You should carefully consider all the information set out in this prospectus, including the risks and uncertainties described below in respect of the business and industry of our Group, before making an investment in the Shares being offered in this Share Offer. You should pay particular attention to the fact that the principal operations of our Group are conducted in Malaysia and are governed by a legal and regulatory environment that in some respects differs from that which prevails in other countries. Our Group's business, financial conditions or results of operations could be materially and adversely affected by any of these risks. The trading price of the Shares being offered in this Share Offer could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.

We believe that there are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorised into (i) risks relating to the business of our Group; (ii) risks relating to our mining and smelting operations; (iii) risks relating to the industry; (iv) risks relating to conducting operations in Malaysia and (v) risks relating to the Share Offer. Additional risks and uncertainties not presently known to our Group, or not expressed or implied below, or that are presently deemed immaterial, could also harm our Group's business, financial condition and operating results. Prospective investors of the Shares should read carefully all information set forth in this prospectus and, in particular, this section in connection with an investment in our Group.

RISKS RELATING TO THE BUSINESS OF OUR GROUP

If there is any delay in the development of the CVM Project or in obtaining any major licences, permits and approvals, the value of the Shares could fall

Our ability to operate profitably depends on the successful implementation of the CVM Project. Achieving profitability in the soonest time requires us to obtain all major licences, permits and approvals in a timely manner. We expect that the construction of the Perak Magnesium Smelter will be completed and all the outstanding licences, permits and approvals for our future smelting operations will be obtained by the end of the first quarter of 2009 and the Perak Magnesium Smelter will commence magnesium ingots production immediately after the completion of the Cold Test and Hot Test. We aim to generate profits from our operations as soon as practicable after the Perak Magnesium Smelter commences operations. If there is any delay in any stage of development of the CVM Project, any delay in obtaining any of the major licences, permits and approvals, or any difficulty encountered in the production process of the Perak Magnesium Smelter, our business and operating results may be materially and adversely affected and the market price of the Shares could fall.

We have a limited operating history

Our limited operating history as a mineral company could adversely affect our overall operating efficiency and ability to implement our business strategies. Once the operation of the Perak Magnesium Smelter begins, the management and organisation may face challenges requiring changes to certain of our then existing operating procedures and could involve complications or delays. If we are unable to respond to such changes, complications or delays in a timely fashion or at all, our financial condition and results of operations may be adversely affected.

Reliance on a small number of prospective customers

Although CVM has already signed off-take agreements with five prospective customers who have agreed to purchase from CVM the magnesium ingots to be manufactured by the Perak Magnesium Smelter, our prospective customers may not be able to fulfill the purchase quantities as agreed upfront. Furthermore any of these prospective customers might, at any time, cease to do business with us. If we are unable to secure new prospective customers ordering similar sales volumes or terms acceptable to us, our business may be materially and adversely affected.

Risks associated with the existing off-take agreements

The Group has entered into five off-take agreements with prospective customers by which the Group has contracted to supply an aggregate amount of 17,000 tonnes per annum of magnesium ingots of Mg 99.90 and Mg 99.95 in accordance with the agreed technical specifications per annum. The anticipated capacity of the first production line at the Perak Magnesium Smelter 15,000 tonnes per annum would therefore result in demand slightly exceeding capacity. Although the off-take agreements envisage a degree of flexibility in finalising supplemental terms, including as to delivery schedules, there is a risk, if no customer is willing to entertain any flexibility as to amounts delivered per annum, that the Group may not be able to satisfy customer demand and would need to adopt alternative strategies such as purchasing magnesium from alternative sources to meet that demand. In addition, if the magnesium ingots supplied by us do not conform to the agreed specifications, the prospective customers are not obliged to purchase them. The off-take agreements are silent as to the penalty for any late delivery, non-delivery or the parties' right to terminate the off-take agreements. However, under the off-take agreements, the parties shall resolve all disputes by amicable negotiation and all disputes arising from those agreements are to be settled by arbitration to be held in either the U.S. or Malaysia. In the event that the prospective customers do not accept our products for non-conformity with the agreed specifications or if there is a material unresolved dispute which leads to arbitration, our business may be materially and adversely affected.

Reliance on the New CVM Project Finance Loan and the secondary finance of KFHMB

Following the redemption of the Old CVM Project Finance Loan, we are relying on the New CVM Project Finance Loan and, prior to the conversion of the bank guarantee provided by Bank Rakyat to KFHMB into term financing facility upon the completion of the construction of the Perak Magnesium Smelter in or about March 2009, the secondary finance provided by KFHMB for the purposes of, amongst other things, financing the construction of the Perak Magnesium Smelter and the purchase of equipment and machinery for our future smelting operations. We may continue to incur debts to fund our daily operations as well as pursue our expansion plans. Our ability to meet regularly the scheduled interest and principal payments on the New CVM Project Finance Loan and our other indebtedness will depend on our future operating performance and cash flow, which in turn will depend on prevailing economic and political conditions and other factors, many of which are beyond our control. In addition, CVM has granted security in favour of Bank Rakyat by creating a first fixed legal charge over the land and factory building to be erected on the Smelter Land, assigning the proceeds to be generated from the off-take agreements with our prospective customers, creating fixed and floating legal charge over all present and future assets of CVM excluding performance bonds, assigning all rights, entitlement, interest in and to all building contracts, design drawings and other contracts of CVM pertaining to the CVM Project, assigning all rights, benefits and interests under insurances undertaken by CVM as part of its operations for the CVM Project and executing a legal assignment over a designated revenue account and monies standing to the credit of the revenue account. We are also subject to financial covenants under the New Facility Agreement, as set out in the sections headed "Business — Financing of the CVM Project" and "Financial Information — Financing of the CVM Project" in this prospectus. If we are unable to comply with the terms of the New CVM Project Finance Loan and the secondary finance of KFHMB, and Bank Rakyat and, or KFHMB exercise their rights to demand immediate repayment of the outstanding loan, in addition to their overriding rights to vary the terms or cancel the loan facilities at their discretion, our business operations may be materially and adversely affected. The major terms of the New CVM Project Finance Loan and the secondary finance of KFHMB are set out in the section headed "Business — Financing of the CVM Project" in this prospectus.

In addition, due to the New CVM Project Finance Loan and the secondary finance of KFHMB, we had a high gearing ratio of 37.3%, being the ratio of total debt (including current and non-current borrowings and finance lease obligations) to total assets, as at 30th May, 2008 (36.9% as at 31st December, 2007) and we expect the gearing ratio to increase as the New CVM Project Finance Loan and the secondary finance of KFHMB are further utilised to finance the CVM Project. The high level of our indebtedness and the amount of our repayment instalments (including interest payments) could limit our ability to obtain the necessary financing or obtain favourable terms for funding our future capital expenditures and working capital. Our reliance on the New CVM Project Finance Loan and the secondary finance of KFHMB will also expose us to interest rate risks to a greater degree than those companies with lower ratio of debt to total assets, which may place us at a competitive disadvantage. We cannot give assurance that we will be able to diversify our sources of funding by raising equity. Please refer to the section headed "Financial Information — Indebtedness" and the section headed "Business — Financing of the CVM Project" in this prospectus for further information about our Group's indebtedness.

The financial covenants under the New CVM Project Finance Loan may affect our ability to repay the outstanding loan and distribute dividends

Pursuant to the terms of the New Facility Agreement, we are subject to financial covenants by virtue of the FSCR, details of which are set out in the section headed "Business — Financing of the CVM Project" in this prospectus. In particular, we are required to ensure that the FSCR shall not be less than 1.5 times at all times throughout the tenure of the New CVM Project Finance Loan beginning 12 months after the operational commencement of the Perak Magnesium Smelter. We also need to ensure that in the event that the Company wishes to declare dividends, the FSCR (pre and post dividends) on a consolidated group basis shall not be less than 1.5 times on the first year and not less than 2.0 times from the second year of the commencement of operations of the Perak Magnesium Smelter (before and after declaration of dividends) onwards. In the event that the FSCR is less than the prescribed minimum level at the relevant times, Bank Rakyat may demand immediate repayment of the CVM Project Finance Loan. We may be unable to repay the outstanding loan in full or distribute dividends to our Shareholders as a result of the breach of the financial covenants and our financial condition and operating results may be adversely affected.

We are exposed to interest rates volatility prior to the commencement of operations of the Perak Magnesium Smelter

We are subject to a floating interest rate of 2.0% per annum above the bank financing rate of KFHMB under the secondary finance provided by KFHMB. The Group has not hedged against the risk of interest rate increased during the Track Record Period. Due to the exposure to floating interest rates, we are subject to the risk of adverse interest rate movements. We will be exposed to interest rate risk resulting from fluctuations in the reference rates relevant to KFHMB's secondary finance at any time prior to the liquidation of the bank guarantee provided by Bank Rakyat to KFHMB into the term financing facility under the New CVM Project Finance Loan. Any significant increase in interest expense as a result of our reliance on the secondary finance of KFHMB or any floating interest rate loan of us in the future may have a material adverse effect on our business, financial condition and operating results. In addition, if we enter into agreements to hedge our interest rate risk, there can be no assurance that we will be able to do so on commercially reasonable terms or that these agreements, if entered into, will protect us fully against our interest rate risk.

Our Group could encounter difficulty in meeting its capital expenditure requirements in the future

The mining activities in the Dolomite Hills and the construction and operation of the Perak Magnesium Smelter require substantial capital investment. This amounts to a total of HK$450.6 million comprising (i) historical capital expenditure, up to 31st May, 2008, of approximately HK$158.6 million; and (ii) planned future capital expenditure of approximately HK$292.0 million. Please refer to the breakdown of historical and planned future capital expenditure in the section headed "Financial Information" in this prospectus for details of the capital investment in relation to the Dolomite Hills and the Perak Magnesium Smelter. As disclosed in the paragraph headed "Working Capital" in the section headed "Financial Information" in this prospectus, our

Directors are of the view that the Company will have sufficient working capital to finance our Group's working capital for our present requirements and for the period ending 24 months from the date of this prospectus. In implementing our development and expansion plans, we may increase our capital expenditure and commitments and require additional funding to expand the production line of the Perak Magnesium Smelter. We may be required to seek funding from third parties if internally generated cash resources and the existing bank facilities are insufficient to finance our expansion plans. In the event that we are unable to obtain adequate financing on acceptable terms, or at all, to implement our operation, development and expansion plans, our business and operating results may be materially and adversely affected.

Our business operations may be adversely affected by our net current liability position

We had year-end net current liabilities of HK$2,633,389, HK$7,571,418, HK$15,913,138 and HK$27,033,525 for each of the three years ended 31st December, 2007 and the five months ended 31st May, 2008 respectively. The majority of our net current liability was attributable to amounts due to our Controlling Shareholder, HWGB, which has historically been our primary source of capital funding. We cannot assure that we will be able to record net current assets in the future and our business operations may be adversely affected by our net current liability position.

We experienced net cash outflow from operating activities during the Track Record Period

During the Track Record Period, we had net cash outflow from operating activities. This totalled HK$11,741,003 for the year ended 31st December, 2007 and HK$6,686,841 for the five months period ended 31st May, 2008. Net cash outflow from operating activities means that we spend more on operating activities than we receive in cash from operating activities. There is no assurance that our operations will generate sufficient cash inflow to finance all our activities and cover our general working capital requirements in the future. In view of our reliance on the New CVM Project Finance Loan and hence a high level of indebtedness, in the event that we are unable to generate enough cash from our operations to finance our future development, the performance and prospects of our Group as well as our ability to implement our business plans will be adversely affected. Negative operating cash flows could also adversely affect our financial condition and weaken our ability to repay our outstanding debt facilities, comply with the FSCR or obtain additional debt to renew our debt facilities as they become due and payable. For further details of the indebtedness and liquidity, financial resources and capital structure of our Group, please refer to the section headed "Financial Information" of this prospectus.

Fluctuations in the market price for magnesium could materially and adversely affect our Group's business and results of operations and hence our share price

Substantially all of our revenues and cash flows will be derived from the sale of magnesium ingots. Accordingly, our financial performance is exposed to primary magnesium price fluctuations. Please refer to the paragraph headed "Magnesium Price" in the section headed "Industry Overview" in this prospectus for the trend of magnesium prices between January 2004 and October 2008. Historically, the market price for primary magnesium has fluctuated and experienced periods of decline. The price of magnesium ingot is highly influenced by numerous factors and events which are beyond our control. These factors and events include world demand and supply and other macro-economic factors such as expectations regarding inflation, interest rates, currency exchange rates, as well as general global economic conditions and political trends. If the prices of magnesium ingots sold by us should fall below or remain below our cost of production for any sustained period due to these and other factors and events, our share price and our business and operating results could be materially and adversely affected and our ability to comply with the FSCR could be undermined.

In estimating our cash receipts during the period from 1st October, 2008 to 31st December, 2010, we have assumed, amongst other things, that the magnesium ingots will be sold at a constant selling price of US$3,520 per tonne (equivalent to approximately HK$27,456), which represents a base price of approximately US$3,200 per tonne multiplied by 110%. The base price of approximately US$3,200, which was the lowest price since November 2007, was determined with reference to the prevailing market price of magnesium up to 14th November, 2008. According to the off-take agreements entered into between our prospective customers and us, the price of the magnesium ingots to be charged by us will be 110% of the base price determined by the Metal Bulletin Index for Chinese magnesium of Mg99.90 and Mg99.95 in each calendar month during the term of each off-take agreement. There is no assurance that the market price for magnesium will not fall below US$3,200 per tonne at the relevant times. If the prices of magnesium fall below US$3,200 per tonne, we may be unable to comply with the FSCR (which will be applicable 12 months after the operational commencement of the Perak Magnesium Smelter) and if the magnesium prices continue to fall, we may eventually have insufficient cash inflows to fund our operating activities, requiring the raising of additional funds. The raising of additional funds may not be possible in light of the recent global economic crisis or may be on onerous terms. Please refer to the section headed "Financial Information — Working Capital" in this prospectus for details of our projected cash receipts and cash payments for the period from 1st October, 2008 to 31st December, 2010.

Fluctuations in exchange rates could materially and adversely affect our Group's operating cash flows and profitability

Fluctuations in the US$ relative to RM or in RMB relative to RM could materially and adversely affect our cash flow and earnings. Our operating costs are mainly denominated in either RMB or RM while our revenue is denominated mainly in the US$. Our financial results are published in HK$. If fluctuations in exchange rates lead to significant net exchange losses, our consolidated financial results could be materially and adversely affected.

Reliance on the EPC Contractor regarding the EPC works of the Perak Magnesium Smelter

We rely, to a significant extent, on the technical advice of and support from the EPC Contractor who is experienced in EPC works applicable to magnesium smelters. The participation by the EPC Contractor in the CVM Project regarding the EPC works was supported by the Economic & Commercial counsellor's office of the Embassy of the PRC in Malaysia vide its letter to the EPC Contractor dated 29th February, 2008. According to the EPC Contract, the EPC Contractor is also responsible for the purchase and testing of machinery and equipment from the

PRC for use in the Perak Magnesium Smelter. There is no assurance that the PRC government will continue to allow the export of the related technology and expertise outside the PRC in the future. In the event we are unable to secure the technical knowledge and advice relating to the EPC works of the Perak Magnesium Smelter from the EPC Contractor, the construction progress of the Perak Magnesium Smelter could be delayed and our operating results could be materially and adversely affected.

The arrangements with the EPC Contractor and other subcontractors carry with them risks associated with the possibility that the EPC Contractor or other subcontractors may (i) have economic or other interests or goals that are inconsistent with ours; (ii) take actions contrary to our instructions or requests; or (iii) be unable or unwilling to fulfil their obligations. There can be no assurance that we will not experience problems with respect to our contractors including the EPC Contractor and other subcontractors in relation to the EPC works of the Perak Magnesium Smelter. The occurrence of such problems could materially and adversely affect our business and operating results.

If we are unable to attract, retain and train key personnel, our business and operating results could be materially and adversely affected

CVM does not intend to outsource its operation, production and management functions related to the Perak Magnesium Smelter to third parties. It also does not intend to fully outsource its quarrying activities since CVM's personnel will be stationed at the mining site for supervision, quality control and internal control purposes. Accordingly, the success of our business depends, to a material extent, upon our ability to attract, retain and train key management personnel in Malaysia.

The key management personnel who are crucial to the Group's operation include Mr. Chong Wee Chong, our Chief Executive Officer, Mr. Gao Qi Fu, our executive Director for Mining and Exploration, Mr. Lim Ooi Hong, our executive Director for Special Projects, Mr. Zhou Wu, our Head of Mining and Exploration, Mr. Wen Guo Qiang, our Head of Magnesium Smelting and Mr. Ha Bin Khean, our Head of Finance. We cannot prevent key management staff from terminating their respective contracts in accordance with the relevant agreed terms. If we are not successful in retaining or attracting such personnel, our business may be jeopardised. The loss of services of any of our key management and technical personnel could adversely and materially affect our business and operating results. In addition, our ability to recruit and train key technical personnel at the Perak Magnesium Smelter is also a key factor for our business activities. If we are not successful in recruiting and training such key personnel, it could adversely and materially affect our business and operating results.

Our insurance coverage could be inadequate to satisfy potential claims

Our EPC Contractor maintains the contractors' all risk and the workmen's compensation insurance policy on our behalf in connection with the implementation of the CVM Project.

We also intend to maintain adequate insurance coverage for the purposes of the pre-operating activities (e.g. the installation and commissioning of machinery and equipment) of the Perak Magnesium Smelter and our future operations. However, no assurance can be given that we will be able to obtain such insurance coverage at economically reasonable premiums (or at all), or that any coverage we obtain will be adequate and available to cover the extent of potential claims against us. In the event that we suffer a significant liability for which we are not insured or insurance coverage is inadequate to cover the entire liability, our business and operating results could be materially and adversely affected.

Our operations are subject to extensive government regulations that could cause us to incur costs that may materially and adversely affect our business and operating results

Our operations are subject to extensive government regulations, including environmental, health and safety laws and regulations. These laws and regulations set various standards regulating certain aspects of safety controls, health and environmental quality, including waste treatment, emissions and disposals. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. Any failure on our part to comply with environmental, health and safety laws and regulations with respect to our operations could result in the imposition of significant liabilities for damages, remedial costs or penalties or the suspension of our right to operate where there is any evidence of serious breach. The liability for such costs or any disruptions in operations could materially and adversely affect our business and operating results.

We may undertake strategic acquisitions or investments, which may prove to be difficult to integrate and manage or may not be successful

In the future, we may consider making strategic acquisitions or investments as a means of pursuing our corporate strategy. It is possible that we may not identify suitable acquisition or investment opportunities, or if we do identify with suitable opportunities, we may not be able to complete those transactions on terms commercially acceptable to us or at all. The inability to identify suitable acquisition targets or investments or the inability to complete such transactions could materially and adversely affect our competitiveness and growth prospects. In the event that we successfully complete an acquisition or an investment, we could face difficulties in managing the investment or integrating the acquisition with our operations. There can be no assurance that we will be able to achieve the strategic goal of such an acquisition or investment. These difficulties could disrupt our ongoing business, distract our management and employees, and increase our expenses, any of which could materially and adversely affect our business and operating results.

We are dependent on the export market

When we commence business, we will manufacture and export our magnesium ingots to countries including the United States, Japan, Korea and Singapore and are subject to the import regulations of these countries. Our operating results and financial condition may be affected by political, economic, legal and regulatory developments in the countries where we export our products to, in particular U.S. which may account for approximately 30% of our revenue, based on the minimum annual sales quantity set out in the off-take agreement between CVM and one of its prospective customers in the United States, Magnesium.com, for financial year ending 31st December, 2009. Our business and financial performance will be adversely affected should there be any changes in social and economic conditions, exchange control regulations in the countries in which our prospective customers are based arising from trade restrictions or customs or tariffs.

We may not be able to register our trademarks in Hong Kong or Malaysia

We will use certain trademarks including the logo “CVM” for our future business operations. As of the Latest Practicable Date, we have applied for the trademark registration of the portfolio of trademarks set out in the section headed “Statutory and General Information — Intellectual property” in Appendix VII to this prospectus. However, there is no assurance that these applications for trademark registration in Hong Kong and Malaysia could eventually be approved or that we would be granted with exclusive rights to use these marks as registered trademarks in Hong Kong and Malaysia. If the trademarks including the logo “CVM” could not be registered, this could result in infringement of our brand name and, or trademarks and our business and operating results may be materially and adversely affected.

We may be adversely affected by the recent economic crisis in the world

The recent economic crisis in the world have adversely affected the U.S. and the world economies. With a deteriorating worldwide economy, demand for, amongst other things, automobiles and 3C and household products may fall, which in turn will affect the demand and, or selling prices for our products. In addition, in the midst of the credit tightening environment, Bank Rakyat and KFHMB may vary the terms of the New CVM Project Finance Loan and the secondary finance respectively or reduce the amount of or discontinue the banking facilities currently available to us. If this economic downturn continues, our business operations could be adversely affected.

RISKS RELATING TO OUR MINING AND SMELTING OPERATIONS

Our operations are exposed to risks in relation to the mishandling of dangerous articles

Our mining operations in the Dolomite Hills will involve the handling and storage of explosives. There may be more stringent changes in laws, regulations and policies implemented by the relevant authorities in Malaysia, and there can be no assurance that we will be able to comply with any future changes in laws, regulations and policies in relation to the handling of dangerous articles economically or at all. In addition, there can be no assurance that accidents arising from the mishandling of dangerous articles will not occur in the future. Should we fail to comply with any relevant laws, regulations or policies or should any accident occur as a result of the mishandling of dangerous articles, our business and operating results may be materially and adversely affected, and we may be subject to penalties and, or other civil and, or criminal liabilities.

Our mining operations face material risks of liability, delays, environmental and industrial accidents, and other risks

Our mining operations will involve elements of risk and hazards that are beyond our control, including environmental hazards, industrial accidents, technical or mechanical failures, processing deficiencies, labour disputes, unusual or unexpected geological occurrences, severe seismic activities, cave-ins, the discharge of fire, explosions, and other delays. Accidents, technical difficulties, mechanical failure and any technical problems in exploration, project development, mining and processing activities could disrupt our operations, increase our operating costs or result in personal injuries. The occurrence of any of these risks and hazards could result in damage to or destruction of production facilities, personal injury, environmental damage, business interruption, production delays, increased production costs, monetary losses and possible legal liabilities (including compensatory claims, fines and penalties) to us, which could materially and adversely affect our business and operating results.

Severe weather conditions could materially and adversely affect our mining operations

Any unpredictable severe weather conditions may require us to evacuate personnel or curtail operations in the Dolomite Hills and may result in damage to the Dolomite Land, to a portion of our equipment or to our facilities, which could result in temporary suspension of operations or generally reduce our productivity. During periods of curtailed activity due to the adverse weather conditions, we may continue to incur operating expenses while the production in the Perak Magnesium Smelter has to slow down or suspended altogether. Any damage to the Dolomite Land or disruptions to the operations in the Dolomite Hills caused by severe weather condition could materially and adversely affect our business and operating results.

We have outsourced the quarrying activities to the Quarry Contractor

Although the quarrying of dolomite outcrops is a simpler process than below surface mining, such quarrying is nevertheless a hazardous and skilful activity, requiring knowledge and experience in the handling and use of approved explosives. We have, as a commercial matter, chosen to subcontract the quarrying activities in respect of the Dolomite Hills to the Quarry Contractor. Accordingly, we rely on this contractor for a significant element of our business. If either party is to terminate the dolomite mining and extraction agreement or if the contractor is not able to perform its obligations satisfactorily, including the timely and successful application or renewal of the necessary licences, permits and approvals, under the agreement, we may experience disruption to our mining and quarrying operations pending the appointment of a new contractor or our taking the necessary steps to perform the activities ourselves.

Any increase in the price of production inputs, including labour, power, mine consumables or other inputs could materially and adversely affect our Group's business and operating results

Costs of raw materials (including ferrosilicon and flux) can be affected by changes in factors including market conditions, government policies, exchange rates and inflation rates, which are unpredictable and outside the control of the Company. In particular, the cost of ferrosilicon and fuel constitutes a significant part of our operating expenses. Based on our working capital forecast covering 24 months from the date of this prospectus, the cost of ferrosilicon and fuel will account for approximately 38% and 42% respectively out of cost of sales for the year ending 31st December, 2009. Unanticipated increases in the price of these or other inputs could materially and adversely affect our business and operating results.

Any increase in the cost of energy will have an adverse impact on our profitability

Energy is a major component in the production of magnesium ingots through the Pidgeon Process. When the Perak Magnesium Smelter commences operations, our main source of energy is natural gas and we expect natural gas expenses will account for approximately 37% of our cost of sales. In the event our energy costs increase significantly and we may be unable to pass on the higher costs to our prospective customers, our profitability may be adversely affected.

We will depend on foreign workers

When the Perak Magnesium Smelter commences operations, we plan to hire the semi-skilled workers from neighbouring countries who, it is currently contemplated, will account for approximately 30% of our total workforce by the end of the first year of operations. We intend to recruit foreign workers from neighbouring countries which may include Indonesia, Thailand, Cambodia, Nepal, Myanmar, Laos, Vietnam, the Philippines, Turkmenistan, Uzbekistan and Kazakhstan.

Section 5 of the Malaysian Employment (Restriction) Act 1968 prohibits a person from employing a non-citizen in Malaysia unless there has been issued in respect of that person a valid employment permit. The employment of such foreign workers is subject to the approval of the Ministry of Home Affairs Malaysia, which imposes conditions, amongst other things, on the number, the positions, the duration of employment and the sources or country of origin of the foreign workers. Upon obtaining the approval from the Ministry of Home Affairs Malaysia, we are required to submit applications for Visit Pass (Temporary Employment) to the Foreign Workers Division, Immigration Department of Malaysia. The approval of the Visit Pass (Temporary Employment) can be revoked if its conditions are contravened. As such, any changes in regulations and policies in Malaysia to lower the number of foreign workers permissible to be employed by our Group or an increase in the levy may adversely affect our operations and profitability.

We depend on our exclusive Mining Right and it may not be extended beyond 2039

Pursuant to the Mining Agreement, we have obtained from HPC an exclusive right to mine and extract dolomite from the Dolomite Land for a period of 20 years, with an option to renew a further period of 10 years. There is no assurance that HPC will not breach the Mining Agreement and interrupt our contractual right during the contractual period. Or else, we may not be able to renew the Mining Agreement beyond 2039. In the event that the Mining Agreement is breached or not renewed after its expiry in 2039, our business and operating results may be materially and adversely affected.

Concentration on one mining site

The Dolomite Land is the only mining site providing the supply of dolomite for the production of our magnesium ingots. In the event that the Dolomite Land is inaccessible due to severe unpredictable natural disasters or other issues, our business and operating results could be adversely affected.

Finite life of the Group's reserves in the Dolomite Land and the finite term of the Group's mining rights

The Dolomite Hills are capable of supplying sufficient dolomite to the Perak Magnesium Smelter for the purpose of manufacturing magnesium ingots for approximately 58 years, based on an estimated annual production capacity of 30,000 tonnes (or approximately 116 years with an estimated annual production capacity of 15,000 tonnes of magnesium ingots). In addition, the Mining Agreement has a limited duration of 20 years from the date on which CVM commences its operation in the Dolomite Land with an option to renew for a further period of 10 years. Should the supply of dolomite from the Dolomite Hills be interrupted or the term of the Mining Agreement be changed or not extended, our operations, financial position and profitability may be adversely affected.

RISKS RELATING TO THE INDUSTRY

Changes in the laws and regulations relating to the mineral industry to which our Group is subject could materially and adversely affect our business and operating results

The central and local governments in Malaysia exercise a significant degree of control over the mineral industry in Malaysia. As a result, our business is subject to various government policies, regulations, standards and requirements. If the relevant Malaysian government or regulatory body changes its current policies, regulations, standards and requirements or the interpretation thereof, especially those that are currently favourable to us, this would cause disruptions to our operations, increases in operating costs and significant constraints on the flexibility and ability to expand our business operations or to maximise our profitability. If any of our future projects are not approved by the relevant authorities, or are not approved on a timely basis, our business and operating results could be materially and adversely affected.

In addition, the introduction of new policies, legislation or amendments to existing policies or legislation, or changes in the interpretation thereof, in Malaysia and, or in Hong Kong could materially and adversely affect our business and operating results.

Our Group's performance could be adversely affected by competition from other companies

Upon commencement of operation of the Perak Magnesium Smelter, we will operate the first magnesium smelter plant in Malaysia and, so far as is known to the Directors, in South East Asia. However, in due course, we may face competition from other enterprises, both domestic and foreign, in magnesium mining and production activities in Malaysia. There can be no assurance that we can effectively compete with existing or future competition and any failure to compete effectively could materially and adversely affect our business and operating results. In addition, in the longer term, our business may depend on our ability to identify or acquire new reserves.

Players in our industry with exports to the U.S. market are susceptible to the recent economic downturn in the U.S.

The recent economic crisis in the world, as particularly described in the sections headed "Summary — Recent global economic crisis" and "Financial Information — Recent global economic crisis" in this prospectus and the risk factor entitled "We may be adversely affected by the recent economic crisis in the world" in this section, have adversely affected the U.S. economy and may impair the confidence of our prospective customers especially those in the U.S. and their willingness and ability to spend. These factors may affect the demand for automobiles and 3C and household products and could in turn adversely affect the demand for magnesium ingots as they are one of the components used in such products. If this economic downturn continues, our results of operations could be adversely affected.

RISKS RELATING TO CONDUCTING OPERATIONS IN MALAYSIA

Political, economic and legal developments, as well as any changes in the Malaysian government policies, could materially and adversely affect our Group's business and operating results

Substantially all of our operating assets are located in Malaysia. Accordingly, our operating results, financial position and prospects are subject to a significant degree to economic, political and legal developments in Malaysia. There is no assurance that the Malaysian government will maintain, or continue to pursue, economic and political reforms. Specifically, our business and operating results could be materially and adversely affected by changes in Malaysian government regulations with respect to restrictions on production, price controls, export controls, taxation (including the possibility of a revocation or variation of our 10 year income tax exemption), ownership and expropriation of property, environmental or mine health and safety.

In addition, our business and operating results could be materially and adversely affected by: (i) imposition of additional restrictions on currency conversion and remittances abroad; (ii) reduction in tariff or quota protection and other import restrictions; (iii) Malaysian laws, regulations and policies affecting the mineral industry; (iv) industrial disruptions; or (v) economic growth or slowdown.

The Malaysian Ringgit may be subject to foreign exchange controls imposed by the Malaysian government in the future

BNM has in the past intervened in the foreign exchange market to stabilise the RM and has, since 2nd September, 1998, maintained a fixed exchange rate of RM3.80 to US$1.00 (equivalent to approximately HK$7.8). On 21st July, 2005, BNM announced that the exchange rate of the RM will be allowed to operate in a managed float, with its value being determined by various economic factors. BNM had stated that it would monitor the RM foreign exchange rate against a currency basket to ensure that the exchange rate remains close to its fair value. However, there can be no assurance that BNM or the Malaysian government will, or would be able to, intervene or maintain the exchange rate in the future or that any such intervention or fixing of the exchange rate would be effective.

Furthermore, there can be no assurance that the Malaysian government will not impose more restrictive or additional foreign exchange controls. Any imposition, variation or removal of exchange controls may lead to less independence in the Malaysian government's conduct of its domestic monetary policy and increased exposure of the Malaysian economy to the potential risks and vulnerability of external developments in the international markets. Consequently, this may adversely affect our ability as the shareholder of CVM to liquidate the shares in CVM or repatriate the proceeds from the liquidation of such shares out of Malaysia.

If we cease to receive favourable tax treatment from the Malaysian government, we may be subject to tax liability that could significantly affect our financial condition

On 11th December, 2007, CVM has been approved by MIDA for special incentives for the manufacturing of magnesium ingot and magnesium alloy. Pursuant to the special incentive, CVM is fully exempted from statutory income tax pursuant to the Malaysian Income Tax (Exemption) (No. 11) Order 2006 for manufacturing of magnesium ingot and magnesium alloy for a period of 10 years commencing from a date to be determined by MITI. Our favourable tax treatment is conditional upon:

- the investments in fixed assets excluding land must be at least RM157 million (equivalent to approximately HK$354.8 million) for a period of 5 years commencing from 2009;
- the value added production of CVM must achieve at least 40%;
- the number of staff at the managerial, technical and supervisory level must be at least 15% of the total employees of CVM;

- CVM must manufacture both the magnesium ingot and magnesium alloy; and
- CVM must employ at least 400 Malaysian workers.

Such tax exemption granted to us is due to expire 10 years from a date determined by MITI.

In addition, pursuant to the special incentives, CVM has also been granted with a matching training grant of RM1.3 million (equivalent to approximately HK$2.9 million) for the purpose of training our workers who are Malaysian citizens for a period of one year commencing from 2008. The matching training grant is not subject to the same conditions as those of the favourable tax treatment or any other conditions. As at the Latest Practicable Date, the Group had yet to receive the matching training grant.

On 8th January, 2008, 29th May, 2008 and 28th July, 2008, CVM had via its Malaysian tax advisers written to MIDA to request for the following revisions to the aforementioned conditions:

- To allow existing investments made in fixed assets since year 2007 to form part of the RM157 million (equivalent to approximately HK$354.8 million) investment in fixed assets requirement;
- To allow CVM to produce magnesium ingots and magnesium alloy over a 10 years period and not producing these products immediately at the same time; and
- To allow CVM to increase the employment of Malaysian workers to 400 employees on a gradual basis over a 10 years period and not employing the workers at immediate effect.

Given the conditions to be complied with and in the absence of the approval of MIDA for the revisions mentioned above, there can be no assurance that CVM will be successful in enjoying the benefits associated with the income tax exemptions, at least not until we commence production of both magnesium ingot and magnesium alloy and we employ at least 400 Malaysian workers. The loss of this tax exemption would increase our tax liability and could have a material adverse effect on our operating results and financial condition.

Restrictions on foreign investment in the Malaysian mineral industry could materially and adversely affect our Group's business and operating results

Pursuant to Malaysia's current National Mineral Policy, to encourage exploration and a beneficial expansion of the mineral industry in Malaysia, the Malaysian government currently permits foreign entities exploring minerals in Malaysia to do so on a 100% foreign held equity basis and for projects which involve the extraction, mining or processing of mineral oars, initial majority foreign equity participation of up to 100% may be permitted. Our subsidiary, CVM, is currently wholly-owned by us, which is permitted under the current National Mineral Policy. There can be no assurance that such a National Mineral Policy will not be changed or modified in any way in the future. Any restriction on foreign investment in the Malaysian mining or mineral industry in the future could materially and adversely affect our Group's business and results of operations.

Our principal subsidiary is incorporated in Malaysia and our main assets are located in Malaysia. We, as the shareholder of CVM, may not be accorded the same rights and protection under the Malaysian company law that would be accorded under the Companies Ordinance. In addition, it could be difficult to enforce a Hong Kong judgement against our Malaysian subsidiary, our executive Directors and our executive officers

Our principal subsidiary, CVM, is incorporated in Malaysia. In addition, our main assets are located in Malaysia. Our principal subsidiary and main assets are therefore subject to the relevant laws in Malaysia. Laws applicable to companies incorporated in Hong Kong and those applicable to companies incorporated in Malaysia are similar, in the sense that both are subject to statutory provisions of company law and supplemented by common law and the rules of equity. Most of the material aspects of the company law regarding investors' protection (including areas such as the rights of shareholders, declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restriction on companies providing certain benefits such as loans to directors, prohibition against compensation for loss of office of a director without shareholders' approval, prohibition on financial assistance by a company for the acquisition of its own shares, financial disclosures requirements, variation of class rights, procedures at general meetings and distribution of dividends out of profits) are understood by the Company to be similar as between Hong Kong and Malaysia. However, it is possible that now or in the future, the Companies Ordinance may provide Shareholders with certain rights and protection of which there may be no corresponding or similar provisions under the Malaysian laws. Present divergences in the company law include the authority for an unlisted company to purchase of its own shares which is available under the Companies Ordinance, but not under the Malaysian Companies Act 1965. As such, we, as the shareholder of CVM may not be accorded the same level of shareholder rights and protection under the Malaysian company law as that accorded under the Companies Ordinance. In addition, all our executive Directors and senior managers are non-residents of Hong Kong, and substantially all the assets of these persons are located outside Hong Kong. As a result, it could be difficult for our Shareholders to effect service of process in Hong Kong, or to enforce a judgment obtained in Hong Kong against our Malaysian subsidiary or any of these persons.

Our ability to receive dividends and other payments from our subsidiary in Malaysia may be restricted

Our main operating subsidiary is CVM. Currently, there are no restrictions in Malaysia on repatriation of capital, divestment proceeds, profits, dividends, rental, fees and interest by non-residents of Malaysia, subject to the applicable reporting requirements and any withholding tax of between 10% and 15% which may be payable on rental, fees and interests received by non-residents in Malaysia. However, there can be no assurance that the relevant regulations or requirements will not be changed so as to affect the ability of Malaysian companies to repatriate profits outside Malaysia. In the event of a tightening or unfavourable change in the regulations or requirements in Malaysia relating to the repatriation of profits, such repatriation of profits to our Company will be affected. This will in turn affect our ability to pay dividends.

We are subject to various laws and regulations in Malaysia

Our business operations are exposed to the laws and regulations in Malaysia which are described in detail under the section on "Regulation of our Industry" in this prospectus. In particular, MITI has issued the Plant Licence to CVM for its manufacturing activities at the Perak Magnesium Smelter. The grant of the Plant Licence exempts CVM from compliance with the FIC Guidelines. Please refer to the section on "Regulation of our Industry" in this prospectus for details of the Plant Licence and the FIC Guidelines.

In the event that the Plant Licence is revoked by MITI, CVM will lose all the incentives, rights and privileges attached to the Plant Licence such as the exemption from compliance with the FIC Guidelines (which, amongst other things, require at least 30% Bumiputra ownership) and will not be able to engage in the manufacturing activities as currently licenced, in which case we may be unable to fulfil the conditions imposed on us by MIDA (as set out in the section headed "Financial Information" in this prospectus) and hence enjoy the benefits associated with our 10 year income tax exemption. In addition, in the event that we fail to meet the relevant statutory requirements or comply with the laws and regulations as set out under the section on "Regulation of our Industry" in this prospectus, we may not be able to obtain all the requisite licences, permits and approvals or renew the necessary licences, permits or approvals for our operations and consequently this will adversely affect our operations. Any violation of the relevant laws by our Group in the future may disrupt our operations and adversely affect our financial performance and financial position.

We may not be able to comply with the conditions attached to the approvals of the EIA study or granted with approvals from the relevant Malaysian government authorities

On 7th September, 2006, we have obtained an approval on the EIA study for the construction of the Perak Magnesium Smelter. On 4th April, 2008 we have obtained an approval on the EIA study, to which certain conditions are attached, from the Department of Environment of the State of Perak, Ministry of Natural Resources and Environment on the Dolomite Land. Details of the environmental compliance undertaken by the Group and the approvals obtained are set out in the paragraph headed "Environmental Compliance" in the section headed "Business" in this prospectus.

There can be no assurance that CVM will be able to comply with the conditions attached to the approvals of the EIA study. In the event that CVM cannot comply with the conditions attached to the approvals of the EIA study, CVM may not be able to engage in the quarrying activities or the construction of the Perak Magnesium Smelter. As such, it may affect the Group's quarrying activities which in turn will affect the business of the Group.

RISKS RELATING TO THE SHARE OFFER

The liquidity and market price of the Shares following the Share Offer could be volatile

The prices and trading volume of our Shares may be volatile and subject to fluctuations. This may result from factors including significant changes in our financial positions and our announcements of any delays in the development of the CVM Project arising from circumstances which are beyond our control. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade. Furthermore, shares of mining companies which are also listed on the Stock Exchange have experienced substantial price fluctuations in the past. Accordingly, we believe the price of our Shares may also be volatile due to reasons which are not directly related to our operations or performance.

The market price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins

The initial price to the public of the Shares sold in the Share Offer will be HK$1.18 per Offer Share. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be 15th December, 2008 and the Listing becomes unconditional at 8:00 a.m. on the Listing Date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of the Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Forward-looking information included in this prospectus may not be accurate

This prospectus contains certain forward-looking statements and information relating to our Group, that are based on the beliefs of our Group's management as well as assumptions made by and information currently available to its management. When used in this prospectus, the words "anticipate", "believe", "consider", "could", "expect", "going forward", "intend", "may", "plan", "seek", "will", "would", and similar expressions, as they relate to our Group management, are intended to identify forward-looking statements. Such statements reflect the current views of our Group's management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the other risk factors described in this prospectus. The risks and uncertainties which could affect the accuracy of forward-looking statements including, but are not limited to, the following:

- future financial position of our Group;
- business prospects of our Group;
- future debt levels and capital needs of our Group;
- strategy, plans, objectives and goals of our Group;

- general economic conditions;
- changes to regulatory and operating conditions in the market in which our Group operates;
- our Group's ability to reduce costs;
- capital market developments;
- certain statements in the section headed "Financial information" in this prospectus with respect to trends in prices, results, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this prospectus that are not historical fact.

Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, our Group's financial performance could be materially and adversely affected.