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 2011

HIGHLIGHTS

The Board is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2011.

The unaudited consolidated loss attributable to owners of the Company for the six months ended 30 June 2011 was approximately HK$45.5 million. The total net assets value of the Group as at 30 June 2011 was approximately HK$567.6 million.

As at 30 June 2011, the net capital expenditure incurred by the Group had increased by 11% to approximately HK$721.9 million from approximately HK$650.7 million as at 31 December 2010.

RESULTS

The Board (the "**Board**") of Directors (the "**Directors**") of CVM Minerals Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2011 together with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2011
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	**2011**	2010
		HK$	*HK$*
		(Unaudited)	*(Unaudited)*
Turnover	3	**5,690,103**	—
Cost of sales		**(11,716,733)**	(45,235)
Gross loss		**(6,026,630)**	(45,235)
Other revenue	4	**176,813**	66,567
Other net income	5	**3,260,893**	246,255
Selling and distribution expenses		**(287,230)**	—
Administrative expenses		**(13,778,664)**	(14,235,895)
Loss from operations		**(16,654,818)**	(13,968,308)
Finance costs	6(a)	**(28,080,787)**	(29,006)
Loss before taxation	6	**(44,735,605)**	(13,997,314)
Income tax	7	**—**	(10,195)
Loss for the period		**(44,735,605)**	(14,007,509)
Attributable to:			
Owners of the Company		**(45,491,238)**	(14,007,509)
Non-controlling interests		**755,633**	—
Loss for the period		**(44,735,605)**	(14,007,509)
Loss per share	8		
Basic		**(1.50 cents)**	(0.67 cents)
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2011
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2011	2010
	HK$	*HK$*
	(Unaudited)	*(Unaudited)*
Loss for the period	**(44,735,605)**	(14,007,509)
Other comprehensive income/(expense) for the period (net of nil tax)		
Exchange differences on translation of financial statements of overseas subsidiaries	**6,273,072**	12,752,345
Total comprehensive income/(expense) for the period	**(38,462,533)**	(1,255,164)
Attributable to:		
Owners of the Company	**(39,221,888)**	(1,255,164)
Non-controlling interests	**759,355**	—
Total comprehensive expense for the period	**(38,462,533)**	(1,255,164)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2011
(Expressed in Hong Kong dollars)

	Note	**As at 30 June 2011** *HK$* ***(Unaudited)***	As at 31 December 2010 *HK$* *(Audited)*
Non-current assets			
Fixed assets	11		
- Property, plant and equipment		**707,537,753**	636,628,871
- Interest in leasehold land held for own use under operating lease		**14,349,099**	14,120,778
Goodwill	12	**340,959,147**	120,479,667
Exploration and evaluation assets		**9,869,877**	7,148,983
Mining deposit		**231,929**	227,055
		1,072,947,805	778,605,354
Current assets			
Inventories	13	**24,145,409**	4,653,186
Trade receivables	14	**5,078,199**	8,795,408
Prepayments, deposits and other receivables	15	**24,510,369**	67,995,495
Pledged deposits		**17,390**	3,811,658
Cash at bank and in hand		**75,308,851**	44,039,009
		129,060,218	129,294,756
Current liabilities			
Trade and other payables	16	**11,459,617**	62,147,931
Obligations under finance leases	17	**991,756**	907,296
Amounts due to related parties		**629,934**	1,087,093
Derivative components of convertible bonds		**8,148,622**	5,421,106
Convertible bonds		**116,380,749**	116,380,749
Bank loans - secured	18	**443,800,134**	399,873,440
		581,410,812	585,817,615

	Note	As at 30 June 2011 HK$ (Unaudited)	As at 31 December 2010 HK$ (Audited)
Net current liabilities		**(452,350,594)**	(456,522,859)
Total assets less current liabilities		**620,597,211**	322,082,495
Non-current liabilities			
Obligations under finance leases	17	**2,961,059**	3,196,685
Unsecured loan from a third party	19	**50,000,000**	—
		52,961,059	3,196,685
Net assets		**567,636,152**	318,885,810
Capital and reserves			
Share capital	20	**87,942,014**	62,988,889
Reserves		**478,473,249**	255,896,762
Total equity attributable to owners of the Company		**566,415,263**	318,885,651
Non-controlling interests		**1,220,889**	159
Total equity		**567,636,152**	318,885,810

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2011
(Expressed in Hong Kong dollars)

	Attributable to owners of the Company								
	Share capital	Capital reserve	Share premium	Exchange reserve	Other reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$	*HK$* *(Note)*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1 January 2010	45,100,000	—	68,090,412	4,941,013	30,856,527	(29,597,269)	119,390,683	—	119,390,683
Total comprehensive income/(expense) for the period	—	—	—	12,752,345	—	(14,007,509)	(1,255,164)	—	(1,255,164)
Shares issued pursuant to the share placing	9,000,000	—	110,996,696	—	—	—	119,996,696	—	119,996,696
At 30 June 2010 (Unaudited)	54,100,000	—	179,087,108	17,693,358	30,856,527	(43,604,778)	238,132,215	—	238,132,215
At 1 January 2011	62,988,889	—	271,608,063	29,344,462	30,856,527	(75,912,290)	318,885,651	159	318,885,810
Total comprehensive income/(expense) for the period	—	—	—	6,269,350	—	(45,491,238)	(39,221,888)	759,355	(38,462,533)
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	520,434	520,434
Shares issued pursuant to the share placing	8,500,000	—	69,020,000	—	—	—	77,520,000	—	77,520,000
Expenses incurred for placing of shares	—	—	(1,938,000)	—	—	—	(1,938,000)	—	(1,938,000)
Warrants issued pursuant to the warrant placing	—	819,500	—	—	—	—	819,500	—	819,500
Acquisition of subsidiaries	16,328,125	—	192,671,875	—	—	—	209,000,000	(59,059)	208,940,941
Conversion of warrants to shares	125,000	(25,000)	1,250,000	—	—	—	1,350,000	—	1,350,000
At 30 June 2011 (Unaudited)	**87,942,014**	**794,500**	**532,611,938**	**35,613,812**	**30,856,527**	**(121,403,528)**	**566,415,263**	**1,220,889**	**567,636,152**

Note: The capital reserve represents the amounts recognised in respect of 163,900,000 warrants at HK$0.005 each issued by the Company on 17 February 2011 to 10 independent third parties, which entitle the warrant holders to subscribe for 163,900,000 new shares of the Company at a subscription price of HK$0.27 per each for a period of twelve months commencing from the date of issue of the warrants. Each warrant carries the right to subscribe for one new share.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2011
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2011	2010
	HK$	*HK$*
	(Unaudited)	*(Unaudited)*
Net cash used in operating activities	**(17,273,125)**	(43,718,826)
Net cash used in investing activities	**(79,818,030)**	(68,495,128)
Net cash generated from financing activities	**128,756,869**	111,124,901
Net increase/(decrease) in cash and cash equivalents	**31,665,714**	(1,089,053)
Cash and cash equivalents at the beginning of the period	**44,039,009**	4,155,067
Effect of foreign exchange rate changes	**(395,872)**	12,860,508
Cash and cash equivalents at the end of the period	**75,308,851**	15,926,522

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The figures in respect of the Preliminary Announcement have been agreed by Baker Tilly Hong Kong Limited ("Baker Tilly Hong Kong"), to the amounts set out in the Group's condensed consolidated interim financial statements for the six months ended 30 June 2011. As the work performed by Baker Tilly Hong Kong in this respect did not constitute an assurance 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.

These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010.

The condensed consolidated interim financial statements have been prepared under the historical cost convention, except for derivative components of convertible bonds which are carried at their fair values.

As at 30 June 2011, the Group had net current liabilities of HK$452,350,594 (31 December 2010: HK$456,522,859). The Group's loss after taxation amounted to HK$44,735,605 (six months ended 30 June 2010: HK$14,007,509) for six months ended 30 June 2011. In view of these circumstances, the Directors of the Company have given careful consideration to the future liquidity and performance of the Group in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The Directors of the Company are of the opinion that the use of the going concern assumption in the preparation of the condensed consolidated interim financial statements is appropriate, as they consider that the Group will have sufficient means to finance the Group's working capital when taking into account the following factor:

Available banking facilities

In order to finance the operations of the production line of the magnesium smelter in Perak, Malaysia, the Group's wholly owned subsidiary, CVM Magnesium Sdn. Bhd. ("**CVMSB**") obtained banking facilities totalling RM184.6 million (equivalent to HK$475.8 million), which comprises a ten-year term loan from Bank Kerjasama Rakyat Malaysia Berhad ("**Bank Rakyat**").

Up to 30 June 2011, the total facilities drawn down amounted to approximately RM172.2 million (equivalent to approximately HK$443.8 million) (31 December 2010: approximately RM160 million (equivalent to approximately HK$403.7 million)).

In accordance with the bank loan agreements dated 5 July 2010, the Group was required to repay the bank loans by monthly instalments of RM743,065 (equivalent to HK$1,914,869) commencing on or before 31 January 2011 and increasing to RM2,190,758 (equivalent to HK$5,645,556) 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$1,726,582) with effect from August 2011 to December 2013 and increasing to RM4.2 million (equivalent to HK$10,823,348) from January 2014 to the end of the loans' tenor in 2018.

After taking into account the above factor, the Directors are satisfied that the Group will have sufficient funding to enable it to operate as a going concern and meets its financial obligations as and when they fall due. Accordingly, the condensed consolidated interim financial statements have been prepared on a going concern basis.

2 CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 January 2011. The effect of the adoption of these standards, amendments and interpretations was not material to the Group's results of operations or financial position.

Warrants

The issue of warrants will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments. When the warrants are subscribed, the fair value of the consideration received is recognised in capital reserve.

The fair value of the warrant is recognised in capital reserve until either the warrant is exercised (when it is transferred to the share premium account) or the warrant expires (when it is released directly to accumulated losses).

3 TURNOVER

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

4 OTHER REVENUE

	Six months ended 30 June	
	2011	2010
	HK$	*HK$*
	(Unaudited)	*(Unaudited)*
Interest income	**176,813**	53,429
Rental income	**—**	13,138
	176,813	66,567

5 OTHER NET INCOME

	Six months ended 30 June	
	2011	2010
	HK$	*HK$*
	(Unaudited)	*(Unaudited)*
Gain on disposal of fixed assets	**51,540**	—
Net foreign exchange gains	**219,866**	246,255
Waiver of debts due to other creditors	**2,989,487**	—
	3,260,893	246,255

The waiver of debts are due to other creditors of the subsidiaries acquired in prior years.

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2011	2010
	HK$	*HK$*
	(Unaudited)	*(Unaudited)*
(a) Finance costs:		
Interest on convertible bonds	**11,427,516**	—
Interest on bank loans*:		
- wholly repayable within five years	**7,672,609**	6,406,687
- wholly repayable after five years	**6,853,628**	8,892,280
	14,526,237	15,298,967
Amortisation of loan transaction costs	**246,695**	176,690
Other borrowing costs	**1,750,919**	1,364,148
Finance charges on obligations under finance leases	**129,420**	18,643
	16,653,271	16,858,448
Less: Finance costs capitalised into construction in progress**	**—**	(16,829,442)
	16,653,271	29,006
	28,080,787	29,006

* The analysis shows the finance costs of bank loans, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the loan agreements. For the six months ended 30 June 2011 and 2010, the interest on bank loans which contain a repayment on demand clause amounted to HK$14,526,237 and HK$15,298,967 respectively.

** No interest on bank loans has been capitalised (2010: 7.6% - 8.3%) for the six months ended 30 June 2011.

	Six months ended 30 June	
	2011	2010
	HK$	*HK$*
	(Unaudited)	*(Unaudited)*
(b) Staff costs (including directors' remuneration) :		
Salaries, wages, bonuses and benefits	**5,736,405**	5,216,517
Contributions to defined contribution retirement plan	**310,596**	389,074
	6,047,001	5,605,591

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% (six months ended 30 June 2010: 12%) of the eligible employees' salaries for the six months ended 30 June 2011. 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	
	2011	2010
	HK$	*HK$*
	(Unaudited)	*(Unaudited)*

(c) Other items:

Amortisation of exploration and evaluation assets	**104,432**	95,793
Amortisation of interest in leasehold land held for own use under operating lease	**74,502**	68,339
Auditors' remuneration	**290,771**	283,856
Cost of inventories sold	**11,716,733**	—
Depreciation	**13,052,248**	91,374
Exploration and evaluation assets written off	**592,644**	—
Operating lease charges:		
- office premises	**671,936**	605,010
- office equipment	**29,989**	15,950
- staff housing	**—**	5,933
- equipment and machinery	**—**	156,874
Provision for doubtful debts	**10,687**	—

For the six months ended 30 June 2011, the cost of sales of HK$11,716,733 mainly consist of staff costs of HK$792,850, depreciation of HK$12,622,431 and amortisation of HK$74,502, of which these amounts are also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 INCOME TAX

Pursuant to the income tax rules and regulations of Malaysia, the Group's Malaysian subsidiaries are liable to Malaysian Income Tax at a rate of 25% (six months ended 30 June 2010: 25%) for the six months ended 30 June 2011. No provision of income tax has been made as they do not have assessable profit for the six months ended 30 June 2011. Income tax for the six months ended 30 June 2010 represented provision for Malaysian Income Tax on interest income.

Pursuant to the Inland Revenue Ordinance of Hong Kong, assessable profit of the Company arising in or derived from Hong Kong is subject to the statutory income tax rate of 16.5% (six months ended 30 June 2010: 16.5%). No provision for Hong Kong Profits Tax has been made as the Company does not have assessable profit for the six months ended 30 June 2011 and 2010.

No provision for Indonesian Income Tax has been made as the Group's Indonesian subsidiaries do not have assessable profit for the six months ended 30 June 2011.

Members of the Group incorporated under the Business Companies Act 2004 (as amended) of the British Virgin Islands are exempted from payment of income taxes for the six months ended 30 June 2011.

As at 30 June 2011, the Group has not recognised deferred tax assets in respect of accumulated tax losses (31 December 2010: approximately 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.

8 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$45,491,238 (six months ended 30 June 2010: HK$14,007,509) and the weighted average of 3,042,114,258 (31 December 2010: 2,087,535,912) ordinary shares in issue during the six months ended 30 June 2011.

(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.

9 DIVIDENDS

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

10 SEGMENT REPORTING

The Group has two reportable segments, which are the mining of dolomite and manufacture of magnesium ingots, and exploration of iron ore, coal and manganese. 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 condensed consolidated interim financial statements.

(a) Information about reportable segment profit or loss, assets and liabilities

	Mining of dolomite and manufacture of magnesium ingots *HK$*	Exploration of iron ore, coal and manganese *HK$*	Total *HK$*
Six months ended 30 June 2011 (Unaudited)			
Revenue from external customers	5,690,103	—	5,690,103
Segment profit	1,555,197	1,414,064	2,969,261
Interest income	164,961	1,128	166,089
Finance costs	(16,653,271)	—	(16,653,271)
Depreciation and amortisation	(13,192,245)	(18,911)	(13,211,156)
Gain on disposal of fixed assets	39,299	12,241	51,540
Additions to segment non-current assets	69,969,608	223,575,627	293,545,235
As at 30 June 2011 (Unaudited)			
Segment assets	772,652,851	349,069,200	1,121,722,051
Segment liabilities	(12,572,511)	(2,502,711)	(15,075,222)

	Mining of dolomite and manufacture of magnesium ingots	Exploration of iron ore, coal and manganese	Total
	HK$	*HK$*	*HK$*
Six months ended 30 June 2010 (Unaudited)			
Revenue from external customers	—	—	—
Segment loss	(7,838,553)	—	(7,838,553)
Interest revenue	9,622	—	9,622
Finance costs	(29,006)	—	(29,006)
Depreciation and amortisation	(237,797)	—	(237,797)
Other material items of income and expenses:			
Income tax expenses	(10,195)	—	(10,195)
Additions to segment non-current assets	85,737,757	—	85,737,757
As at 31 December 2010 (Audited)			
Segment assets	731,512,870	124,033,208	855,546,078
Segment liabilities	(61,895,580)	(3,421,291)	(65,316,871)

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

	Six months ended 30 June	
	2011	2010
	HK$	*HK$*
	(Unaudited)	*(Unaudited)*
Revenue		
Reportable segment revenue	**5,690,103**	—
Profit or loss		
Reportable segment profit/(loss)	**2,969,261**	(7,838,553)
Depreciation and amortisation	**(13,231,182)**	(255,506)
Finance costs	**(28,080,787)**	(29,006)
Gain on disposal of fixed assets	**51,540**	—
Interest income	**176,813**	53,429
Unallocated corporate expenses	**(6,621,250)**	(5,927,678)
Consolidated loss before tax	**(44,735,605)**	(13,997,314)

	As at 30 June 2011 HK$ (Unaudited)	As at 31 December 2010 HK$ (Audited)
Assets		
Reportable segment assets	**1,121,722,051**	855,546,078
Unallocated corporate assets:		
Pledged deposits	**17,390**	3,811,658
Cash at bank and in hand	**75,308,851**	44,039,009
Others	**4,959,731**	4,503,365
Consolidated total assets	**1,202,008,023**	907,900,110

	As at 30 June 2011 HK$ (Unaudited)	As at 31 December 2010 HK$ (Audited)
Liabilities		
Reportable segment liabilities	**(15,075,222)**	(65,316,871)
Unallocated corporate liabilities:		
Bank loans, secured	**(443,800,134)**	(399,873,440)
Convertible bonds and derivative components of convertible bonds	**(124,529,371)**	(121,801,855)
Unsecured loan from a third party	**(50,000,000)**	—
Others	**(967,144)**	(2,022,134)
Consolidated total liabilities	**(634,371,871)**	(589,014,300)

(c) **Geographical information**

The following tables set out information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, exploration and evaluation assets, mining deposit and goodwill ("**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 specific 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.

	United States Six months ended 30 June		Malaysia Six months ended 30 June		Japan Six months ended 30 June		Total Six months ended 30 June	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Turnover	**4,572,231**	—	**143,488**	—	**974,384**	—	**5,690,103**	—

	Hong Kong		Malaysia		Indonesia		Total	
	As at 30 June 2011	As at 31 December 2010	**As at 30 June 2011**	As at 31 December 2010	**As at 30 June 2011**	As at 31 December 2010	**As at 30 June 2011**	As at 31 December 2010
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
	(Unaudited)	*(Audited)*	***(Unaudited)***	*(Audited)*	***(Unaudited)***	*(Audited)*	***(Unaudited)***	*(Audited)*
Specified non-current assets	**128,029**	145,847	**725,404,555**	654,731,399	**347,415,221**	123,728,108	**1,072,947,805**	778,605,354

(d) **Revenue from major customers**

	Six months ended 30 June	
	2011	2010
	HK$	*HK$*
	(Unaudited)	*(Unaudited)*
Customer a	**2,855,620**	—
Customer b	**1,716,610**	—

11 FIXED ASSETS

During the six months ended 30 June 2011, the Group acquired fixed assets with a cost of approximately HK$70,441,000 (six months ended 30 June 2010: approximately HK$85,741,000), including assets acquired through business combination (see note 21) of HK$56,964 (six months ended 30 June 2010: Nil), and assets acquired under finance leases of HK$459,495 (six months ended 30 June 2010: HK$962,919), and capitalised finance costs of nil (six months ended 30 June 2010: HK$16,829,442) into construction in progress.

Assets with carrying amount of HK$103,154 were disposed during the six months ended 30 June 2011 (six months ended 30 June 2010: Nil), resulting in a gain on disposal of HK$51,540 (six months ended 30 June 2010: Nil), which has been included in other net income in the condensed consolidated income statement.

12 GOODWILL

	As at 30 June 2011 *HK$* ***(Unaudited)***	As at 31 December 2010 *HK$* *(Audited)*
Cost:		
At 1 January	**120,479,667**	—
Arising on acquisition of subsidiaries (note 21)	**220,361,544**	120,479,667
Exchange adjustments	**117,936**	—
At 30 June 2011/31 December 2010	**340,959,147**	120,479,667
Carrying amount:		
At 30 June 2011/31 December 2010	**340,959,147**	120,479,667

The goodwill has increased due to the acquisition of subsidiaries during the period.

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.

During the period ended 30 June 2011 and year ended 31 December 2010, the management of the Group has determined that there is no impairment of the CGU containing goodwill.

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budget approved by management covering a 10-year period, and discount rate at 8.3% per annum. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the management's expectations for the market development. Management believes that any reasonable possible change in any of these assumptions would not cause the aggregate carrying amount of CGU to exceed the aggregate recoverable amount of the CGU.

13 INVENTORIES

	As at 30 June 2011 HK$ (Unaudited)	As at 31 December 2010 HK$ (Audited)
Raw materials	**3,378,176**	3,644,096
Work-in-progress	**11,236,416**	99,016
Finished goods	**9,530,817**	910,074
	24,145,409	4,653,186

14 TRADE RECEIVABLES

	As at 30 June 2011 HK$ (Unaudited)	As at 31 December 2010 HK$ (Audited)
Trade receivables	**5,078,199**	8,795,408

(a) **Ageing analysis**

The ageing analysis as of the end of the reporting period are as follows:

	As at 30 June 2011 HK$ (Unaudited)	As at 31 December 2010 HK$ (Audited)
Neither past due nor impaired	**5,078,199**	8,795,408

Trade receivables are due within 15 days from the date of bill of lading for exports sales or the date of invoice for local sales.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(b) As at 30 June 2011, trade receivables of HK$5,078,199 (31 December 2010: HK$8,795,408) were pledged as collateral for banking facilities granted to the Group.

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2011	As at 31 December 2010
	HK$	*HK$*
	(Unaudited)	*(Audited)*
Other receivables	**2,110,913**	22,112,925
Advance payment to a contractor	**11,853,791**	39,800,331
Government grant receivables	**969,818**	949,437
Deposits and prepayments	**9,575,847**	5,084,463
Amount due from a director	**—**	48,339
	24,510,369	67,995,495

Apart from the Group's deposits and prepayments of HK$8,859,962 as at 30 June 2011 (31 December 2010: HK$2,430,150), all of the prepayments, deposits and other receivables are expected to be recovered within one year.

16 TRADE AND OTHER PAYABLES

	As at 30 June 2011	As at 31 December 2010
	HK$	*HK$*
	(Unaudited)	*(Audited)*
Trade payables	**—**	115,388
Payables for construction in progress	**—**	38,860,815
Other payables and accrued expenses	**11,459,617**	23,171,728
	11,459,617	62,147,931

Included in trade and other payables are trade creditors with the following ageing analysis as of the end of the reporting period:

	As at 30 June 2011 *HK$* *(Unaudited)*	As at 31 December 2010 *HK$* *(Audited)*
Current	**—**	32,663
Due within 3 months	**—**	82,725
	—	115,388

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

17 OBLIGATIONS UNDER FINANCE LEASES

At the end of the reporting period, the Group had obligations under finance leases repayable as follows:

	Present value of minimum lease payments		**Total minimum lease payments**	
	As at 30 June 2011 *HK$* *(Unaudited)*	As at 31 December 2010 *HK$* *(Audited)*	**As at 30 June 2011** *HK$* *(Unaudited)*	As at 31 December 2010 *HK$* *(Audited)*
Within 1 year	**991,756**	907,296	**1,203,061**	1,134,760
After 1 year but within 2 years	**1,057,875**	969,885	**1,203,062**	1,134,760
After 2 years but within 5 years	**1,744,094**	1,958,073	**1,873,835**	2,126,850
Over 5 years	**159,090**	268,727	**163,809**	279,600
	2,961,059	3,196,685	**3,240,706**	3,541,210
	3,952,815	4,103,981	**4,443,767**	4,675,970
Less: Total future interest expenses			**(490,952)**	(571,989)
Present value of lease obligations			**3,952,815**	4,103,981

18 BANK LOANS - SECURED

At the end of the reporting period, interest-bearing bank loans were due for repayment as follows:

	As at 30 June 2011 *HK$* ***(Unaudited)***	As at 31 December 2010 *HK$* *(Audited)*
Portion of term loans due for repayment within 1 year	**9,703,965**	261,118,236
Term loans due for repayment after 1 year:		
After 1 year but within 2 years	**19,020,499**	10,825,776
After 2 years but within 5 years	**224,169,446**	38,407,395
After 5 years	**190,906,224**	89,522,033
	434,096,169	138,755,204
	443,800,134	399,873,440

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

In accordance with the bank loan agreements dated 5 July 2010, the Group was required to repay the bank loans by monthly instalments of RM743,065 (equivalent to HK$1,914,869) commencing on or before 31 January 2011 and increasing to RM2,190,758 (equivalent to HK$5,645,556) 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$1,726,582) with effect from August 2011 to December 2013 and increasing to RM4.2 million (equivalent to HK$10,823,348) from January 2014 to the end of the loans' tenor in 2018.

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

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

(ii) assignment of trade receivables;

(iii) 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 producing project (the "Project");

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

(vi) assignment over the existing revenue accounts maintained at bank 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) 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 step-up operation commences, which was in or around February 2011. As at 30 June 2011, none of the covenants relating to the drawn down facilities had been breached (31 December 2010: Nil).

19 UNSECURED LOAN FROM A THIRD PARTY

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% per annum payable half yearly. The loan is wholly repayable in or before June 2014.

The effective interest rate on the unsecured loan is 12% (31 December 2010: Nil) per annum.

20 SHARE CAPITAL

	As at 30 June 2011 (Unaudited)		As at 31 December 2010 (Audited)	
	Number of shares	Amount *HK$*	Number of shares	Amount *HK$*
Authorised:				
At the beginning of period/year	**10,000,000,000**	250,000,000	4,800,000,000	120,000,000
Increase in authorised share capital	**—**	—	5,200,000,000	130,000,000
At the end of period/year	**10,000,000,000**	250,000,000	10,000,000,000	250,000,000
Issued and fully paid:				
At the beginning of period/year	**2,519,555,556**	62,988,889	1,804,000,000	45,100,000
Shares issued pursuant to the share placing	**340,000,000**	8,500,000	360,000,000	9,000,000
Shares issued for acquisition of subsidiaries	**653,125,000**	16,328,125	355,555,556	8,888,889
Conversion of warrants to shares	**5,000,000**	125,000	—	—
At the end of period/year	**3,517,680,556**	87,942,014	2,519,555,556	62,988,889

21 ACQUISITION OF SUBSIDIARIES

To diversify the dolomite and magnesium business, on 23 February 2011, 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 entire issued share capital of Step Pacific Development Limited ("**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.

The acquired business contributed no revenue and net loss of HK$358,720 to the Group for the period from 19 April 2011 to 30 June 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.

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

	Acquiree's carrying amount and provisional fair value at acquisition date
	HK$
	(Unaudited)
Net assets acquired:	
Fixed assets	**56,964**
Exploration and evaluation assets	**253,166**
Prepayments, deposits and other receivables	**209,584**
Cash at bank and in hand	**12,659**
Other payables and accruals	**(948,281)**
	(415,908)
Non-controlling interests	**54,364**
Goodwill	**220,361,544**
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 acquisition:	
Cash consideration paid	**(11,000,000)**
Bank balances and cash acquired	**12,659**
	(10,987,341)

Goodwill arising on the above acquisition during the period was determined on a provisional basis as the nature and fair value of the identified assets acquired can be determined on a provisional value only. The Company is in the process of obtaining independent valuation to assess the fair value. It may be adjusted upon the completion of the initial accounting.

MANAGEMENT DISCUSSION AND ANALYSIS

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 stock piling purposes since June 2009.

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 (the "Smelter")

Construction and installation works at the Group's Smelter in the State of Perak, Malaysia have been substantially completed in June 2010.

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

Financing of the Group

In order to finance the production line of the Smelter, CVMSB obtained banking facilities totalling RM184.6 million (equivalent to HK$475.8 million), which comprises a ten-year term loan from Bank Kerjasama Rakyat Malaysia Berhad ("**Bank Rakyat**").

Up to 30 June 2011, the total facilities drawn down amounted to approximately RM172.2 million (equivalent to approximately HK$443.8 million) (31 December 2010: approximately RM160 million (equivalent to approximately HK$403.7 million)).

In accordance with the bank loan agreements dated 5 July 2010, the Group was required to repay the bank loans by monthly instalments of RM743,065 (equivalent to HK$1,914,869) commencing on or before 31 January 2011 and increasing to RM2,190,758 (equivalent to HK$5,645,556) 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$1,726,582) with effect from August 2011 to December 2013 and increasing to RM4.2 million (equivalent to HK$10,823,348) 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 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 HK$75.6 million and HK$0.8 million respectively.

Outstanding 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 commercial levels of production, the Group will enjoy higher revenue and be able to lower its unit production cost.

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 carried out during the period:

Iron ore

On 25 February 2011, a memorandum of understanding (the "**Iron Ore MOU**") was entered into between PT. Commerce Venture Iron Ore (formerly known as PT. Rimbaka Mining Makmur) ("**PT. CVIO**"), an indirect non wholly-owned subsidiary of the Company, and PT. Harita Mineral Jaya Abadi ("**PT. HMJA**"), a company incorporated in Indonesia, pursuant to which PT. CVIO has allowed PT. HMJA a period of 1 year from the date of the Iron Ore MOU (or such extended period as may be agreed between PT. CVIO and PT. HMJA) to conduct due diligence review on the feasibility of the exploration and mining project in relation to iron ore with an area of 1,500 hectares of land located at Penuntungan Village, Penanggalan Subdistrict, Kota Subuluhsalam City, Aceh Province, Indonesia, and negotiate the terms and conditions of a proposed cooperation agreement (the "**Iron Ore Cooperation Agreement**") between PT. CVIO and PT. HMJA.

The Iron Ore MOU contains certain legally binding obligations regarding, among other things, the preparation and performance of drilling program, due diligence review and confidentiality. However, it is not legally binding for PT. CVIO to enter into the Iron Ore Cooperation Agreement, the terms of which have yet to be determined.

Please refer to the Company's announcement dated 25 February 2011 for further details.

Coal

On 28 March 2011, a memorandum of understanding (the "**Coal MOU**") was entered into between PT. CVIO and ASR Global Pte. Ltd. ("**ASR Global**"), a company incorporated in Singapore, pursuant to which PT. CVIO has allowed ASR Global a period of 3 months from the date of the Coal MOU (or such extended period as may be agreed between PT. CVIO and ASR Global) to conduct due diligence review on the feasibility of the exploration and mining of coal and other activities related thereto on 9,825 hectares of land situated at Kuala dan Tadu Raya, Nagan Raya, Aceh Province, Indonesia, and negotiate the terms and conditions of a proposed cooperation agreement (the "**Coal Cooperation Agreement**") between PT. CVIO and ASR Global.

The Coal MOU contains certain legally binding obligations regarding, among other things, the preparation and performance of the exploration program, due diligence review and confidentiality. However, it is not legally binding for PT. CVIO to enter into the Coal Cooperation Agreement, the terms of which have yet to be determined.

Please refer to the Company's announcement dated 28 March 2011 for further details.

Acquisition of subsidiaries

To diversity the dolomite and magnesium business, on 23 February 2011, 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 entire issued share capital of Step Pacific Development Limited ("**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.

Step Pacific is a company incorporated in the British Virgin Islands with limited liability, whose principal business activity is investment holding. Step Pacific holds 100% equity interest of Stabil Megamas Sdn. Bhd., which in turn holds 99% of the issued share capital of PT. Laksbang Mediatama ("**PT. LM**"). PT. LM is the holder of an exploration mining permit for the exploration of manganese in Indonesia for a period of 1 year from 6 March 2010.

Please refer to the Company's announcements dated 23 February 2011 and 19 April 2011 and our circular dated 22 March 2011 for further details.

FINANCIAL REVIEW

Turnover and other revenue

The Group's turnover on selling magnesium ingots for the six months ended 30 June 2011 was HK$5,690,103. The Group received interest income of HK$176,813 from money deposited with approved financial institutions for the six months ended 30 June 2011.

Cost of sales

The cost of sales includes HK$13,489,783 (2010: Nil) relating to staff costs of HK$792,850, depreciation of HK$12,622,431 and amortisation of HK$74,502, of which these amounts are also included in the respective total amounts disclosed separately in notes 6(b) and 6(c) for each of these types of expenses.

Administrative expenses

The administrative expenses decreased by 3% to approximately HK$13.8 million in the first half of 2011 from HK$14.2 million in the same period of 2010. This was mainly due to the decrease in travelling expenses and office expenses due to cost cutting measures implemented during the period.

Exploration, development and mining production activities

Geological exploration

As at 30 June 2011, the Group has 4 exploration rights, covering an area of 25,035 hectares, namely two exploration rights for coal covering an area of 19,825 hectares, one exploration right for iron ore covering an area of 1,500 hectares and one exploration right for manganese covering an area of 3,710 hectares, all of them in Aceh Province, Indonesia. The Group also has 1 exploration right for manganese covering an area of 227,125 hectares in Yogyakarta Province, Indonesia.

During the period, the Group's geological exploration expenditure amounting to approximately HK$3.19 million (2010: Nil) was incurred on general geological survey for the above rights.

Mining of dolomite

As at 30 June 2011, the Group completed an accumulated dolomite output of 15,737 tonnes (31 December 2010: 9,345 tonnes).

The expenditure incurred on dolomite mining production activities for the six months ended 30 June 2011 was approximately HK$0.72 million (six months ended 30 June 2010: HK$0.87 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 approximately HK$0.2 million (six months ended 30 June 2010: HK$0.2 million) on foreign exchange represented the net unrealised gains 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 presentation currency. During the first half of 2011, the Group did not use any financial instruments for any hedging purposes.

Finance costs

The Group's finance costs mainly consisted of interest expense of approximately HK$11.4 million (six months ended 30 June 2010: Nil) for convertible bonds issued by the Company and interest on bank loans of approximately HK$14.5 million (six months ended 30 June 2010: approximately HK$15.3 million) incurred by CVMSB.

Loss before taxation

As CVMSB has just started revenue earning operations in the fourth quarter of 2010, the Group incurred a consolidated loss before taxation of approximately HK$44.7 million for the six months ended 30 June 2011 (six months ended 30 June 2010: HK$14.0 million).

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$31.5 million due to gross loss incurred from start up operation of the Smelter, higher administrative expenses and finance costs.

Liquidity and financial resources

Net current liabilities of the Group stood at approximately HK$452.4 million as at 30 June 2011 (31 December 2010: HK$456.5 million). Included in current liabilities were bank loans and finance lease creditors of approximately HK$444.8 million (31 December 2010: HK$400.8 million) and convertible bonds of approximately HK$124.5 million (31 December 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 30 June 2011 based on floating rate of Bank Rakyat's base financing rate plus 2% per annum. The Group had a gearing ratio of approximately 1.10 (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 30 June 2011. The gearing ratio was approximately 1.64 as at 31 December 2010.

The Group's bank and cash balances as at 30 June 2011 were approximately HK$75.3 million (31 December 2010: HK$44.0 million). The Group's prepayments, deposits and other receivables of approximately HK$15.7 million (31 December 2010: HK$65.6 million) are expected to be recovered within one year.

Capital expenditure

The carrying value of fixed assets of the Group as at 30 June 2011 had increased by 11% to approximately HK$721.9 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 were granted to CVMSB and secured by way of:

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

(ii) assignment of trade receivables;

(iii) 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 producing project (the "**Project**");

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

(vi) assignment over the existing revenue accounts maintained at bank 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) 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 30 June 2011, the Group had a total of approximately 357 employees (31 December 2010: 171 employees). Total staff costs (including directors' remuneration) for the six months ended 30 June 2011 were approximately HK$6.0 million (six months ended 30 June 2010: HK$5.6 million), representing approximately 24% (six months ended 30 June 2010: 39%) of the Group's total cost of sales and administrative expenses. Employees are 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 commitments and contingent liabilities

In relation to the Smelter, as at 30 June 2011, the Group did not have any capital commitment (31 December 2010: HK$25.0 million).

As at 30 June 2011, the Company has issued a corporate guarantee totalling RM184.6 million (equivalent to approximately HK$475.8 million) (31 December 2010: RM300.2 million (equivalent to approximately HK$757.4 million)) to banks.

The Directors do not consider it is probable that a claim will be made against the Group under the corporate guarantee. The maximum liability of the Group as at 30 June 2011 under the corporate guarantee issued was the outstanding amount of the bank loan facilities drawn down by CVMSB, being approximately RM172.2 million (equivalent to HK$443.8 million) (31 December 2010: RM160.0 million (equivalent to HK$403.7 million)).

In addition, as at 30 June 2011, the Company has issued a corporate guarantee totalling RM0.85 million (equivalent to HK$2.2 million) (31 December 2010: RM0.85 million (equivalent to HK$2.1 million)) to suppliers in respect of the purchase of liquefied petroleum gas made by CVMSB.

As at 30 June 2011, the Company has provided corporate guarantee totalling RM1,489,460 (equivalent to HK$3,838,320) (31 December 2010: HK$3,757,657) to finance lease creditors in respect of the purchase of motor vehicles and furniture and fittings by CVMSB.

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

INTERIM DIVIDEND

The Board did not recommend payment of an interim dividend in respect of the six months ended 30 June 2011 (2010: Nil). Accordingly, there will be no closure of the register of members of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2011, the Company has complied with the applicable code provisions and certain recommended best practices (the “Best Practices”) stipulated in the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules. No Director is aware of any information that reasonably reveals that there is any non-compliance with the code provisions on the Code by the Company during any time of the period under review, except for certain deviation which is summarised below:

Code Provision A.4.1

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.

CODE OF PRACTICE REGARDING 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 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2011, neither the Company nor its subsidiaries have 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. Chong Lee Chang (Independent Non-executive Director) and Mr. Tony Tan (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 2011, 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 2011 of the Company will also be published on the aforesaid websites in due course.

By Order of the Board
CVM Minerals Limited
GOH SIN HUAT
Executive Chairman

Hong Kong, 23 August 2011

As at the date of this announcement, the Executive Directors of the Company are Mr. Goh Sin Huat, Mr. Lim Ooi Hong and Mr. Leung Wai Kwan and the Independent Non-executive Directors of the Company are Ms. Wong Choi Kay, Mr. Chong Lee Chang and Mr. Tony Tan.