
REGULATION OF OUR INDUSTRY

OVERVIEW

As at the Latest Practicable Date, our Group had established business presences in Hong Kong and Malaysia. As at the Latest Practicable Date, our Company carried on business as an investment holding company in Hong Kong while our principal subsidiary carried on and will be carrying on the business of mining, smelting and exporting magnesium ingots. We are and will be principally subject to the relevant Malaysian laws and regulations governing mining, quarrying, smelting and exporting of magnesium ingots, occupational health, safety and environmental protection.

This section sets out and summaries certain aspects of the Hong Kong laws and regulations to which we are subject and contains a summary of certain Malaysian legal and regulatory provisions and licensing requirements which are relevant to our subsidiary's operations and business in Malaysia. As it is in the form of a summary, it does not contain all information that may be important for all potential investors.

HONG KONG

The Company is an investment holding company incorporated in Hong Kong that did not carry on any other business activity in Hong Kong as at the Latest Practicable Date. Other than the Companies Ordinance, as supplemented by the common law and the rules of equity (which apply to Hong Kong by a decision adopted at the 24th Session of the Standing Committee of the 8th NPC on 23rd February, 1997 on treatment of the laws previously in force in Hong Kong in accordance with Article 160 of the Basic Law of Hong Kong) and the provisions of the SFO, the Takeovers Code and such other relevant ordinances and regulations as may be applicable to companies listed on the Stock Exchange, to the best of our Directors' knowledge and belief, we are not subject to any other laws and regulations in Hong Kong that will have a material impact on our business.

MALAYSIA

Foreign Investment in Malaysia

Foreign Exchange Controls

There are foreign exchange control policies in Malaysia which support the monitoring of capital flows into and out of the country in order to preserve its financial and economic stability.

Under the current Exchange Control Notices of Malaysia and Foreign Exchange Administration Policies issued by BNM, non-residents of Malaysia are free to repatriate any amount of its own funds in Malaysia at any time, including capital, divestment proceeds, profits, dividends, rental, fees and interest arising from investment in Malaysia, subject to the applicable reporting and withholding tax requirements of between 10% and 15% which may be payable on rental, fees and interests received by non-residents in Malaysia.

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Mining Operations

We set out below a summary of the relevant principal laws and regulations on the licensing requirements which may be applicable to our mining operations in Malaysia. As it is in the form of a summary, it does not contain all regulatory provisions that may be applicable to our mining operations in Malaysia. Any investor who wishes to have a detailed description of the laws of Malaysia in relation to our mining operations is recommended to seek independent legal advice.

National Land Code

Pursuant to Section 45(1) of the National Land Code, any person or body to whom land has been disposed of, including by way of alienation, lease or temporary occupation licence granted by the State Authority, shall, in the absence of any express provision to the contrary in the issue document of title, lease or licence, as the case may be, be entitled to extract, move or use within the boundaries of the land any rock material in or upon the land and to fell, clear, destroy or use within the boundaries thereof any forest produce thereon. Section 45(2) of the National Land Code prohibits a person or body to whom land has been disposed of from removing beyond the boundaries of the land any rock material or forest produce extracted or taken from the land or anything obtained or manufactured therefrom unless the person or body is authorised by a permit for extraction, removal and transportation of rock material.

Section 70 of the National Land Code provides that the State Authority may permit the extraction, removal and transportation of any rock material (otherwise than for the purpose of obtaining metal or mineral therefrom) from State land, alienated land, mining land or reserved land. Pursuant to Section 71 of the National Land Code, such a permit to extract, remove and transport rock material may, subject to any contrary direction by the State Authority and to the provisions of any rules under Section 14 of the National Land Code be issued on behalf of the State Authority in the case of alienated land, by the Land Administrator to the proprietor of the land or with the consent of the proprietor, any other person or body.

As at the Latest Practicable Date, the Land Administrator of the State Authority in Perak had pursuant to a letter dated 28th May, 2007 to HPC, approved the issuance of the permit to remove rock material to HPC, and the permit itself was issued to CVM on 29th August, 2008 and renewed on 4th November, 2008.

National Land Code - Perak Quarry Rules 1992 (“Perak Quarry Rules”)

Rule 4 of the Perak Quarry Rules prohibits a person issued with a permit to extract, remove and transport rock material (“**Permittee**”) or a person issued with a temporary occupation licence (“**Licensee**”) from starting any work to set out a new quarry or to reorganise an old quarry and to run it before obtaining an approval in writing from the Land Administrator on a scheme submitted on his behalf by his consultant.

Part III of the Perak Quarry Rules further sets out the safety requirements which a Permittee or Licensee is required to comply with.

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Rule 27 of the Perak Quarry Rules provides that any person who:

- (a) fails to carry out quarry operations in accordance with the provisions of these rules;
- (b) contravenes or fails to observe any provisions of these rules;
- (c) hinders or in any way obstructs an officer in the exercise of his powers under these rules;
- (d) fails to comply with any order lawfully given by an officer in the exercise of any power under these rules; or
- (e) wilfully withholds any information or conceals or prevents, or attempts to conceal or prevent any person from appearing before or being examined by an officer,

shall be guilty of an offence and shall on conviction be liable to a fine not exceeding RM1,000 (equivalent to approximately HK\$2,260) and additionally to a fine of RM100 (equivalent to approximately HK\$226) for every day during which such offence is continued after conviction.

As CVM has outsourced the quarry activities conducted on the Dolomite Land to the Quarry Contractor, the Quarry Contractor had on 8th July, 2008 obtained the written approval from the Land Administrator pursuant to the Perak Quarry Rules.

Explosives Act 1957

In Malaysia, a permit is required for the purchase, sale or possession of any explosive (except for certain classes of explosives which are specifically exempted). A further licence is also required for the import, export or removal from place to place of any explosives (except for certain classes of explosives which are specifically exempted). The Royal Malaysia Police is the licensing authority authorised to issue such a permit and/or licence.

Pursuant to section 6 the Explosives Act 1957 (“**EA 1957**”), any person who unlawfully and maliciously causes by any explosive an explosion of a nature likely to endanger life or to cause serious injury to property shall, whether any injury to person or property has been actually caused or not, be liable, on conviction, to imprisonment for 7 years, or to a fine of RM10,000 (equivalent to approximately HK\$22,600), or to both. Section 13 of the EA 1957 further provides that any police officer may enter and remain on any land or premises other than a dwelling-house at and for such time as may be reasonably necessary to enable him to ascertain whether a person carrying or using any explosive on the land or premises has a licence in that behalf. Pursuant to section 14(2), any person who fails to account satisfactorily to an officer authorised by or under EA 1957 for any explosives described in any licence issued to him during the period for which the licence is in force or after its expiry, suspension, or cancellation, shall, on conviction, be liable to a fine of RM500 (equivalent to approximately HK\$1,130). Section 20(1) of the EA1957 also provides that whenever under the EA 1957 any person mentioned in any licence issued thereunder is declared liable to any punishment, penalty or forfeiture for any act committed by him, he shall be liable to the same punishment, penalty or forfeiture for every similar act

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committed by any agent or servant employed by him in or about any premises licensed under the EA 1957 and every agent or servant employed by him shall also be liable to every punishment, penalty or forfeiture prescribed for offences against the EA 1957 or any regulations made thereunder as fully and effectually as if the agent or servant had been the person mentioned in the licence.

As CVM has outsourced the quarry activities conducted on the Dolomite Land to the Quarry Contractor, and the Quarry Contractor uses the blasting technique in mining and extracting dolomite from the Dolomite Hills, the Quarry Contractor is required to obtain licences for the use of explosives in relation to the Dolomite Hills. The approval in principle from the Royal Malaysian Police for the use of explosives was obtained on 8th August, 2008. The specific licence for the use of explosives, which sets out in detail the exact amount of explosives purchased and to be used for a particular day, can only be obtained on the day when the explosives are to be used which is the day blasting activities are to be conducted. Save for this licence which is needed each time blasting activities are to be conducted, Ben & Partners are of the view that (1) we have obtained all outstanding permits and approvals for our mining operations, (2) the permits, licenses, approval and the Mining Right obtained by us, or the Quarry Contractor in respect of our mining operations are legally valid and enforceable and (3) we are in a position to commence our quarrying activities in compliance with all relevant laws and regulations as at the Latest Practicable Date.

Smelting Process

We set out below a summary of the relevant principal laws and regulations on the licensing requirements which are applicable to our smelting process in Malaysia. As it is in the form of a summary, it does not contain all regulatory provisions that may be applicable to our smelting process in Malaysia. Any investor who wishes to have a detailed description of the laws of Malaysia in relation to our smelting process is recommended to seek independent legal advice.

Industrial Co-Ordination Act, 1975

Pursuant to the Industrial Co-Ordination Act, 1975 (“ICA”), a person engaged in a manufacturing activity and with shareholders’ funds in excess of RM2.5 million (equivalent to approximately HK\$5.6 million) or which engages more than 75 full-time paid employees must acquire a manufacturing licence issued by MITI.

The ICA defines “manufacturing activity” as “the making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade”.

MITI has issued the Plant Licence to our subsidiary, CVM, on 29th October, 2007 with the effective date for carrying on manufacturing activities commencing from 14th December, 2004.

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The conditions of the Plant Licence are as follows:

- The project site is at Kamunting Raya III Industrial Estate, Taiping, Perak Darul Ridzuan, Malaysia, subject to approval from the relevant State Authority and Department of Environment, Malaysia.
- MITI must be notified of any sale of shares in CVM (not including any securities of the Company).
- CVM has to conduct an EIA and produce an EIA report to the Director of Environmental Quality in order to obtain an approval before the CVM Project can be implemented.
- CVM must train Malaysian citizens so that the technology transfer and expertise can be channelled to all levels of positions.
- CVM must implement the project as approved in accordance with the laws and regulations in force in Malaysia.

Subject to compliance with the conditions imposed by MITI as set out in the approval letter and such other conditions as may be notified from time to time by MITI, the Plant Licence granted to CVM is not required to be renewed.

The Plant Licence may be revoked if CVM:

- has not complied with any condition imposed in the Plant Licence;
- is no longer engaged in the manufacturing activities in respect of which the Plant Licence is issued; or
- has made a false statement in its application for the Plant Licence.

In the event that the Plant Licence is revoked, CVM will lose all the incentives, rights and privileges attached to the Plant Licence such as the exemption from compliance with the FIC Guidelines and will not be able to engage in the manufacturing activities 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) to enable us to continue to enjoy the benefits associated with our 10 year income tax exemption.

If CVM loses the Plant Licence and if MITI refuses to issue us with a new Plant Licence as replacement then we shall cease to be exempted from the FIC Guidelines, and if, circumstances require us to apply to the FIC for an approval as to the composition of the ownership of CVM, should the FIC not approve our application to hold the entire issued and paid-up capital of CVM, the FIC may impose a requirement for CVM to have Bumiputra participation of at least 30% of its issued and paid-up capital, within such time-frame as may be prescribed by the FIC.

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However the FIC Guidelines do not have any force of law and there are no penalties for non-compliance thereof, albeit that future administrative dealing with the federal authorities would, in practice, become fraught with difficulties. As far as our Directors and Ben & Partners are aware, there is no publicly-available information as to whether or not the FIC has ever sought to impose a dilution requirement on a wholly-foreign owned entity which has previously been issued with a MITI licence issued by MITI and such licence is subsequently revoked.

Having considered the above, we are of the view that it is impossible, as at the Latest Practicable Date, to assess the financial impact to the Company of any dilution of its interests in CVM because (i) structurally, divestment might involve a sale by the Company of stake in CVM, or a placing of new shares by CVM to raise further capital, in either case, with pricing being an unknown variable at this time; and (ii) the timeframes are unknown, both as to when a divestment might be required and the period over which it would be executed. We will comply with the Listing Rules in relation to the requirements of announcement and, or shareholders' approval if the dilution of the Company's interests in CVM triggers the prescribed threshold. We will monitor any possible developments of Malaysian regulations or requirements applicable to CVM's ownership and make necessary announcement on any material financial impact on the Group if appropriate.

Notwithstanding the above, in practice, we are confident that the prospect of the Plant Licence being revoked is extremely remote. Although the conditions to the Plant Licence as disclosed above are both specific and general, we are satisfied that we will be able to comply with the conditions and are confident that MITI would not revoke the Plant Licence arbitrarily or without detailed discussion and notice in respect of purported breaches and appropriate grace periods for rectifying any actual breaches. We are of view that the Malaysian federal government would not take lightly the step of revoking a manufacturing licence in respect of a plant worth over RM100 million (equivalent to approximately HK\$226 million) and employing hundreds of local works owned by a company in which the state government has a material minority shareholding.

Our Directors are of the view that:

- (a) CVM will, barring unforeseen circumstances, be able to comply with all conditions of the Plant Licence and believe the risks of revocation to be minimal; and
- (b) licensing requirements and the application processes are both formality and administrative in nature and there is no foreseeable legal impediment in obtaining all requisite licences, permits and approvals in a timely manner.

Furthermore, as long as the Plant Licence is not revoked, CVM, being a company with a manufacturing licence from MITI, is exempted from compliance with the FIC Guidelines, which among others, require at least 30% Bumiputra ownership. Ben & Partners have made verbal enquiries with the FIC, strictly on a no-names basis, and were informed that, unless and until the Plant Licence is revoked, the FIC Guidelines is not applicable and the FIC currently has no jurisdiction to grant to CVM any upfront waiver from compliance with the FIC Guidelines, including the requirement to have at least 30% Bumiputra ownership.

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In addition, the government of Malaysia has, since 31st July, 1998, liberalised foreign equity policy to allow foreign investors to hold 100% of the equity in all manufacturing projects. Accordingly, under the existing regulatory policy, our Company, as a foreign investor under the Malaysian regulatory policy, is entitled to hold 100% of the equity of CVM.

Regulations Relevant to our Future Operations

As we have yet to commence the smelting operations as at the Latest Practicable Date, we will obtain and procure the obtaining of all other material licences which are relevant to our business operations under the Malaysian laws, including but not limited to the certificates of fitness for the steam boiler, unfired pressure vessel or hoisting machine (other than a hoisting machine driven by manual power) under the Factories and Machinery Act, 1967, if required, prior to the commencement of the smelting operations, which are expected to commence in April 2009.

We set out below a summary of other relevant principal laws and regulations on the licencing requirements which may be applicable to our smelting operations in Malaysia in the future. Any investor who wishes to have a detailed description of the laws of Malaysia in relation to our smelting process is recommended to seek independent legal advice.

Factories and Machinery Act, 1967

The Factories and Machinery Act, 1967 (“**FMA**”) regulates factories and machinery by way of registration and examination of such machinery to ensure the maintenance of health and safety standards, including the welfare of all parties involved.

Section 36 of the FMA prohibits a person from installing or causing to be installed any machinery, except with the written approval of an Inspector of Factories and Machinery.

“**Machinery**” is defined in the FMA as including steam boilers, unfired pressure vessels, prime movers, gas cylinders, gas holders, hoisting machines and tackle, transmission machinery, driven machinery, and any equipment for the casting, welding or electro-deposition of metals and for the spraying by means of compressed gas or air of metals or other materials, but does not include any machinery used for the propulsion of vehicles other than steam boilers or steam engines, any machinery driven by manual power other than hoisting machines, any machinery used solely for private and domestic purposes; or office machines.

Section 19(1) of the FMA prohibits a person from operating or causing or permitting to be operated any machinery in respect of which a certificate of fitness is prescribed, unless there is in force in relation to the operation of the machinery a valid certificate of fitness issued under the FMA. In the event of any contravention of Section 19(1), an Inspector of Factories and Machinery shall forthwith serve upon the person aforesaid a notice in writing prohibiting the operation of the machinery or may render the machinery inoperative until such time as a valid certificate of fitness is issued.

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Regulation 10(1) of the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations 1970 requires the owner of every steam boiler, unfired pressure vessel or hoisting machine other than a hoisting machine driven by manual power to hold a valid certificate of fitness in respect thereof so long as such machinery remains in service. The period of validity of every certificate of fitness shall ordinarily be fifteen (15) calendar months from the date of inspection or such longer period not exceeding three (3) years as the Chief Inspector of Factories and Machinery in his discretion may consider appropriate.

Regulation 14 of the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations 1970 provides that after an initial inspection every factory and every machinery shall be inspected at regular intervals by an Inspector of Factories and Machinery so long as such factory remains in operation or such machinery remains in use. The regular interval shall ordinarily be fifteen (15) months subject to such extension not exceeding thirty six (36) months, and the regular inspection shall ordinarily be carried out during the fifteen (15) months following the month in which the last inspection was made or where the interval has been extended during the month following the expiry of the extended interval.

Generally, following the inspection of every steam boiler, unfired pressure vessel and hoisting machine other than a hoisting machine driven by manual power and on payment of the prescribed fee the Inspector of Factories and Machinery shall where he is satisfied that such machinery complies with the provisions of the FMA and the regulations relating thereto, issue the appropriate certificate of fitness.

Any person who contravenes section 19 of the FMA shall be guilty of an offence and on conviction, be liable under section 51 of the FMA to a fine not exceeding RM5,000 (equivalent to approximately HK\$11,299). Where the offence for which any person is convicted is a continuing offence, such person shall, in addition to the punishment in respect of that offence, be further liable to a fine not exceeding RM100 (equivalent to approximately HK\$226) for each day or part of a day during which the offence continues after the first day in respect of which the conviction is recorded.

Employment Act 1955

The Employment Act, 1955 (“**EA**”) regulates all labour relations including contracts of service, payment of wages, employment of women, rest days, hours of work, termination, lay-off and retirement benefits and keeping of registers of employees.

Section 61 of the EA provides that every employer shall prepare and keep one or more registers containing such information regarding each employee employed by him as may be prescribed by regulations made under EA. Section 97, inter alia, provides that any employer who fails to keep a register required under section 61 EA commits an offence.

Section 99A of the EA stipulates that any person who commits any offence under, or contravenes any provision of, EA or any regulations, order, or other subsidiary legislation whatsoever made thereunder, in respect of which no penalty is provided, shall be liable, on conviction, to a fine not exceeding RM10,000 (equivalent to approximately HK\$22,600).

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Regulation 6 of the Employment Regulations 1957 (“**ER**”) provides that every employer shall, unless otherwise permitted by the Director General, keep the register of employees required to be kept under ER in the office within the place of employment where employees are employed and shall make such register of employees available for inspection by the Director General as and when required to do so. In compliance with the EA and ER when we commence operations, our subsidiary will keep the register of employees in the Perak Magnesium Smelter, which is the place of employment where the employees are employed.

Employment (Restriction) Act 1968

Section 5 of the Malaysian Employment (Restriction) Act 1968 prohibits a person from employing a non-citizen of Malaysia unless there has been issued in respect of that person a valid employment permit.

The employment of 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, the Company is 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 for the employment of expatriates however, the Company would first have to submit an application for the expatriate post to the MIDA. Upon obtaining the approval from the MIDA, we are required to submit applications for Employment Pass to the Immigration Department of Malaysia.

Imports of Raw Materials

The major raw materials for the magnesium production process include, amongst other things, ferrosilicon and refining flux. We are not subject to any import duty for the importation of ferrosilicon and refining fluxes under the Malaysian Customs Duties Order 1996 as at the Latest Practicable Date.

Exports of Magnesium Ingots

We are not subject to any export duty or sales tax for the exportation of magnesium ingots under the Malaysian Customs Duties Order 1996 as at the Latest Practicable Date. We are also not required to have an export licence for the export of magnesium ingots under the Malaysian Customs (Prohibition of Exports) Order 1998 as at the Latest Practicable Date.

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Exchange Control of Malaysia Notices issued by the Central Bank of Malaysia (“ECM”)

Pursuant to ECM5, CVM must receive payment for the export of goods in foreign currency other than the currency of the State of Israel, from a non-resident. Proceeds arising from the export of goods must be received and repatriated to Malaysia by CVM as per the sales contract which should not exceed 6 months from the date of export. If CVM's annual gross export proceeds exceed RM50 million (equivalent to approximately HK\$113 million) or its equivalent, CVM is required to submit quarterly reports to the Controller of Foreign Exchange.

Environmental, Occupational Health and Safety

When our smelting operations commence in Malaysia in April 2009, we will be subject to additional Malaysian national environmental laws and regulations on matters such as air emission, solid waste emission, sewage waste waters, discharge of waste water and pollutants, tailings, noise pollution, land reclamation, radioactive element disposal and mining control. We will obtain and procure the obtaining of all the material environmental licences, permits or approvals which are relevant to our business operations under the Malaysian laws. We will further put in place dedicated personnel and facilities to handle occupational health and safety matters to implement and enforce safety measures to prevent and reduce danger and risks involving occupational health and safety as well as providing safety-related training and manuals to our employees and conduct routine medical examination and treatment for them. We will also have adequate insurance coverage for our employees in accordance with the applicable Malaysian laws and regulations and will ensure our third-party contractor be responsible for procuring adequate insurance coverage for their employees.

We set out below a summary of the principal provisions of the relevant environmental, occupational health and safety laws and regulations which are or may be applicable to us in the future. As it is in the form of a summary, it does not contain all regulatory provisions on environmental, occupational health and safety that may be applicable to us in the future. Any investor who wishes to have a detailed description of the environmental, occupational health and safety laws and regulations relevant to us is recommended to seek independent legal advice.

Environmental Quality Act 1974

The Environmental Quality Act, 1974 (“**EQA**”) and the regulations made thereunder contains provisions and regulations for the prevention, abatement, control of pollution and enhancement of the environment.

Prescribed Activities

Pursuant to section 34A(2) of the EQA, any person intending to carry out any of the prescribed activities, which include, amongst other things: (i) the carrying out of primary smelting of non-ferrous metal of 50 tonnes per day and above; or (ii) the carrying out quarrying activities of aggregate, limestone, silica, quartzite, sandstone, marble and decorative building stone within 3 kilometres at any existing residential, commercial and industrial areas or any area for which a licence, permit or approval has been granted for residential, commercial or industrial

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development, shall before any approval for the carrying out of such activity is granted by the relevant approving authority, submit a report containing an assessment of the impact such activity will have or is likely to have on the environment and the proposed measures that shall be undertaken to prevent, reduce or control the adverse impact on the environment to the Director General of the Environmental Quality. Section 34A (6) of the EQA further provides that a person shall not carry out such activity until a report required under this section is submitted and approved by the Director General of Environmental Quality. Any person who contravenes this section 34A shall be guilty of an offence and shall be liable to a fine not exceeding RM100,000 (equivalent to approximately HK\$225,989) or to imprisonment for a period not exceeding five years or to both and to a further fine of RM1,000 (equivalent to approximately HK\$2,260) for every day that the offence is continued after a notice by the Director General of the Environmental Quality requiring the person to comply with the act specified therein has been served upon him.

Scheduled Waste

Section 34B of the EQA prohibits a person from:

- (a) placing, depositing or disposing of, or causing or permitting to place, deposit or dispose of, except at prescribed premises only, any scheduled wastes on land or into Malaysian waters;
- (b) receiving or sending, or causing or permitting to be received or sent any scheduled wastes in or out of Malaysia; or
- (c) transiting or causing or permitting the transit of scheduled wastes,

without the prior approval of the Director General of Environmental Quality.

Any person who contravenes this section 34B shall be guilty of an offence and shall be liable to a fine not exceeding RM500,000 (equivalent to approximately HK\$1.1 million) or to imprisonment for a period not exceeding five (5) years or to both.

Section 43 of the EQA further provides that where an offence against the EQA or any regulations made thereunder has been committed by a company, firm, society or other body of persons, any person who at the time of the commission of the offence was a director, chief executive officer, manager, or other similar officer or a partner of our company, firm, society or other body of persons or was purporting to act in such capacity shall be deemed to be guilty of that offence unless he proves that the offence was committed without his consent or connivance and that he has exercised all such diligence as to prevent the commission of the offence as he ought to have exercised, having regard to the nature of his functions in that capacity and to all the circumstances.

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The Environmental Quality (Scheduled Wastes) Regulations, 2005 (“EQSWR”) requires, inter alia:

- (a) notification to the Director General of Environmental Quality in writing of the generation of any scheduled wastes within 1 month of its generation;
- (b) scheduled wastes to be disposed of at prescribed premises only;
- (c) scheduled wastes to be treated at prescribed premises or at on-site treatment facilities only;
- (d) every waste generator to ensure that scheduled wastes generated by him are properly stored, treated on-site, recovered on-site for material or product from such scheduled wastes or delivered to and received at prescribed premises for treatment, disposal or recovery of material or product from scheduled wastes;
- (e) scheduled wastes shall be stored in containers which are compatible with the scheduled wastes to be stored, durable and which are able to prevent spillage or leakage of the scheduled wastes into the environment and the containers of the scheduled wastes are to be clearly labelled and marked for identification and warning purposes; and
- (f) a waste generator shall keep accurate and up-to-date inventory of the categories and quantities of scheduled wastes being generated, treated and disposed of and of materials or product recovered from such scheduled wastes for a period up to 3 years from the date the scheduled wastes was generated.

Every offence which consists of any omission or neglect to comply with, or any act done or attempted to be done contrary to the EQSWR may be compounded under section 45 of the EQA. Pursuant to section 45, the Director General or any Deputy Director General of Environmental Quality or any other public officer or any local authority to which the Director General of Environmental Quality has delegated such power in writing, may compound any offence under the EQA or the regulations made thereunder which is prescribed by the Minister to be a compoundable offence by accepting from the person reasonably suspected of having committed the offence a sum of money not exceeding RM2,000 (equivalent to approximately HK\$4,520).

Clean Air

Section 22 of the EQA provides that no person shall, unless licenced, emit or discharge any environmentally hazardous substances, pollutants or wastes into the atmosphere in contravention of the acceptable conditions stipulated in the Environmental Quality (Clean Air) Regulations 1987 (“EQCAR”).

A person shall be deemed to emit or discharge wastes into the atmosphere if:

- (a) he places any matter in a place where it may be released into the atmosphere;

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- (b) he causes or permits the discharge of odours which by virtue of their nature, concentration, volume or extent are obnoxious or offensive;
- (c) he burns away wastes of the trade, process or industry; or
- (d) he uses any fuel burning equipment not equipped with any device or control equipment required to be fitted to such equipment.

Any person who contravenes this Section 22 shall be guilty of an offence and shall be liable to a fine not exceeding RM100,000 (equivalent to approximately HK\$225,989) or to imprisonment for a period not exceeding 5 years or to both and to a further fine not exceeding RM1,000 (equivalent to approximately HK\$2,260) a day for every day that the offence is continued after a notice by the Director General requiring him to cease the act specified therein has been served upon him.

The EQCAR sets out in detail the relevant standards and substances which are permissible limits.

Noise

Section 23 of the EQA provides that no person shall, unless licenced, emit or cause or permit to be emitted any noise greater in volume, intensity or quality in contravention of the acceptable conditions specified under Section 21.

Section 21 of the EQA provides that the Minister charged with the responsibility for environmental protection, after consultation with the Environmental Quality Council, may by regulations specify the acceptable conditions for, inter alia, the emission of noise into any area, segment or element of the environment and may set aside any area, segment or element of the environment within which the emission is prohibited or restricted.

Any person who contravenes Section 23 shall be guilty of an offence and shall be liable to a fine not exceeding RM100,000 (equivalent to approximately HK\$225,989) or to imprisonment for a period not exceeding 5 years or to both and to a further fine not exceeding RM500 (equivalent to approximately HK\$1,130) a day for every day that the offence is continued after a notice by the Director General of Environmental Quality requiring him to cease the act specified therein has been served upon him.

Occupational Safety and Health Act 1994

The Occupational Safety and Health Act 1994 (“OSHA”) regulates the safety, health and welfare of persons at work.

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Sections 15, 16 and 17 of the OSHA require every employer and every self-employed person to:

- (a) ensure, so far as is practicable, the safety, health and welfare at work of all its employees, including but not limited to the following, as far as is practicable:
 - provide and maintain the plant and systems of work that are safe and without risks to health;
 - ensuring safety and absence of risks to health in connection with the use or operation, handling, storage and transport of plant and substances;
 - provide such information, instruction, training and supervision as is necessary to ensure the safety and health at work of its employees;
 - maintain any place of work in a condition that is safe and without risks to health and provide and maintain the means of access to and egress from it that are safe and without such risks; and
 - provide and maintain a working environment for its employees that is safe, without risks to health, and adequate as regards facilities for their welfare at work.
- (b) prepare and as often as may be appropriate revise a written statement of its general policy with respect to the safety and health at work of its employees and the organization and arrangements for the time being in force for carrying out that policy, and to bring the statement and any revision of it to the notice of all of its employees; and
- (c) conduct its undertaking in such a manner as to ensure, so far as is practicable, that it and other persons, not being its employees, who may be affected thereby are not thereby exposed to risks to their safety or health.

Section 18 of the OSHA requires an occupier of non-domestic premises which has been made available to persons, not being its employees, as a place of work, or as a place where they may use a plant or substance provided to their use there, shall take such measures as are practicable to ensure that the premises, all means of access thereto and egress therefrom available for use by persons using the premises, and any plant or substance in the premises or provided for use there, is or are safe and without risks to health.

Section 19 of the OSHA provides that a person who contravenes the above provisions of the OSHA shall be guilty of an offence and shall on conviction, be liable to a fine not exceeding RM50,000 (equivalent to approximately HK\$112,994) or to imprisonment for a term not exceeding two (2) years or to both.

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Section 20 of the OSHA requires a person who designs, manufactures, imports or supplies any plant for use at work must, as far as practicable:

- (a) ensure that the plant is so designed and constructed as to be safe and without risks to health when properly used;
- (b) carry out or arrange for the carrying out of such testing and examination as may be necessary for the performance of the duty imposed on him by paragraph (a) above; and
- (c) take such steps as are necessary to secure that there will be available in connection with the use of the plant at work adequate information about the use for which it is designated and has been tested, and without put to that use, it will be safe and without risk to health.

Section 21 of the OSHA requires a person who formulates, manufactures, imports or supplies any substance for use at work must, as far as practicable:

- (a) ensure the substance is safe and without risks to health when properly used;
- (b) carry out or arrange for the carrying out of such testing and examination as may be necessary for the performance of the duty imposed on him by paragraph (a) above; and
- (c) take such steps as are necessary to secure that there will be available in connection with the use of the substance at work adequate information about the results of any relevant test which has been carried out on or in connection with the substance and about any condition necessary to ensure that it will be safe and without risk to health when properly used.

Section 23 provides that a person who contravenes the above provisions of the OSHA shall be guilty of an offence and shall on conviction, be liable to a fine not exceeding RM20,000 (equivalent to approximately HK\$45,198) or to imprisonment for a term not exceeding 2 years or to both.

Section 52 provides that where a body corporate contravenes any provisions of the OSHA or any regulation made thereunder, every person who at the time of the commission of the offence is a director, manager, secretary or other like officer of the body corporate shall be deemed to have contravened the provision and may be charged jointly in the same proceedings with the body corporate or severally, and every such director, manager, secretary or other like officer of the body corporate shall be deemed to be guilty of the offence.

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Summary of key regulatory requirements

The following are the material licences, permits and approvals which are required for our business operations after we commence operations in April 2009. As CVM has yet to commence business operations pending the completion of construction of the Perak Magnesium Smelter, as at the Latest Practicable Date, CVM is prioritising on the construction of the Perak Magnesium Smelter, and simultaneously, it is in the midst of preparing the necessary applications for various licences, permits and approvals which will only be required after the commencement of CVM's business operations. As at the Latest Practicable Date, to the best of the Directors' knowledge and belief, CVM and its contractors have obtained all necessary licences, permits and approvals relevant for our quarrying activities and the construction of the Perak Magnesium Smelter.

Regulatory requirements	Responsible Party to obtain such licences, permits and approvals	Prescribed time to comply	Validity period of licences, permits and approvals	Status of compliance
MINING OPERATIONS				
Land title to the Dolomite Land	HPC	—	<ul style="list-style-type: none"> Leased to HPC until 26th November, 2067 	<ul style="list-style-type: none"> Obtained on 27th November, 2007
Approval of the EIA report pursuant to the EQA (Mining Operations)	CVM/HPC	Prior to commencement of quarrying activities	<ul style="list-style-type: none"> Valid if the project is implemented within 2 years from the letter dated 4th April, 2008 Not required to be renewed 	<ul style="list-style-type: none"> Obtained on 4th April, 2008 Conditions have been complied with
Written approval pursuant to the Perak Quarry Rules issued by the Land Administrator of Perak	The Quarry Contractor	Prior to commencing quarrying activities	<ul style="list-style-type: none"> Validity until 31st December, 2010 	<ul style="list-style-type: none"> Obtained on 8th July, 2008
Permit to extract, remove and transport rock material pursuant to the National Land Code, issued by the Land Administrator of Perak	CVM	Prior to commencing quarrying activities	<ul style="list-style-type: none"> Validity until 30th November, 2008 	<ul style="list-style-type: none"> Obtained on 29th August, 2008 and renewed on 4th November, 2008
Approval from Land Administrator of Perak	Quarry Contractor	When explosives are brought into, stored in, placed in, moved about or used in the Dolomite Hills	<ul style="list-style-type: none"> Validity until 31st December, 2010 	<ul style="list-style-type: none"> Obtained on 8th July, 2008

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Regulatory requirements	Responsible Party to obtain such licences, permits and approvals	Prescribed time to comply	Validity period of licences, permits and approvals	Status of compliance
Licence from the Royal Malaysian Police	Quarry Contractor	When explosives are being possessed and used in the Dolomite Hills	<ul style="list-style-type: none"> Validity is determined on a case to case basis 	<ul style="list-style-type: none"> The approval in principle from the Royal Malaysian Police was obtained on 8th August, 2008 Individual permits would have to be obtained each time blasting activities are conducted. These permits are issued only on the day of the blasting itself. The relevant permits were obtained on 13th August, 2008 and 26th August 2008 when blasting activities were conducted on that day.
SMELTING PROCESS				
Plant Licence pursuant to the ICA issued by MITI	CVM	Prior to commencement of manufacturing activities	<ul style="list-style-type: none"> With effect from 14th December, 2004 No specified expiry date Not required to be renewed 	<ul style="list-style-type: none"> Obtained on 29th October, 2007 Conditions have been complied with
Approval of the EIA report pursuant to the EQA (Perak Magnesium Smelter)	CVM	Prior to commencement of manufacturing activities	<ul style="list-style-type: none"> Valid if the project is implemented within 2 years from the letter dated 7th September, 2006 (Note: the CVM Project commenced in January 2007) Not required to be renewed 	<ul style="list-style-type: none"> Obtained on 7th September, 2006 Conditions have been complied with and the approval has not expired as at the Latest Practicable Date
Land title to the Smelter Land	SEDC in its capacity as the seller of the Smelter Land	—	<ul style="list-style-type: none"> 29th May, 2107 	<ul style="list-style-type: none"> Obtained on 1st July, 2008
Written approval from the Inspector of Factories and Machinery for the installation of machinery	CVM	Prior to the installation of the machinery	<ul style="list-style-type: none"> Valid from the date of issuance Not required to be renewed 	<ul style="list-style-type: none"> To be obtained prior to the installation of the machinery

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Regulatory requirements	Responsible Party to obtain such licences, permits and approvals	Prescribed time to comply	Validity period of licences, permits and approvals	Status of compliance
Certificate of Fitness for steam boiler, unfired pressure vessel or hoisting machine pursuant to the FMA, issued by the Department of Occupational Safety and Health	CVM	Prior to operating the steam boiler, unfired pressure vessel or hoisting machine	<ul style="list-style-type: none"> • Generally 15 calendar months from the date of inspection or such longer period not exceeding 3 years • Renewable on application 	<ul style="list-style-type: none"> • To be obtained after receiving the written approval from the Inspector of Factories and Machinery for the installation of machinery is obtained
Visit Pass (Temporary Employment) and Employment Pass for the employment of non-citizens of Malaysia issued by Immigration Department of Malaysia	CVM	Prior to employing non-citizens of Malaysia	<ul style="list-style-type: none"> • Not exceeding 2 years • Renewable on application 	<ul style="list-style-type: none"> • To be obtained prior to employing non-citizens if the need to employ non-citizens arises

In order to ensure compliance by our Group and our contractors, as the case may be, with all relevant regulatory and licensing requirements relating to the mining operations and the smelting process of the Perak Magnesium Smelter, we have taken certain key measures. Please refer to the section headed “Business — Licences” in this prospectus for details of such key measures. Our Directors are of the view that the measures we have in place are sufficient to ensure compliance with all relevant regulatory and licensing requirements relating to our mining and smelting operations, and that we will be able to commence operations by April 2009. In addition, on the basis that the licences, permits and approvals are a matter of formality and the application processes are administrative in nature, as long as CVM submits all the required documents as requested by the relevant Malaysian regulatory authorities, Ben & Partners have advised that there are no foreseeable legal impediment in obtaining all requisite licences, permits and approvals.

We have commenced small scale quarrying activities on the south hill of the Dolomite Hills since August 2008. Our quarrying activities are subject to CVM or the Quarry Contractor obtaining and complying with the terms of the relevant licences and permits relating to our mining operations as set out in the above summary. As at the Latest Practicable Date, CVM and, or the Quarry Contractor had obtained all the major mining licences, permits and approvals. As for the licence for the use of explosives in the Dolomite Hills, the approval in principle from the Royal Malaysian Police was obtained on 8th August, 2008. The specific licence for the use of explosives, which sets out in detail the exact amount of explosives purchased and to be used for a particular day, can only be obtained on the day when the explosives are to be used which is the day blasting activities are to be conducted. For instance, the principle blasting and the secondary blasting which were carried out on 13th and 26th August, 2008 respectively, the licences (in particular in the form of Form C and Form E) were obtained on that day itself from the district police station. Accordingly, save for the licence from the Royal Malaysian Police which is needed each time

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blasting activities are to be conducted, Ben & Partners are of the view that (1) we have obtained all outstanding permits and approvals for our mining operations, (2) the permits, licenses, approval and the Mining Right obtained by us, or the Quarry Contractor in respect of our mining operations are legally valid and enforceable and (3) we are in a position to commence our quarrying activities in compliance with all relevant laws and regulations as at the Latest Practicable Date.

In relation to the licenses for our future smelting activities, in the event that any of the regulatory and licensing requirements for the smelting process cannot be met prior to April 2009, in particular, the written approval from the Inspector of the Factories and Machinery for the installation of machinery and certificate of fitness for steam boiler, unfired pressure vessel or hoisting machine, since CVM can only apply for such licences, permits and approvals after the machinery has been installed in the Perak Magnesium Smelter, we will be required to delay the commencement of such commercial production until such time as we have obtained all the major licences, permits and, or approvals. If the commercial production of magnesium ingots cannot be commenced by April 2009, we will make the necessary announcement to inform our shareholders as well as customers accordingly. Please also refer to the section headed “Risk Factors — 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 Share could fall” in this prospectus.