CVM Minerals Limited
南亞礦業有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 705)

ANNOUNCEMENT OF FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

HIGHLIGHTS

The Board is pleased to announce the consolidated results of the Group for the financial year ended 31 December 2012.

The consolidated loss attributable to owners of the Company for the financial year ended 31 December 2012 was approximately HK$593.1 million (2011: HK$207.4 million). The total net assets value of the Group as at 31 December 2012 was approximately HK$155.3 million (2011: HK$596.9 million).

The carrying value of property, plant and equipment of the Group as at 31 December 2012 stood at approximately HK$505.6 million, a decrease of approximately HK$181.9 million from approximately HK$687.5 million as at 31 December 2011 mainly due to additional assets acquired approximately HK$3.3 million due to inclusion of a newly acquired subsidiary during the financial year offset against impairment of assets which amounted to approximately HK$188.2 million.

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of CVM Minerals Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the financial year ended 31 December 2012 together with comparative figures for 2011, as follows:

CONSOLIDATED INCOME STATEMENT
For the financial year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Note	**2012** *HK$*	2011 *HK$*
Turnover	*4*	**14,531,302**	11,185,489
Cost of sales		**(54,684,477)**	(28,357,777)
Gross loss		**(40,153,175)**	(17,172,288)
Other revenue	*5*	**845,749**	338,407
Other net gains	*6*	**5,732,730**	7,331,987
Selling and distribution expenses		**(94,312)**	(367,243)
Administrative expenses		**(40,728,294)**	(37,315,107)
Loss from operations		**(74,397,302)**	(47,184,244)
Finance costs	*7(a)*	**(82,414,094)**	(62,561,975)
Other operating expenses	*7(c)*	**(538,333,695)**	(103,101,725)
Loss before taxation	*7*	**(695,145,091)**	(212,847,944)
Income tax		**30,564,021**	–
Loss for the year		**(664,581,070)**	(212,847,944)
Attributable to:			
Owners of the Company		**(593,133,228)**	(207,377,657)
Non-controlling interests		**(71,447,842)**	(5,470,287)
Loss for the year		**(664,581,070)**	(212,847,944)
Loss per share	*8*		
Basic and diluted		**(13.74 cents)**	(6.32 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the financial year ended 31 December 2012
(Expressed in Hong Kong dollars)

	2012	2011
	HK$	*HK$*
		(Restated)
Loss for the year	**(664,581,070)**	(212,847,944)
Other comprehensive income/(loss) for the year		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	**12,475,530**	(10,974,854)
Total comprehensive loss for the year	**(652,105,540)**	(223,822,798)
Attributable to:		
Owners of the Company	**(580,942,887)**	(218,597,002)
Non-controlling interests	**(71,162,653)**	(5,225,796)
Total comprehensive loss for the year	**(652,105,540)**	(223,822,798)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2012
(Expressed in Hong Kong dollars)

	Note	**2012** *HK$*	2011 *HK$* (Restated)	2010 *HK$* (Restated)
Non-current assets				
Property, plant and equipment	*11*			
— Property, plant and equipment		**495,555,018**	673,894,736	636,628,871
— Interest in leasehold land held for own use under operating lease		**10,085,748**	13,580,986	14,120,778
Goodwill	*12*	**111,180,501**	141,622,589	79,525,907
Exploration and evaluation assets	*13*	**359,332,880**	363,984,290	108,052,441
Mining deposit		**228,125**	220,664	227,055
		976,382,272	1,193,303,265	838,555,052
Current assets				
Inventories	*14*	**10,458,201**	39,741,240	4,653,186
Trade receivables	*15*	**1,975,723**	–	8,795,408
Prepayments, deposits and other receivables	*16*	**11,564,524**	26,089,992	67,995,495
Contingent consideration receivable		**2,699,019**	–	–
Pledged deposit		**14,833**	48,338	3,811,658
Cash at bank and in hand		**1,081,207**	28,194,751	44,039,009
		27,793,507	94,074,321	129,294,756
Current liabilities				
Trade and other payables	*17*	**52,407,776**	26,878,722	62,147,931
Obligations under finance leases		**1,094,496**	1,138,117	907,296
Amounts due to related parties		**1,643,743**	660,969	1,087,093
Derivative component of convertible bonds	*18*	**–**	–	5,421,106
Convertible bonds	*18*	**–**	–	116,380,749
Bank loans — secured	*19*	**434,661,748**	419,997,065	399,873,440
Unsecured loans from third parties	*20*	**100,000,000**	100,000,000	–
		589,807,763	548,674,873	585,817,615
Net current liabilities		**(562,014,256)**	(454,600,552)	(456,522,859)
Total assets less current liabilities		**414,368,016**	738,702,713	382,032,193

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2012
(Expressed in Hong Kong dollars)

	Note	**2012** **HK$**	2011 *HK$* (Restated)	2010 *HK$* (Restated)
Non-current liabilities				
Obligations under finance leases		**1,376,725**	2,924,904	3,196,685
Convertible Bonds	*18*	**135,040,770**	26,159,373	–
Unsecured loan from a third party		**50,000,000**	50,000,000	–
Deferred tax liabilities		**72,619,757**	62,743,028	16,649,071
		239,037,252	141,827,305	19,845,756
Net assets		**155,330,764**	596,875,408	362,186,437
Capital and reserves	*21*			
Share capital		**125,317,014**	87,942,014	62,988,889
Reserves		**(112,650,527)**	355,021,435	255,891,251
Total equity attributable to owners of the Company		**12,666,487**	442,963,449	318,880,140
Non-controlling interests		**142,664,277**	153,911,959	43,306,297
Total equity		**155,330,764**	596,875,408	362,186,437

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2012
(Expressed in Hong Kong dollars)

		Attributable to owners of the Company									
	Note	Share capital HK$	Share premium HK$	Exchange reserve HK$	Capital reserve HK$	Convertible bond equity reserve HK$	Other reserve HK$	Accumulated losses HK$	Total HK$	Non-controlling interests HK$	Total equity 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
Changes in equity for 2010:											
Total comprehensive income/(loss) for the year		–	–	24,397,938	–	–	–	(46,315,021)	(21,917,083)	(103,377)	(22,020,460)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	43,409,674	43,409,674
Shares issued pursuant to a share placing		9,000,000	116,996,696	–	–	–	–	–	125,996,696	–	125,996,696
Shares issued pursuant to an acquisition		8,888,889	86,520,955	–	–	–	–	–	95,409,844	–	95,409,844
At 31 December 2010		62,988,889	271,608,063	29,338,951	–	–	30,856,527	(75,912,290)	318,880,140	43,306,297	362,186,437
At 1 January 2011		62,988,889	271,608,063	29,338,951	–	–	30,856,527	(75,912,290)	318,880,140	43,306,297	362,186,437
Changes in equity for 2011:											
Total comprehensive loss for the year		–	–	(11,219,345)	–	–	–	(207,377,657)	(218,597,002)	(5,225,796)	(223,822,798)
Shares issued pursuant to a share placing	*21(b)*	8,500,000	67,082,000	–	–	–	–	–	75,582,000	–	75,582,000
Acquisition of subsidiaries	*22(a)*	16,328,125	231,859,375	–	–	–	–	–	248,187,500	115,283,002	363,470,502
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	548,456	548,456
Warrants issued pursuant to the warrant placing		–	–	–	1,363,136	–	–	–	1,363,136	–	1,363,136
Exercise of warrants	*21(b)*	125,000	1,250,000	–	(25,000)	–	–	–	1,350,000	–	1,350,000
Equity component of convertible bonds	*18(b)*	–	–	–	–	16,197,675	–	–	16,197,675	–	16,197,675
At 31 December 2011 (as restated)		87,942,014	571,799,438	18,119,606	1,338,136	16,197,675	30,856,527	(283,289,947)	442,963,449	153,911,959	596,875,408
At 1 January 2012											
As previously reported		87,942,014	532,611,938	18,072,409	1,338,136	16,197,675	30,856,527	(283,289,947)	403,728,752	38,217,583	441,846,336
Adjustments to fair value of assets		–	39,187,500	47,197	–	–	–	–	39,234,697	115,694,376	155,029,072
As restated		87,942,014	571,799,438	18,119,606	1,338,136	16,197,675	30,856,527	(283,289,947)	442,963,449	153,911,959	596,875,408
Changes in equity for 2012:											
Total comprehensive income/(loss) for the year		–	–	12,190,341	–	–	–	(593,133,228)	(580,942,887)	(71,162,653)	(652,105,540)
Acquisition of subsidiaries	*22(b)*	16,500,000	42,900,000	–	–	–	–	–	59,400,000	59,914,971	119,314,971
Shares issued pursuant to a share placing	*21(b)*	20,875,000	19,831,250	–	–	–	–	–	40,706,250	–	40,706,250
Equity component of convertible bonds	*18(c)*	–	–	–	–	50,539,675	–	–	50,539,675	–	50,539,675
At 31 December 2012		125,317,014	634,530,688	30,309,947	1,338,136	66,737,350	30,856,527	(876,423,175)	12,666,487	142,664,277	155,330,764

CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Note	**2012** *HK$*	2011 *HK$*
Operating activities			
Loss before taxation		**(695,145,091)**	(212,847,944)
Adjustments for:			
— Amortisation of exploration and evaluation assets	*7(d)*	**206,419**	207,108
— Amortisation of interest in leasehold land held for own use under operating lease	*7(d)*	**147,259**	147,753
— Depreciation	*7(d)*	**26,147,058**	24,685,791
— Finance costs	*7(a)*	**82,414,094**	62,561,975
— Foreign exchange losses/(gains)		**2,813,448**	(691,815)
— Gain on repayment of convertible bonds	*6*	**–**	(6,871,105)
— Impairment on exploration and evaluation assets	*7(c)*	**166,086,731**	22,656,172
— Impairment on goodwill	*7(c)*	**141,622,589**	79,525,907
— Impairment on interest in leasehold land		**3,807,309**	–
— Impairment on other receivable and prepayments	*7(c)*	**24,041,442**	–
— Impairment on property, plant and equipment	*7(c)*	**184,375,293**	–
— Interest income	*5*	**(81,490)**	(338,407)
— Net loss/(gain) on disposal of property, plant and equipment	*6,7(d)*	**151,844**	(53,628)
— Write down of inventories	*14(b)*	**645,177**	11,534,063
— Write offs:			
Exploration and evaluation assets	*7(c)*	**242,849**	919,646
Inventories written off	*7(c)*	**18,112,419**	–
Property, plant and equipment	*7(c)*	**45,063**	–
Operating loss before changes in working capital		**(44,367,587)**	(18,564,484)
Decrease/(increase) in inventories		**10,739,102**	(46,622,117)
(Increase)/decrease in trade receivables		**(1,975,723)**	8,547,844
Decrease in prepayments, deposits and other receivables		**2,260,464**	10,137,317
Increase/(decrease) in trade and other payables		**1,350,392**	(6,946,195)
Increase/(decrease) in amounts with related parties		**960,582**	(400,177)
Cash used in operating activities		**(31,032,770)**	(53,847,812)
Tax paid		**–**	–
Net cash used in operating activities		**(31,032,770)**	(53,847,812)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
For the financial year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Note	2012 HK$	2011 HK$
Investing activities			
Acquisition of subsidiaries, net of cash acquired	*22*	**(9,973,980)**	(10,987,355)
Decrease in pledged deposit		**35,139**	3,762,548
(Increase)/decrease in advance payment to a contractor		**(7,422,009)**	30,195,364
Decrease in payables for construction in progress		**–**	(38,860,815)
Increase in deposits for purchase of property, plant and equipment		**(3,720,176)**	–
Payment for purchase of property, plant and equipment		**(6,876,161)**	(79,017,621)
Proceeds from disposal of property, plant and equipment		**635,462**	153,950
Interest received		**81,490**	338,407
Net cash used in investing activities		**(27,240,235)**	(94,415,522)
Financing activities			
Capital element of finance lease rentals paid		**(1,703,279)**	(1,093,751)
Capital injection from non-controlling interests		**–**	548,456
Proceeds from the issue of shares, net of expenses incurred	*21(b)*	**40,706,250**	75,582,000
Proceeds from the issue of warrants		**–**	1,363,136
Proceeds from exercise of warrants	*21(b)*	**–**	1,350,000
Proceeds from bank loans, net of transaction costs		**–**	45,456,432
Proceeds from finance lease obligations		**–**	1,177,184
Proceeds from the issue of convertible bonds, net of expenses incurred		**36,075,000**	41,925,000
Proceeds from unsecured loans from third parties	*20*	**–**	50,000,000
Interest on finance lease rentals paid		**(190,337)**	(257,688)
Interest paid		**(43,989,756)**	(37,929,942)
Repayment of bank loans			(30,576,568)
Repayment of convertible bonds	*18(a)*	**–**	(16,000,000)
Net cash generated from financing activities		**30,897,878**	131,544,259
Net decrease in cash and cash equivalents		**(27,375,127)**	(16,719,075)
Cash and cash equivalents at beginning of the year		**28,194,751**	44,039,009
Effect of foreign exchange rate changes		**261,583**	874,817
Cash and cash equivalents at end of the year		**1,081,207**	28,194,751

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

1 COMPANY INFORMATION

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

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "**Group**"). The principal activity of the Company is investment holding. The Group is primarily involved in mining of dolomite and manufacture of magnesium ingots, exploration of iron ore, coal and manganese, and extraction and bottling of mineral water.

2 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange ("**Listing Rules**").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group and the Company for the current and prior accounting periods reflected in the consolidated financial statements.

(b) Basis of preparation of the consolidated financial statements

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

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

2 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(b) Basis of preparation of the consolidated financial statements (Continued)

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

(i) The Group incurred a loss for the year attributable to owners of the Company of HK$545,210,975 (2011: HK$207,377,657) for the year ended 31 December 2012 and, as of that date, the Group's current liabilities exceeded its current assets by HK$562,014,256 (2011 (Restated): HK$454,600,552) and the Company's current liabilities exceeded its current assets by HK$713,591,481 (2011: HK$81,842,176);

(ii) At 31 December 2012, the Group has cash at bank and in hand of HK$1,081,207;

(iii) Included in current liabilities in the consolidated financial statements are unsecured loans from third parties of HK$100,000,000 (2011: HK$100,000,000) which are scheduled for repayment in May 2013;

(iv) A secured bank loan of HK$434,661,748 (2011: HK$419,997,065) will be due immediately if the Group is unable to fulfill the covenants set out in the facilities agreement;

(v) As explained in Note 11(c) to the consolidated financial statements, the production plant in Malaysia was temporarily suspended for repairs during the year ended 31 December 2012;

(vi) As detailed in Note 13(b) to the consolidated financial statements, there were no exploration activities conducted in the current year for iron ore, coal and manganese. This was because the Group is trying to reallocate its limited cash resources;

(vii) As explained in Note 13(b) to the consolidated financial statements, exploration mining permits of iron ore and manganese in Aceh, Indonesia expired in the year. The operations and future profitability of the Group might be affected by expiration of the permits; and

(viii) The Group lost contact with the legal representative of PT. Laksbang Mediatama ("**PTLM**") in 2012, PTLM holds a production operating mining permit for manganese in Indonesia. This brought to a halt to the daily operations and mining activities of PTLM. The operations and future profitability of the Group might be affected by the lost of contact with the PTLM's legal representative.

2 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(b) Basis of preparation of the consolidated financial statements (Continued)

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

(i) The unsecured loan holders have agreed to extend the repayment of HK$100,000,000 by one year to April 2014;

(ii) Subsequent to the end of the reporting period, on 20 March 2013, the Company entered into a placing agreement with Cheong Lee Securities Limited in relation to the placing of bonds in the principal amount of up to HK$100,000,000 which will be used for the Group's general working capital;

(iii) As further explained in Note 13(b) to the consolidated financial statements, the Group has submitted applications for extensions of certain expired exploration mining permits. At the approval date of the consolidated financial statements, one year extension for the exploration mining permit of manganese has been granted; and

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

The directors of the Company consider that taking into account the above, the cash requirements of the Group for the next twelve months from the end of the reporting period and the Group's ability to attain future profitable operations in its wholly owned subsidiary, CVM Magnesium Sdn. Bnd. ("**CVMSB**") and indirectly owned subsidiary, 龍川升龍礦泉有限公司 (Long Chuan Shen Long Mineral Water Co. Ltd.) ("**Long Chuan**") and all existing banking facilities will be continuously available for the Group's use, the Group and the Company will have sufficient working capital to meet in full their financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following development is relevant to the Group's consolidated financial statements.

- Amendments to HKFRS 7, Financial instruments: Disclosures — Transfers of financial assets

The impact of the development is discussed below:

The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

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

4 TURNOVER

Turnover represents the sales value of magnesium ingots and bottled mineral water supplied to customers.

	2012	2011
	HK$	*HK$*
Sales of bottled mineral water	**2,148,220**	–
Sales of magnesium ingots	**12,383,082**	11,185,489
	14,531,302	11,185,489

5 OTHER REVENUE

	2012	2011
	HK$	*HK$*
Interest income	**81,490**	338,407
Rental income from drilling machines	**116,637**	–
Sundry income	**647,622**	–
	845,749	338,407

6 OTHER NET GAINS

	2012	2011
	HK$	*HK$*
Compensation received from a contractor *(Note)*	**5,950,711**	–
Gain on repayment of convertible bonds *(Note 18(a))*	**–**	6,871,105
Net foreign exchange (losses)/gains	**(217,981)**	407,254
Net gain on disposal of property, plant and equipment	**–**	53,628
	5,732,730	7,331,987

Note: It represented a one-off compensation received from a contractor for its failure to complete agreed maintenance work for the production plant in Malaysia.

7 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

(a) Finance costs:

	2012	2011
	HK$	*HK$*
Interest on bank loans*:		
— wholly repayable within 5 years	**7,224,463**	7,428,912
— wholly repayable after 5 years	**32,140,471**	25,924,235
	39,364,934	33,353,147
Effective interest on convertible bonds	**20,806,072**	18,901,298
Interest on unsecured loans from third parties wholly repayable within 5 years	**21,628,594**	6,374,083
Amortisation of loan transaction costs	**424,157**	457,410
Finance charges on obligations under finance leases	**190,337**	257,688
Other borrowing costs	**–**	1,757,932
Interest on the late repayment of convertible bonds	**–**	1,460,417
	43,049,160	29,208,828
	82,414,094	62,561,975

* The analysis of the finance costs on bank loans, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayment dates set out in the loan agreements. For the years ended 31 December 2012 and 2011, the interest on bank loans which contain a repayment on demand clause amounted to HK$39,364,934 and HK$33,353,147, respectively.

(b) Staff costs (including directors' remuneration)

	2012	2011
	HK$	*HK$*
Salaries, wages, bonuses and other benefits	**19,012,799**	11,703,433
Contributions to defined contribution retirement plan	**979,485**	692,912
	19,992,284	12,396,345

7 LOSS BEFORE TAXATION (Continued)

(c) Other operating expenses

	2012	2011
	HK$	*HK$*
Impairment losses:		
— exploration and evaluation assets	**166,086,731**	22,656,172
— goodwill	**141,622,589**	79,525,907
— interest in leasehold land	**3,807,309**	–
— other receivable and prepayments	**24,041,442**	–
— property, plant and equipment	**184,375,293**	–
	519,933,364	102,182,079
Write offs:		
— exploration and evaluation assets	**242,849**	919,646
— inventories	**18,112,419**	–
— property, plant and equipment	**45,063**	–
	18,400,331	919,646
	538,333,695	103,101,725

(d) Other items:

	2012	2011
	HK$	*HK$*
Amortisation of exploration and evaluation assets	**206,419**	207,108
Amortisation of interest in leasehold land held for own use under operating lease	**147,259**	147,753
Auditors' remuneration	**1,501,735**	934,397
Cost of inventories sold *(Note 14(b))*	**54,684,477**	28,357,777
Depreciation	**26,147,058**	24,685,791
Operating lease charges in respect of:		
— equipment and machinery	**41,629**	–
— office equipment	**–**	53,350
— office premises	**1,929,789**	1,195,384
— staff housing	**–**	22,907
Net loss/(gain) on disposal of property, plant and equipment	**151,844**	(53,628)

The cost of inventories sold includes HK$34,053,840 (2011: HK$25,958,363) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 7(b) for each of these types of expenses.

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK$593,313,228 (2011: HK$207,377,657) and the weighted average number of 4,316,013,890 (2011: 3,281,851,789) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2012	2011
Issued ordinary shares at 1 January	**3,517,680,556**	2,519,555,556
Effect of issue of new shares pursuant to a share placing *(Note 22(b))*	**465,245,902**	299,013,699
Effect of issue of new shares pursuant to an acquisition *(Note 22(b))*	**333,087,432**	459,871,575
Effect of issue of new shares pursuant to exercise of warrants *(Note 22(b))*	**–**	3,410,959
Weighted average number of ordinary shares at 31 December	**4,316,013,890**	3,281,851,789

(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 FINAL DIVIDENDS

The directors do not recommend the payment of any dividend for the financial years ended 31 December 2012.

10 SEGMENT REPORTING

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

Mining of dolomite and manufacture of magnesium ingots	This segment includes trading of magnesium ingots. Currently, the Group's trading activities are mainly carried out in Japan and Malaysia.
Exploration for iron ore, coal and manganese	This segment is engaged in the exploration for iron ore, coal and manganese in the Republic of Indonesia ("**Indonesia**"). The activities carried out in Indonesia are through indirectly owned subsidiaries.
Extraction and bottling of mineral water	This segment is engaged in the extraction and bottling of mineral water in the People's Republic of China (the "PRC"). The activities carried out in the PRC are through indirectly owned subsidiary.

Extraction and bottling of mineral water is a segment in the current year through the acquisition of Victory Dragon Holdings Limited and its subsidiary ("**Victory Dragon Group**") (see Note 22(b)).

10 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities

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

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

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

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

	Mining of dolomite and manufacture of magnesium ingots *HK$*	Exploration of iron ore, coal and manganese *HK$*	Extraction and bottling of mineral water *HK$*	Total *HK$*
Year ended 31 December 2012				
Reportable segment revenue *(Note)*	**12,383,082**	**–**	**2,148,220**	**14,531,302**
Segment loss	**(14,911,466)**	**(2,771,858)**	**(4,937,084)**	**(22,620,408)**
Interest income	**58,087**	**434**	**54**	**58,575**
Finance costs	**(39,955,365)**	**–**	**–**	**(39,955,365)**
Depreciation and amortisation	**(25,862,411)**	**(214,719)**	**(302,599)**	**(26,379,729)**
Inventories written down	**(645,177)**	**–**	**–**	**(645,177)**
Loss on disposal of property, plant and equipment	**(151,844)**	**–**	**–**	**(151,844)**
Impairment of				
— exploration and evaluation assets	**(3,506,411)**	**(162,580,320)**	**–**	**(166,086,731)**
— goodwill	**–**	**(141,622,589)**	**–**	**(141,622,589)**
— interest in leasehold land	**(3,807,309)**	**–**	**–**	**(3,807,309)**
— other receivable and prepayments	**(24,041,442)**	**–**	**–**	**(24,041,442)**
— property, plant and equipment	**(184,375,293)**	**–**	**–**	**(84,375,293)**
Write off:				
— exploration and evaluation assets	**–**	**(242,849)**	**–**	**(242,849)**
— inventories	**(18,112,419)**	**–**	**–**	**(18,112,419)**
— property, plant and equipment	**(45,063)**	**–**	**–**	**(45,063)**
Additions to segment non-current assets	**2,025,949**	**836,539**	**280,787,159**	**283,649,647**
As at 31 December 2012				
Segment assets	**514,584,363**	**198,853,777**	**286,989,012**	**1,000,427,152**
Segment liabilities	**(5,482,132)**	**(5,143,939)**	**(1,976,972)**	**(12,603,043)**

10 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

	Mining of dolomite and manufacture of magnesium ingots *HK$* (Restated)	Exploration of iron ore, coal and manganese *HK$* (Restated)	Extraction and bottling of mineral water *HK$* (Restated)	Total *HK$* (Restated)
Year ended 31 December 2011				
Reportable segment revenue *(Note)*	11,185,489	–	–	11,185,489
Segment profit/(loss)	7,178,021	(9,169,024)	–	(1,991,003)
Interest income	325,823	1,863	–	327,686
Finance costs	(35,798,202)	–	–	(35,798,202)
Depreciation and amortisation	(24,949,562)	(38,857)	–	(24,988,419)
Exploration and evaluation assets written off	–	(919,646)	–	(919,646)
Gain on disposal of property, plant and equipment	43,632	12,214	–	55,846
Impairment of				
— exploration and evaluation assets	–	(22,656,172)	–	(22,656,172)
— goodwill	–	(79,525,907)	–	(79,525,907)
Write down of inventories	(11,534,063)	–	–	(11,534,063)
Additions to segment non-current assets	79,529,537	220,829,145	–	300,358,682
As at 31 December 2011				
Segment assets	750,810,759	502,594,055	–	1,253,404,814
Segment liabilities	(10,597,078)	(5,199,008)	–	(15,796,086)

Note:

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2011: Nil).

10 SEGMENT REPORTING (Continued)

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

	2012	2011
	HK$	*HK$*
		(Restated)
Revenue		
Reportable segment revenue	**14,531,302**	11,185,489
Loss		
Reportable segment loss	**(22,620,408)**	(1,991,003)
Depreciation and amortisation	**(26,500,736)**	(25,040,652)
Exploration and evaluation assets written off	**(242,849)**	(919,646)
Finance costs	**(82,414,094)**	(62,561,975)
Gain on repayment of convertible bonds	**–**	6,871,105
Interest income	**81,490**	338,407
Impairment of exploration and evaluation assets	**(166,086,731)**	(22,656,172)
Impairment of goodwill	**(141,622,589)**	(79,525,907)
Impairment of interest in leasehold land	**(3,807,309)**	–
Impairment of other receivables and prepayments	**(24,041,442)**	–
Impairment of property, plant and equipment	**(184,375,293)**	–
Net (loss)/gain on disposal of property, plant and equipment	**(151,844)**	53,628
Write down of inventories	**(645,177)**	(11,534,063)
Write off of inventories	**(18,112,419)**	–
Written off of property, plant and equipment	**(45,063)**	–
Other unallocated amounts	**(24,560,627)**	(15,881,666)
Consolidated loss before taxation	**(695,145,091)**	(212,847,944)
Assets		
Reportable segment assets	**1,000,427,152**	125,340,484
Unallocated corporate assets:		
Pledged bank deposits	**14,833**	48,338
Cash at bank and in hand	**1,081,207**	28,194,751
Others	**2,652,587**	5,729,683
Consolidated total assets	**1,004,175,779**	1,287,377,586
Liabilities		
Reportable segment liabilities	**(12,603,043)**	(15,796,086)
Unallocated corporate liabilities:		
Bank loans, secured	**(462,382,223)**	(427,042,362)
Convertible bonds	**(138,260,770)**	(26,159,373)
Unsecured loans from third parties	**(157,002,677)**	(156,374,083)
Deferred tax liabilities	**(72,619,757)**	(62,743,028)
Others	**(5,976,545)**	(2,387,246)
Consolidated total liabilities	**(848,845,015)**	(690,502,178)

10 SEGMENT REPORTING (Continued)

(c) Geographical information

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, goodwill, exploration and evaluation assets and mining deposit ("**specified non-current assets**"). The geographical location of customers is based on the location at which the goods are delivered. The geographical location of the 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.

	USA		**Malaysia**		**The PRC**		**Others***		**Total**	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Turnover	**–**	7,996,233	**457,596**	142,283	**2,148,220**	–	**11,925,486**	3,046,973	**14,531,302**	11,185,489

* Others principally included Japan and Singapore.

	Hong Kong		**Malaysia**		**The PRC**		**Indonesia**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
		(Restated)		(Restated)				(Restated)		(Restated)
Specified non-current assets	**855,209**	957,993	**504,019,054**	690,011,102	**279,976,835**	–	**191,531,174**	502,334,170	**976,382,272**	1,193,303,265

(d) Information about major customers

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

	2012	2011
	HK$	*HK$*
Customer a	**8,554,808**	6,294,041
Customer b	**3,341,419**	2,314,364
Customer c	**–**	1,702,192

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

11 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Buildings	Plant and machinery	Motor vehicles	Furniture and fittings	Office equipment	Computer equipment	Retorts	Sub-total	Interest in leasehold land held for own use under operating lease	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Cost:										
At 1 January 2011	147,442,030	398,743,842	2,961,895	6,311,397	22,042	81,661	81,804,925	637,367,792	14,831,962	652,199,754
Additions	48,349,741	21,347,958	1,214,958	6,587,345	56,419	10,146	1,451,054	79,017,621	–	79,017,621
Additions through acquisition of subsidiaries *(Note 22(a))*	33,515	–	23,386	–	–	–	–	56,901	–	56,901
Disposals	–	–	(206,101)	(11,089)	–	–	–	(217,190)	–	(217,190)
Exchange adjustments	(4,151,606)	(11,223,408)	(84,431)	(174,961)	(885)	(281)	(2,302,556)	(17,938,128)	(417,474)	(18,355,602)
At 31 December 2011	191,673,680	408,868,392	3,909,707	12,712,692	77,576	91,526	80,953,423	698,286,996	14,414,488	712,701,484
At 1 January 2012	191,673,680	408,868,392	3,909,707	12,712,692	77,576	91,526	80,953,423	698,286,996	14,414,488	712,701,484
Additions	991,162	4,273,206	299,219	1,258,788	37,567	16,219	–	6,876,161	–	6,876,161
Additions through acquisition of subsidiaries *(Note 22(b))*	1,871,476	1,467,005	–	–	–	–	–	3,338,481	–	3,338,481
Disposals	–	–	(1,156,031)	(146,122)	–	–	–	(1,302,153)	–	(1,302,153)
Exchange adjustments	6,476,346	13,862,956	104,205	425,116	(204)	(288)	2,737,298	23,605,429	487,400	24,092,829
At 31 December 2012	201,012,664	428,471,559	3,157,100	14,250,474	114,939	107,457	83,690,721	730,804,914	14,901,888	745,706,802
Accumulated depreciation, amortisation and impairment:										
At 1 January 2011	8,603	–	408,492	290,063	2,515	29,248	–	738,921	711,184	1,450,105
Charge for the year	3,842,647	16,106,921	367,704	1,025,050	15,406	26,892	3,301,171	24,685,791	147,753	24,833,544
Written back on disposals	–	–	(112,069)	(4,799)	–	–	–	(116,868)	–	(116,868)
Exchange adjustments	(145,213)	(590,230)	(14,066)	(44,891)	(29)	(79)	(121,076)	(915,584)	(25,435)	(941,019)
At 31 December 2011	3,706,037	15,516,691	650,061	1,265,423	17,892	56,061	3,180,095	24,392,260	833,502	25,225,762
At 1 January 2012	3,706,037	15,516,691	650,061	1,265,423	17,892	56,061	3,180,095	24,392,260	833,502	25,225,762
Charge for the year	4,159,260	16,938,433	376,515	1,339,617	18,138	24,946	3,290,149	26,147,058	147,259	26,294,317
Impairment	52,331,793	107,342,683	415,320	3,152,469	–	–	21,133,028	184,375,293	3,807,309	188,182,602
Written back on disposals	–	–	(449,362)	(20,422)	–	–	–	(469,784)	–	(469,784)
Exchange adjustments	122,144	510,347	24,180	41,039	2,347	8	105,004	805,069	28,070	833,139
At 31 December 2012	60,319,234	140,308,154	1,016,714	5,778,126	38,377	81,015	27,708,276	235,249,896	4,816,140	240,066,036
Carrying amount:										
At 31 December 2012	140,693,430	288,163,405	2,140,386	8,472,348	76,562	26,442	55,982,445	495,555,018	10,085,748	505,640,766
At 31 December 2011	187,967,643	393,351,701	3,259,646	11,447,269	59,684	35,465	77,773,328	673,894,736	13,580,986	687,475,722

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	2012	2011
	HK$	*HK$*
Interest in leasehold land held for own use under operating leases outside Hong Kong — long term	**10,085,748**	13,580,986

(c) Included in the Group's property, plant and equipment as at 31 December 2012 are buildings, plant and machinery, motor vehicles, retorts and interest in leasehold land held for own use under operating lease situated in Malaysia, with carrying amounts of HK$138,629,527 (2011: HK$187,917,103), HK$284,356,113 (2011: HK$394,845,689), HK$1,100,203 (2011: HK$77,773,328) and HK$10,085,748 (2011: HK$13,580,986), respectively. In light of the continuing loss-making of CVMSB, which owns and operates these assets in Malaysia, and temporary suspension on production the directors of the Company conducted a review on the recoverable amounts of these assets with reference to those assets' value in use and determined that impairment loss of HK$188,182,602 was recognised (2011: Nil). The cash flow projections were based on financial budget approved by the management covering a 10-year period, which represent approximately these assets' remaining useful life, and a discount rate at 14.57%. Other key assumptions applied in the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. The estimation is based on the past performance of mining of dolomite and manufacture of magnesium ingots, and management's expectations for the future market developments. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of these assets to exceed the aggregate recoverable amount of them.

(d) The significant portion of buildings, retorts and the interest in leasehold land held for own use under operating lease of the Group with an aggregate carrying amount of HK$280,469,730 (2011: HK$277,820,364) are pledged to a bank for banking facilities granted to the Group (see Note 19).

(e) **Property, plant and equipment held under finance leases**

The Group leases motor vehicles and equipment under finance leases expiring in 2 to 5 years. None of the leases includes contingent rentals. During the year, no additions to property, plant and equipment of the Group were financed by new finance leases (2011: HK$1,177,184). As at 31 December 2012, the carrying amount of motor vehicles and furniture and fittings held under finance leases of the Group was HK$3,979,876 (2011: HK$5,006,999).

The Company leases a motor vehicle under a finance lease expiring in 5 years. It does not include contingent rentals. During the year, no additions to property, plant and equipment of the Company were financed by new finance leases (2011: HK$858,446). As at 31 December 2012, the carrying amount of a motor vehicle held under a finance lease of the Company was HK$758,294 (2011: HK$844,139).

(f) At the end of the reporting period, the property ownership certificates in respect of the property interests held in other parts of the PRC have not been issued by the relevant PRC government authority. The carrying amount of the properties was HK$1,838,366 (2011: Nil) at the end of the reporting period.

12 GOODWILL

	The Group
	HK$
Cost:	
At 1 January 2010	–
Addition through acquisition of subsidiaries	79,525,907
At 31 December 2010	79,525,907
At 1 January 2011	79,525,907
Addition through acquisition of subsidiaries *(Note 22(a))*	141,622,589
At 31 December 2011 (as restated)	221,148,496
At 1 January 2012 (as restated)	221,148,496
Addition through acquisition of subsidiaries *(Note 22(b))*	111,180,501
At 31 December 2012	332,328,997
Accumulated impairment losses:	
At 1 January 2010, 31 December 2010 and 1 January 2011	–
Impairment loss	79,525,907
At 31 December 2011 (as restated)	79,525,907
At 1 January 2012 (as restated)	79,525,907
Impairment loss	141,622,589
At 31 December 2012	221,148,496
Carrying amount:	
At 31 December 2012	111,180,501
At 31 December 2011 (as restated)	141,622,589
At 31 December 2010	79,525,907

12 GOODWILL (Continued)

(a) The provisional goodwill arose in the acquisition of Step Pacific Development Limited and its subsidiaries during the year ended 31 December 2011 as set out in Note 22(a). In the opinion of the directors of the Company, the goodwill represents the future economic benefits together with the current establishment of the operation arising from the potential growth in the mining business acquired.

A valuation report, prepared by an independent qualified professional valuer, Norton Appraisals Limited and received in the current year, shows that the fair value of exploration and evaluation assets of the acquired subsidiaries at the date of acquisition, determined based on the income-based method, was HK$279,610,200 (see Note 13). The comparative figures of 2011 have been restated as if the initial accounting had been completed at the acquisition date.

The following table discloses the adjustments that have been made to the consolidated statement of financial position as at 31 December 2011.

	As previously reported *HK$*	**Adjustments to fair value of assets acquired in prior years** *HK$*	**As restated** *HK$*
Goodwill	220,209,759	(78,587,170)	141,622,589
Exploration and evaluation assets	84,374,090	279,610,200	363,984,290
Deferred tax liabilities	(16,649,071)	(46,093,957)	(62,743,028)
Total effect on assets and liabilities	287,934,778	154,929,073	442,863,851
Exchange reserve	18,072,409	47,197	18,119,606
Non-controlling interests	38,217,583	115,694,376	153,911,959
Share premium	532,611,938	39,187,500	571,799,438
Total effect on equity	588,901,930	154,929,073	743,831,003

(b) The goodwill arose in the acquisition of Victory Dragon Group during the year ended 31 December 2012 as set out in Note 22(b). In the opinion of the directors of the Company, the goodwill represents the future economic benefits together with the current establishment of the operation arising from the potential growth in the mineral water business acquired.

A valuation report, prepared by an independent qualified professional valuer, GC Appraisals Services Company Limited ("**GC Appraisals**"), shows that the fair value of exploration and evaluation assets of the acquired subsidiary at the date of acquisition, determined based on the income-based method, was HK$161,763,000 (see Note 13).

12 GOODWILL (Continued)

(c) Impairment tests for cash-generating units containing goodwill

At the end of the reporting period, goodwill is allocated to the Group's cash-generating units (CGU) identified according to country of operation and operating segment as follows:

	2012	2011
	HK$	*HK$*
		(Restated)
Exploration for iron ore, coal and manganese	**–**	141,622,589
Extraction and bottling of mineral water	**111,180,501**	–
	111,180,501	141,622,589

(i) Exploration for iron ore, coal and manganese

The recoverable amounts of the CGUs of exploration for iron ore, coal and manganese are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets and production forecasts as prepared by management covering a five-year period with zero growth rate, and a discount rate of 20% (2011: 20%) with reference to the valuation performed by GC Appraisals as at 31 December 2012. The discount rate used is pre-tax and reflect specific risks relating to the relevant segment.

During the year ended 31 December 2012, management of the Group, taking into account of the market situation and the performance of these mines as described in Note 13, determined that there are impairment losses of HK$141,622,589 (2011: HK$79,525,907) on its CGUs containing goodwill.

(ii) Extraction and bottling of mineral water

The recoverable amount of the CGU of extraction and bottling of mineral water is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period with 12% growth rate after 2014, and a discount rate of 24.1% with reference to the valuation performed by GC Appraisals as at 31 December 2012. Cash flows beyond the five-year period are extrapolated using zero growth rate. The discount rate used is pre-tax and reflects specific risks relating to the relevant segment.

During the year ended 31 December 2012, management of the Group, taking into consideration of the market situation and the performance of the mine as disclosed in Note 13, determined that there are no impairment losses on its CGU containing goodwill.

13 EXPLORATION AND EVALUATION ASSETS

	Mining of dolomite and manufacture of magnesium ingots *HK$*	Exploration for iron ore, coal and manganese *HK$*	Extraction and bottling of mineral water *HK$*	The Group *HK$*
Cost:				
At 1 January 2010	3,683,359	–	–	3,683,359
Arising on acquisition of subsidiaries	–	103,196,172	–	103,196,172
Additions	–	946,032	–	946,032
Exchange adjustments	422,474	9,695	–	432,169
At 31 December 2010	4,105,833	104,151,899	–	108,257,732
At 1 January 2011	4,105,833	104,151,899	–	108,257,732
Arising on acquisition of subsidiaries *(Note 22(a))*	–	279,610,200	–	279,610,200
Additions	–	252,884	–	252,884
Written off	–	(919,646)	–	(919,646)
Exchange adjustments	(115,567)	(46,116)	–	(161,683)
At 31 December 2011 (as restated)	3,990,266	383,049,221	–	387,039,487
At 1 January 2012 (as restated)	3,990,266	383,049,221	–	387,039,487
Arising on acquisition of subsidiaries *(Note 22(b))*	–	–	161,763,000	161,763,000
Written off	–	(242,849)	–	(242,849)
Exchange adjustments	134,924	–	–	134,924
At 31 December 2012	4,125,190	382,806,372	161,763,000	548,694,562
Accumulated amortisation and impairment:				
At 1 January 2010	–	–	–	–
Charge for the year	196,498	–	–	196,498
Exchange adjustments	8,793	–	–	8,793
At 31 December 2010	205,291	–	–	205,291
At 1 January 2011	205,291	–	–	205,291
Charge for the year	207,108	–	–	207,108
Impairment loss	–	22,656,172	–	22,656,172
Exchange adjustments	(13,374)	–	–	(13,374)
At 31 December 2011	399,025	22,656,172	–	23,055,197
At 1 January 2012	399,025	22,656,172	–	23,055,197
Charge for the year	206,419	–	–	206,419
Impairment loss	3,506,411	162,580,320	–	166,086,731
Exchange adjustments	133,35	–	–	13,335
At 31 December 2012	4,125,190	185,236,492	–	189,361,682
Carrying amount:				
At 31 December 2012	–	197,569,880	161,763,000	359,332,880
At 31 December 2011 (as restated)	3,591,241	360,393,049	–	363,984,290
At 31 December 2010	3,900,542	104,151,899	–	108,052,441

13 EXPLORATION AND EVALUATION ASSETS (Continued)

(a) CVMSB has undertaken various feasibility studies in relation to the mining and extraction of dolomite in Peninsula Malaysia since 2004. On 15 June 2006, CVMSB entered into an agreement (the "**Mining Agreement**") with Harta Perak Corporation Sdn. Bhd. ("**HPC**"), a subsidiary of the Perak State Development Corporation, a shareholder of the Company. Pursuant to the Mining Agreement, CVMSB has been granted, at no initial cost, an exclusive right to mine and extract magnesium dolomite from two pieces of land in the state of Perak, Peninsula Malaysia (the "**Dolomite Land**") for a period of 20 years, with an option to renew for a further period of 10 years. The Mining Agreement can be terminated early by the Group by giving one month's written notice to HPC. CVMSB is required to pay royalties to HPC based on the volume of dolomite extracted, subject to a monthly minimum payment.

Mining activities for this dolomite project had started in 2010 and the amortisation charge relating to the project for the year is included in "administrative expenses" (2011: "administrative expenses") in the consolidated income statement.

At 31 December 2012, the Group determined the recoverable amount of CGU for mining of dolomite and manufacture of magnesium ingots based on value-in-use calculation. That calculation used cash flows projections based on financial budgets and production forecast as prepared by management, covering a 10-year period with zero growth rate, and a discount rate of 14.57% (2011: 12.4%) with reference to the valuation performed by GC Appraisals as at 31 December 2012. As a result, the recoverable amount of CGU in respect of the exploration and evaluation assets held by CVMSB was below its carrying amount, an impairment loss of HK$3,506,411 (2011: Nil) has been recognised and included in other operating expenses in the consolidated income statement. The discount rate used is pre-tax and reflect specific risks relating to the relevant segment.

(b) PT. Commerce Venture Iron Ore ("**PTCV Iron**") and PT. Commerce Venture Coal ("**PTCV Coal**"), both indirectly held subsidiaries of the Company, have exploration mining permits in relation to the mining and extraction of coal, iron ore and manganese in Indonesia.

PTCV Coal holds exploration mining permits for (i) coal exploration in an area of 10,000 hectares in Beutong and Tadu Raya Subdistrict, Nagan Raya Regency, Nanggroe Aceh Darussalam Province of Indonesia, valid until 7 October 2013 ("**Permit 1**"); and (ii) manganese exploration in an area of 3,710 hectares in Bakongan Subdistrict, South Aceh Regency, Nanggroe Aceh Darussalam Province of Indonesia, valid until 5 November 2012 ("**Permit 2**").

PTCV Iron holds exploration mining permits for (i) coal exploration in an area of 9,825 hectares in Kuala and Tadu Raya Subdistrict, Nagan Raya Regency, Nanggroe Aceh Darussalam Province of Indonesia, valid until 5 March 2014 ("**Permit 3**"); and (ii) iron ore exploration in an area of 450 hectares in Pananggalan Subdistrict, Subulussalam City, Nanggroe Aceh Darussalam Province of Indonesia, valid until 14 December 2012 ("**Permit 4**").

Permit 2 and Permit 4 have expired in the year. The Group has submitted applications to the relevant local authorities for extension of these permits. Subsequent to 31 December 2012 and up to the approval date of the consolidated financial statements, a one year extension for Permit 2 has been granted on 28 January 2013 without additional costs incurred and any changes in the mining area being covered by the permit, but the extension for Permit 4 has not been awarded to the Group.

13 EXPLORATION AND EVALUATION ASSETS (Continued)

(b) (Continued)

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

According to the legal opinion as regards the extension for Permit 4, it can only be extended for one time and for the period of one year. The Group applied the extension which was approved in 2011. There are no provisions under current laws and/or regulations that the extension of exploration mining permit would be granted. The approval on the extension would be at the discretion of the Indonesian government authorities.

During the year ended 31 December 2012, the Group did not conduct any exploration in these mines due to its limited cash resources. No income was derived from these mines during the years ended 31 December 2012 and 2011.

At 31 December 2012, the Group determined the recoverable amounts of CGU for mining rights of coal, iron ore and manganese held by PTCV Iron and PTCV Coal based on value-in-use calculation. That calculation used cash flows projections based on financial budgets and production forecast as prepared by management, reference to the uncertainties mentioned above, beyond a 5-year period with zero growth rate, and a discount rate of 20% (2011: 20%) with reference to the valuation performed by GC Appraisals as at 31 December 2012. As a result, the recoverable amounts of CGUs in respect of these Permit 1, Permit 3 and Permit 4 were above its carrying amount, reversal of impairment losses of HK$6,960,000 (2011: loss: HK$22,656,172) has been recognised and included in other operating expenses in the consolidated income statement. The discount rate used is pre-tax and reflect specific risks relating to the relevant segment.

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

No exploration activities were conducted in the mines as the Group lost contact with the legal representative of PTLM in 2012. This brought to a halt to the daily operations and mining activities of PTLM. No income was derived from the mine of manganese during the years ended 31 December 2012 and 2011.

At 31 December 2012, the Group determined the recoverable amount of CGU for PTLM based on value-in-use calculation. That calculation used cash flows projections based on financial budgets and production forecast as prepared by management, reference to the uncertainties mentioned in Note 2, beyond a 5-year period with zero growth rate, and a discount rate of 20% with reference to the valuation performed by GC Appraisals as at 31 December 2012. As a result, the recoverable amount of CGU in respect of PTLM was below its carrying amount, an impairment loss of HK$169,540,320 (2011: Nil) has been recognised and included in other operating expenses in the consolidated income statement. The discount rate used to pre-tax and reflect specific risks relating to the relevant segment.

13 EXPLORATION AND EVALUATION ASSETS (Continued)

(d) As explained in Note 23(b), the Group indirectly acquired Long Chuan during the year ended 31 December 2012. Long Chuan is engaged in the manufacturing and distribution of bottled mineral water and has its own factory located in the PRC for manufacturing bottled mineral water in its own brand names, which are Jenbo and Royal Green.

Long Chuan holds a mineral water permit to extract maximum volume of water up to 33,000 meter cube per annum in relation to the Longchuan Spring (the "**Water Permit**") from 1 March 2007 to 16 February 2015. A mining permit to extract mineral water in the stipulated mining area for a period from 23 December 2011 to 23 December 2021 has been granted.

The Longchuan Spring is situated at Damiao Village Longmu Town Longchuan County Heyuan City (河源市龍川縣龍母鎮大廟村), the PRC, with an aggregate mining area of approximately 0.3956 km^2. It is well connected with the source of the East River (Dongjiang) which supplies fresh water to Hong Kong and parts of Guangdong Province. The Longchuan Spring is protected by a protection zone of 30 km in radius with no significant industrial pollution source within a radius of up to 50 km. Longchuan Spring contains six of the eight prescribed minerals in sufficient quantity to quality, including free carbon dioxide.

According to the technical report prepared by 廣東省地質技術工程諮詢公司 (unofficially translated as Guangdong Province Geological Engineering Consulting Firm) in July 2003 (the "**Technical Report 2003**"), the Longchuan Spring provides about 270,000 tons of minerals water annually and the water contains significant amounts of minerals including potassium, sodium, calcium, magnesium, lithium, strontium and zinc.

At 31 December 2012, the Group determined the recoverable amount of CGU for extraction and bottling of mineral water based on value-in-use calculation. That calculation used cash flows projections based on financial budgets and production forecast as prepared by management beyond a 5-year period with 12% growth rate, and a discount rate of 24.1% with reference to the valuation performed by GC Appraisals as at 31 December 2012. As a result, the recoverable amount of CGU in respect of extraction and bottling of mineral water was above its carrying amount, no impairment loss has been recognised in the consolidated income statement. The discount rate used is pre-tax and reflect specific risks relating to the relevant segment.

14 INVENTORIES

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

	The Group	
	2012	2011
	HK$	*HK$*
Raw materials	**6,770,260**	6,473,544
Work-in-progress	**192,484**	17,391,362
Finished goods	**3,495,457**	15,876,334
	10,458,201	39,741,240

14 INVENTORIES (Continued)

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

	The Group	
	2012	2011
	HK$	*HK$*
Carrying amount of inventories sold	**54,039,300**	16,823,714
Write down of inventories	**645,177**	11,534,063
	54,684,477	28,357,777

Because of fluctuations in the market price of magnesium during the year, there was a significant reduction in the net realisable value of inventories as at 31 December 2012. As a result, a write down of inventories of HK$645,177 (2011: HK$11,534,063) was made at year end.

15 TRADE RECEIVABLES

	The Group	
	2012	2011
	HK$	*HK$*
Trade receivables	**1,975,723**	–

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

(a) Ageing analysis

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

	The Group	
	2012	2011
	HK$	*HK$*
Neither past due nor impaired	**–**	–
Less than 1 month past due	**1,663,093**	–
1 month to 2 months past due	**116,691**	–
More than 2 months but less than 12 months past due	**195,939**	–
Amounts past due	**1,975,723**	–
Total	**1,975,723**	–

15 TRADE RECEIVABLES (Continued)

(a) Ageing analysis (Continued)

Trade receivables derived from sales of magnesium ingots are due within 15 days from the date of the bill of lading for exports sales or date of invoice for local sales. Other than that the Group has a policy of allowing customers for domestic trading and distribution in the PRC with credit terms of normally cash on delivery.

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

(b) At 31 December 2012, none of trade receivables (2011: Nil) were pledged as securities for banking facilities granted to the Group (see Note 19).

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		**The Company**	
	2012	2011	**2012**	2011
	HK$	*HK$*	***HK$***	*HK$*
Other receivables	**1,116,407**	3,857,672	**6,600**	1,600
Advance payment to a contractor *(Note 16(a))*	**17,026,976**	9,604,967	**–**	–
Government grant receivables	**–**	922,714	**–**	–
Deposits for purchase of property, plant and equipment	**3,720,176**	–	**1,000,000**	–
Prepayments for raw materials and machinery *(Note 16(b))*	**7,001,389**	3,986,129	**–**	3,986,129
Deposits and prepayments	**6,727,941**	7,713,859	**784,923**	2,331,594
Amount due from a related party *(Note 16(c))*	**–**	4,651	**–**	–
	35,592,889	26,089,992	**1,791,523**	6,319,323
Less: Impairment losses:				
— advance payment to a contractor *(Note 16(a))*	**(17,026,976)**	–	**–**	–
— prepayments for raw materials and machinery *(Note 16(b))*	**(7,001,389)**	–	**–**	–
	11,564,524	26,089,992	**1,791,523**	6,319,323

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Apart from certain of the Group's deposits and prepayments of HK$5,519,869 as at 31 December 2012 (2011: HK$4,976,918), and of the Company's deposits and prepayments of HK$336,483 (2011: HK$331,594) as at 31 December 2012, the remaining prepayments, deposits and other receivables of the Group and the Company are expected to be recovered or recognised as expenses within one year.

(a) At 31 December 2012, the Group has advanced a total of HK$17,026,976 (2011: HK$9,604,967) to a contractor for ratification works in the Smelter. This contractor was put under creditor's winding up in 2012. The Group's management assessed the recoverability of these advances was remote and has made a full provision against them as at 31 December 2012.

(b) At 31 December 2012, the Group has made prepayments of HK$7,001,389 (2011: HK$3,986,129) to an entity for purchase of raw materials and machinery. No goods and/or machinery have been received by the Group from that entity in settlement of the prepayments made. The Group's management assessed the recoverability of these prepayments was remote and has made a full provision against them as at 31 December 2012.

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

		The Group		
Name	**Term of loan**	**Balance at 31 December 2012**	Balance at 1 January 2012	**Maximum amount outstanding during the year**
		HK$	*HK$*	*HK$*
HWG Tin Mining Sdn. Bhd. ("**HWGTM**")	Interest-free, unsecured and has no fixed terms of repayment	**–**	4,651	4,651

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

17 TRADE AND OTHER PAYABLES

	The Group		**The Company**	
	2012	2011	**2012**	2011
	HK$	*HK$*	***HK$***	*HK$*
Trade payables	**156,144**	1,651,591	**–**	–
Accrued interest on bank loans	**27,720,475**	7,045,297	**–**	–
Accrued interest on unsecured loans	**7,002,677**	6,374,083	**7,002,677**	6,374,083
Accrued interest on convertible bonds	**3,220,000**	–	**3,220,000**	–
Provision for litigation settlement	**2,325,420**	–	**2,325,420**	–
Other payables and accrued expenses	**11,983,060**	11,807,751	**3,044,105**	1,265,324
	52,407,776	26,878,722	**15,592,202**	7,639,407

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

17 TRADE AND OTHER PAYABLES (Continued)

An ageing analysis of trade payables is as follows:

	The Group	
	2012	2011
	HK$	*HK$*
Current	**90,095**	1,529,829
Due within 3 months	**–**	105,663
Due after 3 months but within 12 months	**66,049**	16,099
	156,144	1,651,591

18 CONVERTIBLE BONDS

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

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

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

18 CONVERTIBLE BONDS (Continued)

(a) (Continued)

Drawdown date	**7 September 2010**	**27 September 2010**	**20 October 2010**	
Drawdown amount	**HK$51,000,000**	**HK$50,000,000**	**HK$15,000,000**	
	Tranche 1	**Tranche 2**	**Tranche 3**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Liability component				
At 1 January 2011	51,489,255	50,118,239	14,773,255	116,380,749
Effective interest expenses payable for the year	7,798,246	8,006,760	2,664,244	18,469,250
Interest paid during the year	(7,650,000)	(7,500,000)	(2,250,000)	(17,400,000)
Repaid by unsecured loans	(50,000,000)	(50,000,000)	–	(100,000,000)
Repaid by cash	(1,000,000)	–	(15,000,000)	(16,000,000)
Gain on repayment	(637,501)	(624,999)	(187,499)	(1,449,999)
At 31 December 2011, 1 January 2012 and 31 December 2012	–	–	–	–

	Tranche 1	**Tranche 2**	**Tranche 3**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Conversion option derivative				
At 1 January 2011	2,358,573	2,300,607	761,926	5,421,106
Gain on repayment	(2,358,573)	(2,300,607)	(761,926)	(5,421,106)
At 31 December 2011, 1 January 2012 and 31 December 2012	–	–	–	–

18 CONVERTIBLE BONDS (Continued)

(a) (Continued)

	Liability component *HK$*	Conversion option derivative *HK$*	Total *HK$*
Summary			
At 1 January 2011	116,380,749	5,421,106	121,801,855
Interest charged	18,469,250	–	18,469,250
Interest paid during the year	(17,400,000)	–	(17,400,000)
Repaid by cash *(Note)*	(16,000,000)	–	(16,000,000)
Repaid by unsecured loans *(Note)*	(100,000,000)	–	(100,000,000)
Gain on repayment	(1,449,999)	(5,421,106)	(6,871,105)
At 31 December 2011, 1 January 2012 and 31 December 2012	–	–	–

Note: During the year ended 31 December 2011, the directors of the Company renegotiated and restructured the convertible bonds with various holders. The convertible bonds were repaid partially by cash amounting to HK$16,000,000, and partially by unsecured loans of HK$100,000,000 (see Note 20), resulting in a gain of HK$6,871,105.

The interest charged for the year ended 31 December 2011 was calculated by applying an effective interest rate with a range from 19.86% p.a. to 20.53% p.a. to the liability component up to the repayment date.

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

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

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

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

18 CONVERTIBLE BONDS (Continued)

(b) (Continued)

The net proceeds received from the issuance of the convertible bonds have been split into the liability and equity components, as follows:

Drawdown date	2 December 2011	30 December 2011	16 January 2012	5 March 2012	23 March 2012	
Drawdown amount	HK$26,000,000	HK$17,000,000	HK$10,000,000	HK$10,000,000	HK$17,000,000	
	Tranche 1	**Tranche 2**	**Tranche 3**	**Tranche 4**	**Tranche 5**	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Nominal value of convertible bonds issued	26,000,000	17,000,000	–	–	–	43,000,000
Capitalisation of transaction costs	(650,000)	(425,000)	–	–	–	(1,075,000)
Equity component	(9,643,725)	(6,553,950)	–	–	–	(16,197,675)
Liability component	15,706,275	10,021,050	–	–	–	25,727,325
Interest charged	413,526	18,522	–	–	–	432,048
Liability component as at 31 December 2011	16,119,801	10,039,572	–	–	–	26,159,373
At 1 January 2012	16,119,801	10,039,572	–	–	–	26,159,373
Nominal value of convertible bonds issued	–	–	10,000,000	10,000,000	17,000,000	37,000,000
Capitalisation of transaction costs	–	–	(250,000)	(250,000)	(425,000)	(925,000)
Equity component	–	–	(1,640,925)	(1,783,275)	(2,789,475)	(6,213,675)
Liability component	16,119,801	10,039,572	8,109,075	7,966,725	13,785,525	56,020,698
Interest charged	5,177,802	3,395,510	1,367,436	1,206,999	1,890,225	13,037,972
Interest paid	(2,600,000)	(1,700,000)	–	–	–	(4,300,000)
Liability component as at 31 December 2012	18,697,603	11,735,082	9,476,511	9,173,724	15,675,750	64,758,670

The interest charged for the year is calculated by applying an effective interest rate with a range from 17.54% p.a. to 33.73% p.a. (2011: 32.03% p.a. to 33.73% p.a.) to the liability component for the number of days to the end of reporting period since the bonds were issued.

The directors of the Company estimate the fair value of the liability component of the convertible bonds at 31 December 2012 to be approximately HK$67,007,000 (2011: HK$26,011,000). This fair value has been calculated by discounting the future cash flows at the market rate.

(c) On 18 April 2012, the Company issued convertible bonds with maturity date on the fifth anniversary of the date of issue for an aggregate principal amount of HK$106,840,000 as part consideration for the acquisition of Victory Dragon group (see Note 22(b)). The convertible bonds bear interest at 5% p.a. payable annually and are unsecured. As at the end of reporting period, the principal amount of convertible bonds being available was HK$106,840,000 (2011: Nil).

The bondholder of the convertible bonds at any time before maturity can convert the whole or part of the principal amount of the convertible bonds in whole multiples of HK$1,000,000 into ordinary shares of the Company at a fixed conversion price of HK$0.126 per share.

18 CONVERTIBLE BONDS (Continued)

(c) (Continued)

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

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

The net proceeds received from the issuance of the convertible bonds have been split into the liability and equity components, as follows:

	Liability component *HK$*	**Equity component** *HK$*	**Total** *HK$*
Issue of convertible bonds	62,514,000	44,326,000	106,840,000
Effective interest charged	7,768,100	–	7,768,100
At 31 December 2012	70,282,100	44,326,000	114,608,100

The interest for the year is calculated by applying an effective interest rate of 17.58% p.a. to the liability component for the number of days to the end of reporting period since the bonds were issued.

(d) The directors of the Company estimate the fair value of the liability component of the convertible bonds at 31 December 2012 to be approximately HK$15,733,000. This fair value has been calculated by discounting the future cash flows at the market rate.

On 15 January 2013, total principal amount of HK$43,840,000 was converted into 347,936,507 new ordinary shares of the Company of HK$0.025 each.

19 BANK LOANS — SECURED

The Group

	2012			2011		
	Nominal value *HK$*	**Less: unamortised costs** *HK$*	**Total** *HK$*	Nominal value *HK$*	Less: unamortised costs *HK$*	Total *HK$*
Bank loans, secured	**437,588,368**	**(2,926,620)**	**434,661,748**	423,237,934	(3,240,869)	419,997,065

19 BANK LOANS — SECURED (Continued)

At 31 December 2012, interest bearing bank loans are due for repayment as follows:

	2012	2011
	HK$	*HK$*
Portion of term loans due for repayment within 1 year	**–**	–
Term loans due for repayment after one year:		
After 1 year but within 2 years	**82,704,194**	–
After 2 years but within 5 years	**298,109,130**	255,435,464
After 5 years	**53,848,424**	164,561,601
	434,661,748	419,997,065
	434,661,748	419,997,065

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

	2012	2011
	HK$	*HK$*
Transaction costs		
Cost:		
At 1 January	**9,609,383**	9,978,097
Exchange adjustments	**324,924**	(368,714)
At 31 December	**9,934,307**	9,609,383
Accumulated amortisation:		
At 1 January	**6,368,514**	6,189,969
Amortisation for the year	**424,157**	457,410
Exchange adjustments	**215,016**	(278,865)
At 31 December	**7,007,687**	6,368,514
Unamortised transaction costs	**2,926,620**	3,240,869

The secured bank loans as at 31 December 2012 are interest bearing at 8.6% p.a. (2011: 8.6% p.a.). These bank loans were restructured on 25 July 2011 by Bank Kerjasama Rakyat Malaysia Berhad ("**Bank Rakyat**"). In accordance with the restructured bank loan agreement, the Group is required to repay the bank loans by monthly instalment of RM670,000 (equivalent to HK$1,747,293) with effect from August 2011 to December 2013 and increasing to RM4,200,000 (equivalent to HK$10,297,651) from January 2014 to the second last repayment of the loans in 2018.

19 BANK LOANS — SECURED (Continued)

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

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

(ii) assignment of trade receivables;

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

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

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

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

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

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

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

All of the Group's banking facilities are subject to the fulfilment of covenants, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group is required to comply with the covenants when CVMSB's production operation commences, which was in or around February 2011. As at 31 December 2012, none of the covenants relating to the drawdown facilities had been breached (2011: Nil).

20 UNSECURED LOANS FROM THIRD PARTIES

	The Group and the Company	
	2012	2011
	HK$	*HK$*
Within 1 year	**100,000,000**	100,000,000
After 1 year but within 2 years	**50,000,000**	–
After 2 years but within 5 years	**–**	50,000,000
	50,000,000	50,000,000
	150,000,000	150,000,000

20 UNSECURED LOANS FROM THIRD PARTIES (Continued)

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

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

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

In March 2012, the Company successfully negotiated with these lenders to defer the repayment by six months and eighteen days to May 2013 and to charge interest at 18% p.a. payable half-yearly with effect from October 2012.

Subsequent to the end of reporting period, on 26 March 2013, the Company has successfully negotiated with these lenders to defer the repayment by a year to April 2014 and to charge interest rate at 18% p.a. payable half yearly.

21 SHARE CAPITAL

(a) Authorised and issued share capital

The Company

		2012		2011	
	Note	**Number of shares**	**Amount** *HK$*	Number of shares	Amount *HK$*
Authorised:					
At 1 January and 31 December		**10,000,000,000**	**250,000,000**	10,000,000,000	250,000,000
Issued and fully paid:					
At 1 January		**3,517,680,556**	**87,942,014**	2,519,555,556	62,988,889
Shares issued pursuant to a share placing	*(ii)*	**835,000,000**	**20,875,000**	340,000,000	8,500,000
Shares issued pursuant to an acquisition	*(ii)*	**660,000,000**	**16,500,000**	653,125,000	16,328,125
Exercise of warrants	*(ii)*	**–**	**–**	5,000,000	125,000
At 31 December		**5,012,680,556**	**125,317,014**	3,517,680,556	87,942,014

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

21 SHARE CAPITAL (Continued)

(b) Issue of shares

On 14 February 2011, 340,000,000 ordinary shares of HK$0.025 each were issued at a price of HK$0.228 each for cash consideration of HK$77,520,000.

On 19 April 2011, the Company issued 653,125,000 ordinary shares to the then shareholders of Step Pacific Development Limited pursuant to the agreement for the sale and purchase dated 23 February 2011 (see Note 23(a)).

On 27 April 2011, 5,000,000 warrants were exercised for 5,000,000 ordinary shares of HK$0.025 each at a subscription price of HK$0.27 each.

On 18 April 2012, the Company issued 660,000,000 ordinary shares to the shareholders of Victory Dragon Holdings Limited pursuant to the agreement for the sale and purchase dated 12 January 2012 (see Note 23(b)).

On 8 August 2012, 835,000,000 ordinary shares of HK$0.025 each were issued at a price of HK$0.05 each for cash consideration of HK$41,750,000.

22 BUSINESS COMBINATIONS

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

On 23 February 2011, the Company entered into an agreement with 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 for a consideration of HK$220,000,000, which was satisfied by the payment of deposit in cash of HK$11,000,000 to the Vendors upon signing the Agreement and by the issue of an aggregate of 653,125,000 ordinary shares of the Company to the Vendors (Note 21(b)). Step Pacific and its subsidiaries are principally engaged in the exploration for manganese in Indonesia.

22 BUSINESS COMBINATIONS (Continued)

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

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

	Acquirees' carrying amount and provisional fair value at acquisition date *HK$*	**Acquirees' company restated fair value at acquisition date** *HK$*
Net assets acquired:		
Property, plant and equipment *(Note 11)*	56,901	56,901
Exploration and evaluation assets *(Note 13)*	252,884	279,610,200
Prepayments, deposits and other receivables	209,350	209,350
Cash at bank and in hand	12,645	12,645
Other payables and accruals	(947,226)	(947,226)
Deferred tax liabilities	–	(46,093,957)
	(415,446)	232,847,913
Non-controlling interests	205,687	(115,283,002)
Goodwill *(Note 13)*	220,209,759	141,622,589
Total consideration	220,000,000	259,187,500
Satisfied by:		
Cash paid	11,000,000	11,000,000
Share consideration, at fair value	209,000,000	248,187,500
	220,000,000	259,187,500
Net cash outflow arising on the acquisition:		
Cash consideration paid	(11,000,000)	(11,000,000)
Bank balances and cash acquired	12,645	12,645
	(10,987,355)	(10,987,355)

Goodwill arising on the acquisition of Step Pacific in 2011 was determined on a provisional basis as management of the Company was in process to obtain sufficient information to complete the initial accounting. During the year and within one year of the acquisition date, the Company obtained independent valuation to access the fair values as at the acquisition date of identifiable assets, including the fair value of the exploration and evaluation assets, and an adjustment in the fair value of the above consideration, the provisional goodwill and other respective amounts were adjusted accordingly upon the completion of the initial accounting as set out in Note 13.

22 BUSINESS COMBINATIONS (Continued)

(b) Acquisition of Victory Dragon group

Victory Dragon Holdings Limited, engaged in investment holding, is the sole owner of Long Chuan Shen Long Mineral Water Co. Ltd. ("**Long Chuan**"). Long Chuan is engaged in the manufacturing and distribution of bottled mineral water and planned to reposition to target the mid to high end market segment from its current market segment, to redesign the packaging to give customers a clear impression that this is a high-end product. It has obtained a mining permit of the Longchuan Spring water which is located at Longmu Town, Longchuan County, Guangdong Province, the PRC. It currently holds two brand names to sell bottled mineral water in the PRC, which are Jenbo and Royal Green.

On 12 January 2012, to further diversify the Group's business, an agreement was entered into between the Company's wholly owned subsidiary, Nice Tone Enterprises Ltd. ("**NTEL**") and Voice Key Group Limited ("**First Vendor**"), Chinacorp International Consultants Limited and Champion Tone Development Limited (collectively known as the "**Vendors**"), pursuant to which NTEL has conditionally agreed to purchase and the Vendors have conditionally agreed to sell 51% of the issued share capital of Victory Dragon Holdings Limited for a notional consideration of HK$200,000,000, which was satisfied by the payment of deposit in cash of HK$10,000,000 to the First Vendor upon signing the agreement and by the issue of 660,000,000 ordinary shares of the Company to the Vendors (see Note 23(b)) and convertible bonds with a principal amount of HK$106,840,000 (see Note 18(c)) to the First Vendor. The acquisition was approved by the members of the Company in extraordinary general meeting held on 13 April 2012. The effective date of the acquisition and completion was 18 April 2012.

The acquired business contributed revenue of HK$2,148,220 and a net loss of HK$5,132,287 to the Group for the period from 19 April 2012 to 31 December 2012. Had the above acquisition occurred on 1 January 2012, the directors of the Company estimate that the Group's revenue and loss before taxation would be HK$2,324,115 and HK$7,141,621, respectively. These amounts have been calculated using the Group's accounting policies and by assuming the control date of a subsidiary being held by Victory Dragon Holdings Limited remain unchanged.

22 BUSINESS COMBINATIONS (Continued)

(b) Acquisition of Victory Dragon group (Continued)

	Fair value as at acquisition date
	HK$
Net assets acquired	
Property, plant and equipment *(Note 11)*	3,338,481
Exploration and evaluation assets *(Note 13)*	161,763,000
Inventories	213,659
Cash at bank and in hand	26,020
Other payables and accruals	(2,624,959)
Deferred tax liabilities	(40,440,750)
	122,275,451
Non-controlling interests	(59,914,971)
Goodwill *(Note 12)*	111,180,501
Total consideration	173,540,981
Satisfied by:	
Cash paid	10,000,000
Shares consideration	59,400,000
Convertible bonds	106,840,000
Contingent consideration	(2,699,019)
	173,540,981
Net cash outflow arising on the acquisition:	
— Cash consideration paid	(10,000,000)
— Bank balances and cash acquired	26,020
	(9,973,980)

Basis for disclaimer of opinion

1. *Scope Limitation: valuations on exploration and evaluation assets, goodwill and certain property, plant and equipment*

   During the year 2012, the Group has undertaken several mining or extractive projects in Malaysia, Indonesia and the People's Republic of China (the "**PRC**"). The principal operations of the Group included: (a) mining of dolomite and manufacture of magnesium ingots in Malaysia; (b) exploration for iron ore, coal and manganese in Indonesia; and (c) extraction and bottling of mineral water in the PRC. Due to various material fundamental uncertainties facing by the Group, as disclosed in notes 2(b) and 15 to the consolidated financial statements, these principal operations, except for the operation of extraction and bottling of mineral water, are effectively suspended for various reasons. At the same time, the extraction and bottling of mineral water operations are not generating positive cash flow for the Group as anticipated by the management of the Company.

   Taking into consideration that the Group has not incurred any exploration and evaluation expenditures on these extractive operations in order to obtain up-to-date technical data for these extractive operations in the current year and the Group does not have sufficient working capital to finance these extractive operations, we are unable to assess the reliability of these valuations prepared for financial reporting purposes. In addition, we consider that the technical data in the Technical Report 2011 used to prepare the valuation is not up-to-date and we are unable to verify the Group's ability both financially and technically to relative mining permits. Accordingly we are unable to assess whether the recoverable amount of these assets as at the end of the reporting period are reliably measured. There are no alternative audit procedures that we could perform to satisfy ourselves as to whether any further impairment losses should be recognised on these assets and the balances of the exploration and evaluation assets, goodwill and property, plant and equipment are free from material misstatement. Any adjustments found to be necessary in respect thereof had we obtained sufficient appropriate audit evidence would have had a consequential effect on the net assets of the group and of its loss for the current year.

2. *Scope Limitation: valuations of exploration and evaluation assets, goodwill and associated deferred tax liabilities in business combinations*

   Disclosed in note 32(a), the Group acquired 51% equity interest of Step Pacific Development Ltd and its subsidiaries ("**Step Pacific Group**") on 19 April 2011. Because of lacking of sufficient information to complete the initial accounting in the year ended 31 December 2011, the Group has completed the initial accounting for this business combination in 2012. Exploration and evaluation assets with a fair value as at acquisition date of HK$279,610,200, goodwill of HK$141,625,589 and deferred tax liabilities associated with the fair value adjustment on the exploration and evaluation assets of HK$46,093,957 were restated and recognised in this business combination.

As disclosed in note 32(b), the Group acquired a 51% equity interest in Victory Dragon Holdings Limited and its subsidiaries ("**Victory Dragon Group**") on 18 April 2012. In the year 2012, the Group has completed the initial accounting for this business combination. Exploration and evaluation assets with a fair value as at acquisition date of HK$16,763,000, goodwill of HK$111,180,501 and deferred tax liabilities associated with the fair value adjustment on the exploration and evaluation assets of HK$40,440,750 are recognised in this business combination.

The Group appointed an independent valuer, to perform valuations to assess the fair values as at the acquisition dates of these exploration and evaluation assets. The valuer estimated the fair values of these assets using an income-based approach based on the estimated reserves of those mines located in Indonesia from Technical Report 2011 and the water well located in the PRC from a technical report prepared in 2003 ("**Technical Report 2003**") and assumptions as to the Group's ability to undertake the exploration for and exploitation of these nature resources.

Taking into consideration that the Group has not incurred any exploration and evaluation expenditures on these extractive operations in order to obtain up-to-date technical data for these extractive operations in the current year and the Group does not have sufficient working capital to finance these extractive operations, we are unable to assess the reliability of these valuations prepared for financial reporting purposes. In addition, we consider that the technical data in the Technical Report 2011 and the Technical Report 2003 used to prepare the valuation are not up-to-date and we are unable to verify the Group's ability both financially and technically to undertake exploration for or exploitation of any iron ore, coal and manganese resources under the relevant mining permit. Accordingly we are unable to assess whether the fair values as at the acquisition dates are measured reliably in accordance with the requirements of Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" issued by the HKICPA. There are no alternative audit procedures that we could perform to satisfy ourselves as to whether the recognition of these exploration and evaluation assets, goodwill and associated deferred tax are free from material misstatement. Any adjustments found to be necessary in respect thereof had we obtained sufficient appropriate audit evidence would have had a consequential effect on the net assets of the group and of its loss for the current year.

3. *Scope Limitation: incomplete records for the mineral water extraction and bottling operations*

As disclosed in note 32(b) to the consolidated financial statements, the Group has acquired through the business combination of Victory Dragon Group in 2012, an operation for the extraction and bottling of mineral water. Certain books and records relating to the acquisition of the mineral water operations were incomplete or missing and the inventory costing system was not able to generate reliable information for financial reporting purposes. We are unable to obtain sufficient audit evidence on:

(a) Turnover and trade receivables

The Group has reported revenue from sales of bottled mineral water amounting to HK$2,148,220 (2011: HK$Nil) during the year and trade receivables of HK$461,356 (2011: HK$Nil) as at the end of the reporting period. We are unable to obtain sufficient the delivery notes and trade receivables settlement records to verify the sales amount for the year and the respective trade receivables balances as at 31 December 2012.

(b) Cost of inventories sold and inventories

The Group has recognised cost of inventories amounting to HK$2,002,755 in the year and has inventory balances related to bottled mineral water of HK$755,415 (2011: HK$Nil) as at the end of the reporting period. Inventories are stated as lower of cost or net realisation value. Cost is calculated using weighted average cost formula and comprises all costs of purchase, costs of conversion and other direct costs incurred in bringing the inventories to its location and condition. However, we are unable to verify the weighted average cost formula because the inventory cost system used by the Group for this operation is unable to generate reliable data for us to verify the calculations of the closing balances of these inventories and the respective cost of inventories sold for the year.

We are unable to perform alternative audit procedures to satisfy ourselves as to whether the turnover and cost of inventories sold recognised for the year are fairly accounted for and the closing balances of trade receivables and inventories are fairly stated. Any adjustments found to be necessary in respect thereof, had we obtained sufficient appropriate audit evidence, would have had a consequential effect on the net assets of the Group and of its loss for the current year.

4. *Scope limitation: material fundamental uncertainties relating to the going concern basis of presentation of consolidated financial statements*

As disclosed in note 2(b) to the consolidated financial statements, the Group and the Company has encountered a number of circumstances giving rise to material fundamental uncertainties. The Group and the Company are principally sustained in their daily operations by bank loans, unsecured loans, convertible bonds and placing of shares. The Group and the Company are pursuing certain measures set out in note 2(b) to the consolidated financial statements, and therefore, the directors of the Company have prepared the consolidated financial statements on a going concern basis. However, we are unable to obtain sufficient audit evidence for us to assess the validity of the going concern assumption which depends on the continuing financial support of the Group's bankers and creditors and the Group's ability to generate adequate working capital in future. Although the Group and the Company have received letters of extension for unsecured loans with an aggregate amount of HK$100,000,000, for its commitment on providing adequate financial support to enable the Group and the Company to meet in full its financial obligations as they fall due for the next twelve months, we are unable to obtain sufficient evidence to satisfy ourselves as to the support to the Group and the Company. The existence of these material fundamental uncertainties casts significant doubt on the Group's and the Company's ability to continue as a going concern.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect a realisation basis which includes, where appropriate, writing down the Group's and the Company's assets to net realisation value, and providing any contractual commitments that become onerous at the end of the reporting period. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities.

5. *Scope limitation: valuation and impairment assessment of the Company's investments in* subsidiaries and amounts due from subsidiaries

Included in the Company's statement of financial position are gross investments in subsidiaries of HK$457,898,800 (2011: HK$418,633,636), amounts due from subsidiaries of HK$592,133,807 (2011: HK$343,068,999) and an impairment provision of HK$840,699,394 (2011: HK$432,829,859) respectively. As required by HKAS 36 issued by the HKICPA, at the end of the reporting period, the Company should assess whether there are any indications of impairment on the carrying amounts of these balances. As reported in the basis for disclaimer of opinion, there are material fundamental uncertainties that may affect our ability to assess the validity of the going concern assumption and operations of these subsidiaries. We are unable to satisfy ourselves as to whether any further impairment losses should be recognised on these balances and that the carrying amounts of investments in subsidiaries and amounts due from these subsidiaries are fairly stated at the end of the reporting period. Any adjustments found to be necessary in respect thereof had we obtained sufficient appropriate audit evidence, would have had a consequential effect on the net assets of the Group and of its loss for the current year.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities.

Disclaimer of opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been prepared in accordance with the Hong Kong Companies Ordinance.

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

In the month of April 2012, in order to source for profitable business and to diversify from the mineral industry, the Group had acquired subsidiaries engaged in the extraction and bottling of mineral water in the People's Republic of China (the "**PRC**").

BUSINESS REVIEW

The Perak Magnesium Smelter (the "Smelter")

The financial year of 2012 was a difficult year for most businesses; almost every sector of the economy was struggling with the uncertainties surrounding the global economy. The nonferrous metals industry was also confronted with difficult challenges in its operating environment and faced downward trend pricing pressure during the financial year of 2012.

The Smelter had undergone hot and cold tests during the second half of 2011. These testing concluded in early 2012. However, the Smelter underwent further maintenance and improvement work ("**new improvement works**") for the financial year 2012 in order to improve future production and achieve higher quality grades in its output. Moreover, no dolomite was extracted from the dolomite hills due to the Smelter temporarily slowdown of production of magnesium ingots (2011: 201.83 metric tonnes ("**MT**") was produced).

The Mineral Water Bottling Plant in the PRC ("Bottling Plant")

In order to diversify and broaden the Group's earnings, the Company had indirectly invested in a company involved in the extraction and bottling of mineral water in the PRC. In this aspect, on 12 January 2012, an agreement (the "**Agreement**") was entered into between the Company's wholly owned subsidiary, Nice Tone Enterprises Ltd. ("**NTEL**") and Voice Key Group Limited ("**First Vendor**"), Chinacorp International Consultants Limited and Champion Tone Development Limited (collectively known as the "**Vendors**"), pursuant to which NTEL has conditionally agreed to purchase and the Vendors have conditionally agreed to sell 51% of the issued share capital of Victory Dragon Holdings Limited ("**Victory Dragon**") for a consideration of HK$200,000,000, which was satisfied by the payment of deposit in cash of HK$10,000,000 to the First Vendor upon signing the Agreement and by the issue of an aggregate of 660,000,000 ordinary shares of the Company to the Vendors and HK$106,840,000 of convertible bonds to the First Vendor.

The Company believes that this acquisition will be able to increase shareholders' wealth in the foreseeable future.

After the acquisition, the company redesigned the packaging of the brand of mineral water including the existing image of bottle and reposition to high end market segment. The new design gave customers a clear impression that the product is for a high-end customers. Moreover, the Company invested in a new production line and to further automate the bottling process in order to increase production capacity and also increase its sales volumes and reduce its unit cost substantially. These improvements for mineral water business had been completed in third quarter of 2012. During the improvement period, the sales of Victory Dragon in mineral bottled water business have been affected during the financial year of 2012. Victory Dragon managed to contribute to the Group's results approximately HK$145,458 in gross profit and turnover of approximately HK$2,148,220 since the date of the Company's acquisition.

Indonesian subsidiaries operations

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

The Board had announced on 19 October 2012 on the updated status of the Company's investment in PT Laksbang Mediatama ("**PTLM**") since completion of the acquisition in April 2011 ("**Acquisition**"). As disclosed in the Circular dated 22 March 2011, PTLM is the holder of an exploration mining permit for the exploration of manganese in an area of 195 hectares at Jatimulyo Village, Girmulyo Subdistrict, Kulon Progo Regency, Daerah Istimewa Yogyakarta Province, Indonesia. The exploration process has commenced since the completion of Acquisition. Nevertheless, the exploration activities had slowed down because there were conflicts between the directors of PTLM and the legal representative of PTLM. According to the legal requirements in Indonesia, the legal representative of PTLM is responsible for daily operations of PTLM and the exploration activities.

In order to resolve such conflicts, the Company had decided that the members of the board of directors of PTLM shall be re-nominated and re-elected according to the relevant legal requirements in Indonesia. However, having made all reasonable enquiries, the Board found that the legal representative of PTLM could no longer be contactable. This caused the suspension in the daily operations of PTLM including its exploration project. In view thereof, the Company will replace the legal representative of PTLM to restart the daily operation and exploration activities of PTLM.

In light of the circumstances that the legal representative of PTLM is not contactable and the board of directors of PTLM will be re-nominated, the Company has decided to slow down all exploration activities of PTLM. At the same time, PTLM will remain in a state of readiness to restart exploration as soon as the issues have been resolved. The Company will actively monitor the status and will discuss with the relevant parties to resolve the issues. Further announcement(s) will be made by the Company on any significant progress as and when appropriate in compliance with the relevant Listing Rules.

Kindly refer to the Company's announcement dated 19 October 2012.

Financing of the Smelter

In order to finance the operations of the Smelter, CVMSB obtained banking facilities totalling approximately Malaysian Ringgit ("**RM**") 184.6 million (equivalent to approximately HK$450.5 million), which comprises a ten-years term loan from Bank Kerjasama Rakyat Malaysia Berhad ("**Bank Rakyat**").

As at 31 December 2012, the total utilised facilities amounted to approximately RM172.6 million (equivalent to approximately HK$437.6 million) (2011: approximately RM171.3 million (equivalent to approximately HK$420.0 million)).

On 25 July 2011, CVMSB has negotiated a re-scheduling of the loan repayment with Bank Rakyat. The monthly instalments have been revised to RM670,000 (equivalent to approximately HK$1.7 million) with effect from August 2011 to December 2013 and increasing to RM4.2 million (equivalent to approximately HK$10.7 million) from January 2014 to the end of the term of the loan in 2018.

Capital raising exercise

On 28 January 2011, the Company entered into a conditional warrant placing agreement with UOB Kay Hian (Hong Kong) Limited ("**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.

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

On 1 September 2011, the Company entered into a conditional warrant placing agreement with Cheong Lee Securities Limited ("**Cheong Lee**") pursuant to which Cheong Lee agreed to place 543,636,000 warrants at the price of HK$0.001 per warrant.

Please refer to the Company's announcement dated 2 September 2011 for further details.

The Company had announced on 1 August 2012 that the appointed placing agent, Cheong Lee had procured three placees, who and their ultimate beneficial owners are independent third parties of the Company, to subscribe for an aggregate of 835,000,000 ordinary shares of the Company at HK$0.05 each raising the net proceeds of approximately HK$40.55 million which will be used for the Group's general working capital.

Please refer to the Company's announcements dated 5 July 2012 and 1 August 2012 for further details.

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.

The PRC legal advisers of the Company have opined that Victory Dragon and its subsidiary have obtained all major/material licences, approvals and permits in relation to the operation of the Bottling Plant.

Outlook

The Company is excited about the future of the Bottling Plant and its prospect in contributing higher sales and profit to the Group. The extraordinary economic development in the PRC in the past decade has made it the world's second largest economy and created higher disposable income to its citizen. In view of changing lifestyle, higher disposable income and increase awareness of health risks in the PRC municipal water supplies, the sale of bottled mineral water is expected to increase. The Group hopes to capture this growth in the bottled water market by becoming a brand which is recognised by the public in the PRC.

The Bottling Plant intends to have a comprehensive development of its mineral water resources with the aim of increasing its profit margin and create substantial long term growth.

The Bottling Plant had throughout the year carried out promotion and advertising through billboards, sponsorships and exhibitions to achieve the above plans.

In 2013, Victory Dragon will invest in new production line of sparkling water products and will place emphasis on expanding the premium sector of the natural minerals water in Guangdong province. Furthermore, the Company will also considers into expanding the mineral bottle water business in Hong Kong and South East Asia in the future.

The Smelter will intensify its production and marketing efforts for the next financial year to capture new demand from customers. However, in view of the current challenging economic environment and with stronger and more experienced competitors, the Smelter will continue to face pressure to lower its cost of production and to improve its gross margin. The Group also plans to improve its marketing network and to allocate more resources to human capital, internal controls and research and development which may yield higher profit in the future.

In the meantime, the Group is always on the look-out for new and profitable ventures for its long term growth plans.

FINANCIAL REVIEW

Turnover and other revenue

The Group's turnover for the financial year ended 31 December 2012 was HK$14,531,302 (2011: HK$11,185,489). The Group received interest income of HK$81,490 from money deposited with approved financial institutions and rental income from leasing of drilling machines of HK$116,637 for the financial year ended 31 December 2012 (2011: HK$338,407 and nil, respectively).

Cost of sales

The cost of sales amounted to HK$54,684,477 (2011: HK$28,357,777) which mainly includes staff costs, depreciation and amortisation. The increase in the cost of sales is mainly due to increase in all components of the cost of sales.

Administrative expenses

The administrative expenses increased by 9.1% to approximately HK$40.7 million for the financial year ended 31 December 2012 from approximately HK$37.3 million in 2011. This was mainly due to the expenses incurred for professional parties on corporate exercises carried out during the financial year and inclusion of administrative expenses from the newly acquired subsidiaries. Higher expenses were incurred as more professional parties were engaged in 2012 due to the major transaction of acquiring Victory Dragon.

Exploration, development and mining production activities

Geological exploration

As at 31 December 2012, the Group has 5 exploration rights, covering an area of approximately 24,180 hectares, namely two exploration rights for coal covering an area of approximately 19,825 hectares, one exploration right for iron ore covering an area of approximately 450 hectares and one exploration right for manganese covering an area of approximately 3,710 hectares, all of them are located in Aceh Province, Indonesia. The Group also has 1 production operation mining permit right for manganese covering an area of approximately 195 hectares in Yogyakarta Province, Indonesia.

At the date of this announcement, the permit for the exploration right for iron ore is still pending renewal by the Authorities in Aceh Province.

During the financial year ended 31 December 2012, the Group's geological exploration expenditure amounting to approximately HK$0.2 million (2011: approximately HK$4.0 million) was incurred on general survey and geological survey for the above rights.

Mining of dolomite

As at 31 December 2012, the Group did not extract any dolomite from the dolomite hills. Hence, the accumulated dolomite extracted up to 31 December 2012 remained at 19,970 MT (2011: approximately 19,970 MT).

The expenditure incurred on dolomite mining production activities for the financial year ended 31 December 2012 was approximately HK$1.1 million (2011: approximately HK$1.6 million).

Iron ore, coal and manganese

As the Group is still undertaking exploration of iron ore, coal and manganese, it has not undertaken any development or mining production activities in respect of these minerals in the financial year ended 31 December 2012. The expenditure incurred on these activities was therefore nil.

Estimated Proved Reserves

The updated mineral reserves of the Company and its subsidiaries as at 31 December 2012 and 2011 were as follows:

Minerals	Location	Total Area	Reserves identified by JORC standard (000' tonnes) as at 31 December 2012	Reserves identified by JORC standard (000' tonnes) as at 31 December 2011
			Proved	**Proved**
Dolomite	**Lots:** HS (D) 13756, PT 13404 and HS (D) 13757, PT 13405 **Mukim:** Sungai Siput **District:** Kuala Kangsar **State:** Perak **Country:** Malaysia	13 hectares	19,970[(1)]	19,970[(1)]
Iron Ore	**City:** Subulussalam **Subdistrict:** Penanggalan **Province:** Nanggroe Aceh Darussalam **Country:** Indonesia	450 hectares[(2)]	Under Exploration	Under Exploration
Coal	**Subdistrict:** Beutong & Tadu Raya **Regency:** Nagan Raya **Province:** Nanggroe Aceh Darussalam **Country:** Indonesia	10,000 hectares	Under Exploration	Under Exploration
Coal	**Subdistrict:** Kuala & Tadu Raya **Regency:** Nagan Raya **Province:** Nanggroe Aceh Darussalam **Country:** Indonesia	9,825 hectares	Under Exploration	Under Exploration
Manganese	**Subdistrict:** Bakongan **Regency:** South Aceh **Province:** Nanggroe Aceh Darussalam **Country:** Indonesia	3,710 hectares	Under Exploration	Under Exploration
Manganese	**Village:** Jatimulyo **Subdistrict:** Girimulyo **Regency:** Kulon Progo **Province:** Daerah Istimewa Yogyakarta **Country:** Indonesia	195 hectares	Under Exploration	Under Exploration

Note:

(1) The average % of magnesium oxide ("**MgO**") and Magnesium ("**Mg**") are as follows:

South Hill	**Above Ground**	**Below Ground (30 metres depth)**
Average % of MgO Average % of Mg	19.17% 11.50%	18.59% 11.15%
North Hill	**Above Ground**	**Below Ground (30 metres depth)**
Average % of MgO Average % of Mg	20.06% 12.04%	19.10% 11.46%

(2) At the date of this announcement, the permit for the exploration right for iron ore is still pending renewal by the Authorities in Aceh Province.

Net foreign exchange losses

The net losses of approximately HK$0.2 million (2011: net gains of approximately HK$0.4 million) on foreign exchange mainly represented the net realised losses on payments to suppliers and creditors in Malaysia and Indonesia offset against realised gains on money deposited by the Group with approved financial institutions in Malaysia.

Looking forward, the Group will be exposed to foreign currency risk primarily through exposures in sales and purchases that are denominated in foreign currencies other than the Group's functional currency (e.g. US dollars ("**US$**"), RM, RMB and Rupiah). The Group did not use any financial instruments for any hedging purposes during the financial year of 2012.

Finance costs

The Group's finance costs mainly consisted of effective interest of approximately HK$20.8 million (2011: approximately HK$18.9 million) for convertible bonds issued by the Company, interest expense of approximately HK$21.6 million (2011: approximately HK$6.4 million) on loans from third parties and interest on the Group's bank loans of approximately HK$39.4 million (2011: approximately HK$33.4 million).

Loss before taxation

The Group incurred a loss before taxation of approximately HK$695.1 million for the financial year ended 31 December 2012 (2011: approximately HK$212.8 million) mainly as a result of loss from operations of approximately HK$74.4 million (2011: approximately HK$47.2 million) and finance cost of approximately HK$82.4 million (2011: approximately HK$62.6 million).

Loss from operations increased substantially as compared to the previous year was mainly due to higher cost of inventories sold.

Higher finance costs were incurred in the financial year ended 31 December 2012 as the Group has higher amount of convertible bonds outstanding of approximately HK$135.0 million as compared to the previous financial year of approximately HK$26.2 million.

Loss per share

The loss per share for the financial year ended 31 December 2012 increased to 13.74 HK cents (2011: 6.32 HK cents) as the loss attributable to owners of the Company increased substantially to approximately HK$593.1 million coupled with the higher number of weighted average ordinary shares in issue during the financial year ended 31 December 2012.

Liquidity and financial resources

Net current liabilities of the Group stood at approximately HK$562.0 million as at 31 December 2012 (2011: approximately HK$454.6 million). Included in current liabilities were secured bank loans and finance lease creditors of approximately HK$435.8 million (2011: approximately HK$421.1 million). The borrowings from Bank Rakyat bears an interest rate of 8.6% per annum as at 31 December 2012 (2011: 8.6%) based on floating rate of Bank Rakyat's base financing rate plus 2% per annum. The Group had a gearing ratio of approximately 57.01 (which is calculated on the basis of total finance leases, borrowings and convertible bonds over total equity attributable to owners of the Company) as at 31 December 2012 due to the substantial decrease in total equity attributable to owners of the Company. The gearing ratio was approximately 1.36 as at 31 December 2011.

The Group's bank and cash balances as at 31 December 2012 was approximately HK$1.1 million (2011: approximately HK$28.2 million). The Group's prepayments, deposits and other receivables amounted to approximately HK$11.6 million (2011: approximately HK$26.1 million).

The Directors have taken and/or will take the following actions to mitigate the liquidity issues faced by the Group:

(i) The Directors review the Group's cash position regularly and if need be, will re-negotiate with the unsecured loan holders to restructure the repayment terms;

(ii) Subsequent to the end of the reporting financial year, the Board had on 7 March 2013 appointed placing agent, Cheong Lee Securities Limited in relation to the placing of bonds in the principal amount of up to HK$100.0 million ("**Bonds**"). The proceed will be used for the Group's general working capital. The principal terms of the Bonds are as follows:

    (a) Maximum principal amount: HK$100,000,000.

    (b) Interest: 10% per annum payable annually.

    (c) Maturity Date: the 2nd anniversary of the date of first issue.

(d) Redemption: the Company shall have the right at any time to redeem at 100% of the principal amount. Any outstanding Bonds on the Maturity Date shall be redeemed by the Company at 100% of the principal amount; and

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

Capital expenditure

The carrying amount of the Group's property, plant and equipment, and interest in leasehold land held for own use under operating lease as at 31 December 2012 had decreased by 26.5% and 25.7% respectively to approximately HK$495.6 million and approximately HK$10.1 million respectively (2011: approximately HK$673.9 million and HK$13.6 million respectively) mainly due to inclusion of property, plant and equipment of the newly acquired subsidiaries, offset against substantial impairment in value of the existing assets in the current year.

Charge on assets

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

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

(ii) assignment of trade receivables derived by CVMSB;

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

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

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

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

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

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

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

Human resources

As at 31 December 2012, the Group had a total of approximately 174 employees (2011: 224 employees). Total staff costs (including Directors' remuneration) for the financial year ended 31 December 2012 were approximately HK$19.1 million (2011: HK$12.4 million) representing approximately 16.9% (2011: 18.6%) 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

As at 31 December 2012, the Company has issued corporate guarantees totalling approximately RM184,600,000 (equivalent to HK$468,000,000) (2011: RM184,600,000 (equivalent to HK$452,700,000)) to a bank in respect of bank loan facilities granted to CVMSB.

The directors of the Company do not consider it probable that a claim will be made against the Company under the corporate guarantees. The maximum liability of the Company as at 31 December 2012 under the corporate guarantees issued is approximately RM171,500,000 (equivalent to HK$434,700,000) (2011: RM171,300,000 (equivalent to HK$420,000,000)).

In addition, as at 31 December 2012, the Company has issued a corporate guarantee totalling RM850,000 (equivalent to HK$2,154,517) (2011: RM850,000 (equivalent to HK$2,084,048) to a supplier in respect of the purchase of liquefied petroleum gas made by CVMSB.

As at 31 December 2012, the Company has issued corporate guarantees totalling RM763,373 (equivalent to HK$1,934,942) (2011: RM1,272,026 (equivalent to HK$3,118,783)) for finance lease creditors in respect of the purchase of motor vehicles and equipment by CVMSB.

The Company has not recognised any deferred income in respect of the corporate guarantees as its fair value cannot be reliably measured and its transaction price was nil for the years ended 31 December 2012 and 2011.

LITIGATION

On 6 June 2012, the Company was served with a summons in the District Court of New Jersey by Magnesium.com Inc. ("**MG.com**") relating to breaches of a non-disclosure and non-circumvention agreement and a magnesium sale and purchase agreement. On 1 December 2012, a settlement was reached between the Company and MG.com by paying US$300,000 in cash. A provision for litigation settlement of HK$2,325,420 has been made in these consolidated financial statements for the year ended 31 December 2012 and full payment was made to MG.com on 15 February 2013.

FINAL DIVIDENDS

The Board did not recommend the payment of any dividend in respect of the year ended 31 December 2012 (2011: Nil).

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2012, 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 set out in Appendix 10 of the Listing Rules (the "**Model Code**") as the code of practice for carrying out securities transactions by the Directors. After specific enquiry with all members of the Board, the Company confirmed that all Directors have fully complied with the relevant standards stipulated in the Model Code during the year ended 31 December 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2012, 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 financial results of the Group for the year ended 31 December 2012, with the management of the Company.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final 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 annual report 2012 of the Company will also be published on the aforesaid websites in due course.

By Order of the Board
CVM Minerals Limited
JI KUANG
Executive Chairman

Hong Kong, 28 March 2013

As at the date of this announcement, the Executive Directors of the Company are Mr. Ji Kuang, Mr. Lim Ooi Hong, Mr. Leung Wai Kwan, Mr. Liang Hai Yang and Mr. Li Zi Cong and the Independent Non-executive Directors of the Company are Ms. Wong Choi Kay, Mr. Chong Lee Chang and Mr. Tony Tan.