of the placing agreement and approximately 16.56% of the issued share capital of the Company as enlarged by the issue of the conversion shares.

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

Outstanding licenses, approvals and permits

As referred to in the Announcement, save for the issuance of the physical certificates of fitness for certain machinery, the relevant employment visas and permits for the foreigners/foreign workers to be employed, the Malaysian legal advisers of the Company have opined that CVMSB has obtained all major/material licences, approvals and permits in relation to 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 commercial levels of production, the Group will earn its first material revenue steams.

In the meantime, the Group is always on the look-out for new ventures in the mining and resource based industry for its long term growth plans. The following are the updates of several proposals which the Company had proposed:

Manganese Ore

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

Coal, iron ore and manganese

On 30 July 2010, the Company entered into a conditional Sale and Purchase Agreement to purchase the entire issued share capital of Winner Top International Limited ("**Winner Top**"), a private investment holding company incorporated in the British Virgin Islands, for an aggregate consideration of HK$120.0 million to be satisfied (i) as to HK$96.0 million by allotment and issue of new ordinary shares of HK$0.025 each in the capital of the Company at HK$0.27 per consideration share; and (ii) as to HK$24.0 million in cash. Upon completion of the proposed acquisition, Winner Top will be the holding company of two (2) Indonesian companies holding certain mining concessions for coal, iron ore and manganese exploration in Aceh, Indonesia.

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

FINANCIAL REVIEW

Turnover and other revenue

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

Administrative expenses

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

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

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

Exploration, development and mining production activities

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

Net foreign exchange gain

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

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

Finance costs

The finance costs mainly consisted of interest on finance leases for motor vehicles. The interest is reducing over the years of installments.

Loss before taxation

As CVMSB has yet to commence any revenue earning operations and had only incurred expenses during the period under review, the Group incurred a consolidated loss before taxation of approximately HK$14 million for the six months ended 30 June 2010 (six months ended 30 June 2009: loss before taxation of HK$4.8 million).

Loss per share

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

Liquidity and financial resources

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

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

Capital expenditure

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

Charge on assets

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

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

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

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

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

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

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

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

Human resources

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

Capital commitment and contingent liabilities

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

As at 30 June 2010, the Group has issued a corporate guarantee totaling RM172.6 million (equivalent to approximately HK$415.1 million) to Bank Rakyat.

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

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

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

INTERIM DIVIDENDS

At a meeting held on 23 August 2010, the Board did not recommend the payment of any interim dividend in respect of the six months ended 30 June 2010.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

DIRECTORS' SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE REVIEW

The Audit Committee, comprising three members namely, Ms. Wong Choi Kay (Chairperson and Independent Non-executive Director), Mr. Tony Tan (Independent Non-executive Director) and Mr. Chong Lee Chang (Independent Non-executive Director), has reviewed the accounting principles and practices adopted by the Group and has discussed and reviewed the internal controls and financial reporting matters, including the review of the unaudited interim financial results of the Group for the six months ended 30 June 2010, with the management of the Company.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of The Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the Company website at www.cvmminerals.com. The interim report 2010 of the Company will also be published on the aforesaid websites in due course.

By order of the Board
CVM Minerals Limited
Tony Tan
Chairman

Hong Kong, 23 August 2010

As at the date of this announcement, the Executive Directors of the Company are Mr. Chong Wee Chong, Mr. Gao Qi Fu and Mr. Lim Ooi Hong, and the Independent Non-executive Directors of the Company are Mr. Tony Tan, Ms. Wong Choi Kay, Mr. Chong Lee Chang and Mr. Lam Cheung Shu.