
HISTORY AND CORPORATE STRUCTURE

OUR HISTORY

The Company was incorporated on 9th November, 2007. In preparation for the Listing, we underwent the Reorganisation, the details of which are set out below in the paragraphs headed “Reorganisation of the Company”.

CVM was incorporated on 3rd July, 1995 in Malaysia pursuant to the Malaysian Companies Act, 1965 under the name of BT Motorcycles Manufacturing Sdn. Bhd. with the initial intention of engaging in the business of manufacturing motorcycles. On 12th June, 2002, CVM changed its name to Commerce Venture Manufacturing Sdn. Bhd. and subsequently to Commerce Venture Magnesium Sdn. Bhd. on 13th August, 2007.

CVM remained dormant from incorporation and had not carried out any business activities (except the exploration of suitable business opportunities) until late 2003 when Mr. Chong Wee Chong, our Chief Executive Officer, was approached by SEDC, one of the then shareholders of CVM, to take part in preliminary studies on the potential of a mining project which eventually led to the commencement of the CVM Project. SEDC informed Mr. Chong that dolomite is one of the abundant resources in the State of Perak and it could assist Mr. Chong in identifying dolomite reserves. In February 2004 the CVM Project taskforce was formed, comprising magnesium professionals from the PRC, namely Mr. Gao Qi Fu, Mr. Zhou Wu and Mr. Wen Guo Qiang, and representatives from SEDC and the then potential investor, HWGB.

SEDC, as a state statutory body, is committed to promoting the development and advancement of ferrous and non-ferrous industries in Malaysia through acquiring technology and knowledge and it has given its support to the CVM Project since the inception of the CVM Project taskforce by remaining as one of the shareholders of CVM (prior to the Reorganisation) and the Company (after the Reorganisation).

After the preliminary works on the CVM Project, Mr. Chong, upon consultation with the then shareholders of CVM, invited HWGB to take part in the CVM Project by acquiring a majority stake in CVM. In April 2004, HWGB’s own taskforce commenced magnesium exploration on the Dolomite Land.

In November and December 2004, the then board of directors of CVM comprising Redzuan Bin Othman, Wan Salmah Binti Wan Abdullah, Chong Wee Chong, Sam Tuck Wah and Tham Hok Han alias Tham Fook Lin, resolved amongst other things, to:

- collect dolomite samples for the purpose of implementing the CVM Project, which would be sent to the PRC for detailed analysis of its viability and suitability of the dolomite for use in the Perak Magnesium Smelter;
- apply to the State Government to support the CVM Project and enable the local gas company to allocate the necessary gas supply for the usage of the CVM Project;
- discuss with the local governmental authorities regarding the choice of suitable sites for the future mining and smelting activities;

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- carry out the preliminary EIA; and
- construct the Perak Magnesium Smelter.

In December 2004, we began to undertake a detailed feasibility study in relation to the mining and extracting of dolomite from the Dolomite Land. The feasibility study, which was completed in October 2005, was undertaken by SAMI which, in turn, engaged ZRILM to test the dolomite samples and estimate the magnesium reserves in the Dolomite Hills.

The feasibility study concluded, amongst other things, that:

- the dolomite reserve found in the Dolomite Hills could supply to the Perak Magnesium Smelter so as to produce magnesium ingots, on the basis of an estimated annual production capacity of 30,000 tonnes of magnesium ingots, for approximately 50 years;
- it was feasible to undertake the CVM Project; and
- the CVM Project was beneficial to the diversified economic development of Malaysia.

SAMI, a branch of CHALCO based in Shenyang founded in 1951, specialises in research and manufacture of new technology, processes and equipment relating to ferrous and non-ferrous metals and the provision of related technical and consultation services. It has designed large-scale alumina refineries and aluminium smelters that have come to operation in China during the last 57 years. In addition, it has also extensive experience in designing, amongst others, magnesium smelters, titanium projects, aluminium fabrication projects, and cement plants.

ZRILM is the research and development arm of CHALCO and is engaged in the research and development of new processes, technology, equipment and materials relating to aluminium and magnesium. ZRILM specialises in conducting laboratory works to test the chemical contents of mainly non-ferrous metals for the aluminium and magnesium industry, including different types of aluminium and magnesium products. In the opinion of our Directors, both SAMI and ZRILM, which are Independent Third Parties, had sufficient experience to perform the feasibility studies. Unlike UKM, SAMI and ZRILM were not previously engaged for the purpose of preparing a technical report on the estimate of our dolomite reserve because SAMI and ZRILM were engaged solely to conduct feasibility studies for CVM's internal use and evaluation. Based on the experience and expertise of SAMI and ZRILM in the non-ferrous metal industry, our Directors selected them to conduct the detailed feasibility studies for us. As UKM is familiar with the mineral formation in Peninsular Malaysia and the State of Perak and it has the appropriate experience and expertise to perform an estimation of reserves in the Dolomite Hills, UKM was engaged by us, as our technical adviser, to prepare the UKM Report.

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In order to implement the CVM Project, on 5th April, 2006, we entered into the Smelter Land Agreement with SEDC, an existing Shareholder of the Company, for the purchase of the Smelter Land, on which the Perak Magnesium Smelter is being built, for the total purchase consideration of RM5,662,800 (equivalent to approximately HK\$12.8 million), which was based on the market rate of approximately RM2.00 (equivalent to approximately HK\$4.5) per square foot.

After continued negotiations with HPC, on 15th June, 2006, we successfully obtained the Mining Right, at no initial consideration, for a term of 20 years with an option to renew for a further period of 10 years from the registered land proprietor of the Dolomite Land, HPC. HPC is an indirect subsidiary of SEDC which will hold 7.5% of our issued share capital immediately after the Share Offer (assuming the Over-allotment Option is not exercised). There is no pre-condition or obligation for CVM to exercise the option and no additional consideration is payable for exercising the option under the Mining Agreement, other than the agreed sum of RM2 (equivalent to approximately HK\$4.5) per tonne payable for each tonne of dolomite mined and extracted from the Dolomite Land, which sum is subject to review every five years.

On 19th September, 2006, we entered into the EPC Contract with the EPC Contractor for the EPC works which include, amongst other things, design, piling, building and machinery installation.

To finance the construction of the Perak Magnesium Smelter on the Smelter Land, which commenced in September 2007, and related business activities contemplated under the CVM Project, including site infrastructure, soil improvement work, the purchase of equipment and other incidental costs, on 20th September, 2006, we secured the Old CVM Project Finance Loan from BPMB for a total amount of RM142 million (equivalent to approximately HK\$320.9 million). On 26th September, 2008, the Old CVM Project Finance Loan was substituted by the New CVM Project Finance Loan from Bank Rakyat for a total amount of RM147 million (equivalent to approximately HK\$332.2 million).

In October 2006, the Company appointed the Infrastructure Contractor, who is independent from the EPC Contractor, for the purpose of carrying out non-EPC infrastructure works on the Smelter Land.

Construction of the Perak Magnesium Smelter commenced in September 2007, after substantial completion of the non-EPC infrastructure works by the Infrastructure Contractor. As the non-EPC works commenced in October 2006 (and were eventually fully completed in February 2008), the Old CVM Project Finance Loan was put in place at an earlier stage in September 2006 in order to ensure that CVM had sufficient funds to finance both the non-EPC works and the EPC works.

As mentioned above, as at the Latest Practicable Date, we have completed all non-EPC infrastructure works including, amongst other things, site clearance, earthwork, drainage, road formation, water reticulations, telephone trunking and street lighting works on the Smelter Land. Up to 30th September, 2008, we have incurred capital expenditure of approximately HK\$207.9 million in relation to the construction of the Perak Magnesium Smelter.

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Below is the summary of key or significant events that have occurred since CVM undertook the CVM Project:

February 2004	Formed CVM's magnesium project group
December 2004	Appointed professional consultancy firm to conduct feasibility study
	Procured the Plant Licence for manufacturing magnesium ingots
April 2005	Formed HWGB's feasibility study group
October 2005	Completed feasibility study report
April 2006	Purchased the Smelter Land
	Signed the first off-take agreement
June 2006	Signed the Mining Agreement
August 2006	Secured the Old CVM Project Finance Loan
September 2006	Signed the second off-take agreement
	Appointed the EPC Contractor
	Procured long term supply contracts for raw materials
October 2006	Commenced non-EPC infrastructure work of the Perak Magnesium Smelter
	Appointed the Quarry Contractor
	Signed the remaining three off-take agreements
September 2007	Commenced EPC works of the Perak Magnesium Smelter
December 2007	Completed basic design work for the Perak Magnesium Smelter. Piling work is ongoing
February 2008	Completed infrastructure work for the Perak Magnesium Smelter
July 2008	Obtained the secondary finance of KFHMB
August 2008	Commenced quarrying activities
September 2008	Secured the New CVM Project Finance Loan
October 2008	Completed the Reorganisation

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Since August 2008, we have commenced small-scale quarrying activities on the south hill of the Dolomite Hills to stock-pile the dolomite for our Perak Magnesium Smelter. On completion of construction of the Perak Magnesium Smelter, expected to be in or about March 2009, we will then carry on the business of smelting and processing the dolomite into magnesium metal in ingot form.

Further details of, amongst other things, our reserves, the Mining Right, the financing of the CVM Project, and the construction progress of the Perak Magnesium Smelter are set out in the section headed “Business” in this prospectus.

SHAREHOLDING STRUCTURES OF THE COMPANY AND CVM

As at the Latest Practicable Date, the Company had an authorised share capital of HK\$120,000,000 divided into 1,200,000,000 ordinary shares of HK\$0.10 each, of which HK\$33,825,000 divided into 338,250,000 ordinary shares of HK\$0.10 each has been issued and fully paid up.

As at the Latest Practicable Date, our major subsidiary, CVM, had an authorised share capital of RM50,000,000 (equivalent to approximately HK\$113.0 million) divided into 50,000,000 ordinary shares of RM1.00 each, of which RM31,000,000 (equivalent to approximately HK\$70.1 million) divided into 31,000,000 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each have been issued and fully paid up. A summary of the changes in the shareholding structure of CVM during the Track Record Period is set forth below:

On 7th May, 2004, the following persons were allotted, in aggregate, 5,998 ordinary shares of RM1.00 new ordinary shares in CVM:

- (a) Redzuan Bin Othman was allotted 999 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each for a total consideration of RM999 (equivalent to approximately HK\$2,258);
- (b) Wan Salmah Binti Wan Abdullah was allotted 999 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each for a total consideration of RM999 (equivalent to approximately HK\$2,258);
- (c) DKLS Industries Berhad was allotted 2,000 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each for a total consideration of RM2,000 (equivalent to approximately HK\$4,520); and
- (d) Prestasi Yakin Jaya Sdn. Bhd. was allotted 2,000 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each for a total consideration of RM2,000 (equivalent to approximately HK\$4,520).

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After the above-mentioned allotment and issuance of shares, the shareholdings of Redzuan Bin Othman, Wan Salmah Binti Wan Abdullah, DKLS Industries Berhad and Prestasi Yakin Jiya Sdn. Bhd. in CVM changed from 50% to 16.67%, 50% to 16.67%, 0% to 33.33% and 0% to 33.33% respectively.

On 12th November, 2004, the following persons were allotted, in aggregate, 92,000 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) new ordinary shares in CVM:

- (a) Redzuan Bin Othman was allotted 15,000 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each for a total consideration of RM15,000 (equivalent to approximately HK\$33,898);
- (b) Wan Salmah Binti Wan Abdullah was allotted 15,000 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each for a total consideration of RM15,000 (equivalent to approximately HK\$33,898);
- (c) Prestasi Yakin Jaya Sdn. Bhd. was allotted 30,000 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each for a total consideration of RM30,000 (equivalent to approximately HK\$67,797); and
- (d) Vantage Holdings Sdn. Bhd. was allotted 32,000 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each for a total consideration of RM32,000 (equivalent to approximately HK\$72,316).

After the above-mentioned allotment and issuance of shares, the shareholdings of Redzuan Bin Othman, Wan Salmah Binti Wan Abdullah, Prestasi Yakin Jaya Sdn. Bhd. and Vantage Holdings Sdn. Bhd. in CVM changed from 16.67% to 16.33%, 16.67% to 16.33%, 33.33% to 32.65% and 0% to 32.65% respectively and the shareholding of DKLS Industries Berhad in CVM changed from 33.33% to 2.04%.

On 18th February, 2005, Redzuan Bin Othman sold 16,000 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each in CVM to SEDC for a total consideration of RM16,000 (equivalent to approximately HK\$36,158) and Wan Salmah Binti Wan Abdullah sold 16,000 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each in CVM to SEDC for a total consideration of RM16,000 (equivalent to approximately HK\$36,158). After the transfers, both Redzuan Bin Othman and Wan Salmah Binti Wan Abdullah ceased to have any shareholdings in CVM and SEDC's shareholding in CVM increased from 0% to 32.66%.

On 25th May, 2005, DKLS Industries Berhad sold 2,000 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each in CVM to Prestasi Yakin Jaya Sdn. Bhd. for a total consideration of RM2,000 (equivalent to approximately HK\$4,520). After the transfer, DKLS Industries Berhad ceased to have any share in CVM while Prestasi Yakin Jaya Sdn. Bhd's shareholding in CVM increased from 32.65% to 34.69%.

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On 31st May, 2005, the following persons were allotted, in aggregate, 100,000 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) new ordinary shares in CVM:

- (a) Prestasi Yakin Jaya Sdn. Bhd. was allotted 50,000 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each for a total consideration of RM50,000 (equivalent to approximately HK\$112,994); and
- (b) Vantage Holdings Sdn. Bhd. was allotted 50,000 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each for a total consideration of RM50,000 (equivalent to approximately HK\$112,994).

After the above-mentioned allotment and issuance of shares, the shareholdings of SEDC, Prestasi Yakin Jaya Sdn. Bhd. and Vantage Holdings Sdn. Bhd. changed from 32.66% to 16.16%, 34.69% to 42.42% and 32.65% to 41.42%, respectively.

On 15th March, 2006, Vantage Holdings Sdn. Bhd. sold 82,000 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each in CVM to Prestasi Yakin Jaya Sdn. Bhd. for a total consideration of RM82,000 (equivalent to approximately HK\$185,311). After the transfer, Vantage Holdings Sdn. Bhd. ceased to have any share in CVM while Prestasi Yakin Jaya Sdn. Bhd.'s shareholding in CVM increased from 42.42% to 83.84%.

On 21st March, 2006, Prestasi Yakin Jaya Sdn. Bhd. was allotted 756,500 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each for a total consideration of RM756,500 (equivalent to approximately HK\$1.7 million). After the allotment and issuance of shares, shareholdings of Prestasi Yakin Jaya Sdn. Bhd. and SEDC in CVM changed from 83.84% to 96.65% and 16.16% to 3.35% respectively.

On 26th April, 2006, HWGB was allotted 1,000,000 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each for a total consideration of RM1,000,000 (equivalent to approximately HK\$2.26 million). After the allotment and issuance of shares, the shareholdings of Prestasi Yakin Jaya Sdn. Bhd., SEDC and HWGB in CVM changed from 96.65% to 47.20%, 3.35% to 1.64% and 0% to 51.16% respectively.

On 16th October, 2006, the following persons were allotted, in aggregate, 29,045,500 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) new ordinary shares in CVM:

- (a) HWGB was allotted 16,050,000 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each for a total consideration of RM16,050,000 (equivalent to approximately HK\$36.3 million);
- (b) Prestasi Yakin Jaya Sdn. Bhd. was allotted 3,727,500 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each for a total consideration of RM3,727,500 (equivalent to approximately HK\$8.4 million);

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- (c) SEDC was allotted 3,068,000 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each for a total consideration of RM3,068,000 (equivalent to approximately HK\$6.9 million); and
- (d) Chen Qiau Chao was allotted 6,200,000 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each for a total consideration of RM6,200,000 (equivalent to approximately HK\$14 million).

After the above-mentioned allotment and issuance of shares, the shareholdings of HWGB, Prestasi Yakin Jaya Sdn. Bhd., SEDC and Chen Qiau Chao in CVM changed from 51.16% to 55%; 47.20% to 15%, 1.64% to 10% and 0% to 20% respectively.

On 25th June, 2007, Chen Qiau Chao sold 6,200,000 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each in CVM to TSM for a total consideration of RM6,200,000 (equivalent to approximately HK\$14 million). After the transfer, Chen Qiau Chao ceased to have any share in CVM and the shareholding of TSM in CVM increased from 0% to 20%.

On 20th July, 2007, Prestasi Yakin Jaya Sdn. Bhd. sold 4,650,000 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each in CVM to TSM for a total consideration of RM4,650,000 (equivalent to approximately HK\$10.5 million). After the transfer, Prestasi Yakin Jaya Sdn. Bhd. ceased to have any share in CVM and the shareholding of TSM in CVM increased from 20% to 35%.

On 11th January, 2008, TSM sold 1,550,000 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each in CVM to Dato' Kho for a total consideration of RM5,000,000 (equivalent to approximately HK\$11.3 million). After the transfer, TSM's shareholding in CVM decreased from 35% to 30% while Dato' Kho shareholding in CVM increased from 0% to 5%.

On 21st January, 2008, TSM sold 1,550,000 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each in CVM to MKW Jaya for a total consideration of RM5,000,000 (equivalent to approximately HK\$11.3 million). After the transfer, TSM's shareholding in CVM decreased from 30% to 25% and MKW Jaya's shareholding in CVM increased from 0% to 5%.

On 24th January, 2008, TSM sold 1,550,000 ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) each in CVM to ZDSB for a total consideration of RM5,000,000 (equivalent to approximately HK\$11.3 million). After the transfer, TSM's shareholding in CVM decreased from 25% to 20% and ZDSB's shareholding in CVM increased from 0% to 5%.

The consideration for the above allotments and transfers was based on the par value of the shares, save for the sale transactions on 8th January, 2008, 16th January, 2008 and 18th January, 2008 which were on a willing buyer-willing seller basis.

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HWGB'S INVESTMENT IN CVM

Immediately after the completion of the Reorganisation, HWGB, the Controlling Shareholder, owned 55% of the issued share capital of the Company. HWGB is a company that was incorporated in Malaysia on 12th August, 1993 and listed on the second board of the Bursa Malaysia on 28th December, 1994. It transferred its listing to the main board of the Bursa Malaysia on 2nd November, 2000. The core businesses of HWGB Group, excluding our Group, comprise manufacturing and trading wires and cables, moulded power supply cord sets and cable assemblies for electrical and electronic devices and equipment, provision of consultancy services to foreigners to reside in Malaysia, travel agency and tour coaches charter business and the provision of management services. As at the Latest Practicable Date, the major shareholder of HWGB is Kintron Holdings Sdn. Bhd., a private limited company incorporated in Malaysia, which is owned by Expand Quest Sdn. Bhd. (30.86%), Chien, Chao-Chuan (21.61%), Mr. Goh Sin Huat (30.86%) and Mr. Lim Ooi Hong (16.67%). Expand Quest Sdn. Bhd. is a private limited company incorporated in Malaysia, which is an investment holding company owned equally by Mr. Goh Sin Huat and Mr. Lim Hui Sing. So far as the Directors are aware, (1) Mr. Goh Sin Huat has been brought up and lives in Malaysia; (2) he is not and has never been a full time government official of any country; and (3) he is not and has never been a full time employee of a state/government-owned /operated entity. Mr. Lim Hui Sing is the uncle of our executive Director, Mr. Lim Ooi Hong.

HWGB's investment in CVM was first considered in 2004 when Mr. Chong Wee Chong, our Chief Executive Officer, approached HWGB for discussions about it becoming a private sector strategic investor. The idea then was for CVM to secure mining concessions for dolomite hills and to produce magnesium ingots through a smelting plant.

Mr. Chong Wee Chong subsequently set up a magnesium project task force, further discussions were held and HWGB decided to second its then executive Director of Special Projects, Mr. Lim Ooi Hong, to the task force allowing him to study the magnesium sector and familiarise himself with CVM and also to report to the board of directors of HWGB on the potential of the CVM Project.

In April 2005, on positive feedback from Mr. Lim Ooi Hong, HWGB decided to form its own feasibility study group to make a decision on whether or not to invest in the CVM Project. The members of HWGB's magnesium feasibility group comprised Mr. Ha Bin Khean, Mr. Lim Ooi Hong and Mr. Tony Tan.

HWGB decided to invest in the CVM Project and subscribed new shares in CVM on 26th April, 2006.

TSM AND OTHERS' INVESTMENT IN CVM

TSM is principally an investment holding company with an authorised share capital of RM100,000 (equivalent to approximately HK\$225,989) and an issued share capital of RM20,000 (equivalent to approximately HK\$45,198). The shareholders of TSM are Mr. Teoh Tek Siong,

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currently holding 80% of the issued share capital of TSM, and Ms. Lai Choy Kan, currently holding 20% of the issued share capital of TSM. To the best knowledge of our Directors, neither Mr. Teoh Tek Siong nor Ms. Lai Choy Kan has any relationship with the Group and its connected persons other than through their investment in TSM.

Prior to acquiring 6,200,000 ordinary shares of RM1.00 each (equivalent to approximately HK\$2.26) in CVM from Chen Qiau Chao in June 2007 for a total consideration of RM6,200,000 (equivalent to approximately HK\$14 million), TSM conducted its own due diligence on CVM.

To the best knowledge of our Directors, TSM's board of directors viewed CVM as an attractive investment in light of factors such as the wide applications of magnesium in the steel alloy and automotive industries and the rising price, at the time of investment, of magnesium ingots.

The board of directors of CVM had no objection to the proposed acquisition of shares by TSM as it was a sale and purchase between minority shareholders and also TSM indicated that it wanted only to be a passive investor; not interested in board representation. It is further understood that TSM had confidence in CVM's board on the basis of it having secured various approvals from the governmental authorities, the Old CVM Project Finance Loan as substituted by the New CVM Project Finance Loan and the exclusive right to mine and extract dolomite under the Mining Agreement.

CVM's board of directors approved the acquisition of shares by TSM on 25th June, 2007.

On 20th July, 2007, TSM further increased its shareholding from 20% to 35% in CVM following the acquisition of 4,650,000 ordinary shares in CVM from Prestasi Yakin Jaya Sdn. Bhd. Despite the increase in shareholding, TSM indicated its willingness to remain as a passive investor with no wish to appoint a representative to the board of directors of CVM.

TSM acquired, in June and July 2007, a total of 10,850,000 existing ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) per share in CVM (equating to a 35% interest in CVM), equivalent to 118,387,500 Shares immediately after the Reorganisation and prior to the Share Offer, for a total consideration of RM10,850,000, being approximately HK\$24.5 million (based on an exchange rate of RM1:HK\$2.26), or approximately HK\$0.21 per Share, representing a discount of approximately 82% below the Offer Price of HK\$1.18 per Share. These transactions involved the sale of old shares to TSM the basis of the pricing is par value of the shares.

On 8th January, 2008, 16th January, 2008 and 18th January, 2008, TSM separately disposed 1,550,000 ordinary shares in CVM to each of Dato' Kho, MKW Jaya and ZDSB on willing buyer-willing seller basis, and reduced its shareholding from 35% to 20%. To the best knowledge of our Directors, TSM saw this as an early and beneficial opportunity to realise part of its investment in the Group.

Each of Dato' Kho, MKW Jaya and ZDSB acquired, in January 2008, 1,550,000 existing ordinary shares of RM1.00 (equivalent to approximately HK\$2.26) per share in CVM (a 5% interest in CVM), equivalent to 16,912,500 Shares immediately after the Reorganisation and prior to the

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Share Offer, for RM5,000,000, being approximately HK\$11.3 million (based on an exchange rate of RM1:HK\$2.26), or HK\$0.67 per Share, representing a discount of approximately 43% below the Offer Price of HK\$1.18 per Share.

Dato' Kho, MKW Jaya and ZDSB have confirmed to us that they have received no special rights from TSM as a result of these transactions and their rights are the same as those enjoyed by other Shareholders. So far as our Company is concerned, each of Dato' Kho, MKW Jaya and ZDSB would be considered as public shareholders.

To the best knowledge of our Directors, MKW Jaya is an investment holding company incorporated in Malaysia. MKW Jaya is a wholly-owned subsidiary of Mah King Woon Holdings Sdn. Bhd., an investment holding company which, to the best knowledge of our Directors, is ultimately and beneficially owned by Mah Siew Hoe, Mah Siew Chuan, Mah Siew Keong, Mah Siew Yan, Mah Siew Ping, Mah Li Jeen, Hooi Yoke Lin and Wong Leng Wah through various companies and neither of such persons and companies has any relationship with the Group and its connected persons other than through their investment in the holding company of MKW Jaya.

To the best knowledge of our Directors, ZDSB is a company incorporated in Malaysia and ultimately and beneficially owned by Mr. Yap Keng Yau and Mr. Yap Keng Yong, neither of whom has any relationship with the Group and its connected persons other than through their investment in ZDSB. Save for the investment in the Company, to the best knowledge of our Directors, ZDSB does not have other investments or otherwise to have commenced business operations as at the Latest Practicable Date.

To the best knowledge of our Directors, Dato' Kho is a Malaysian businessman and property developer. Dato' Kho graduated from the University of New South Wales in Sydney with a Bachelor of Science degree in 1972. After graduation, he first taught science at Taylor's College in Kuala Lumpur and subsequently became a property developer, having worked on developments in Malaysia and Australia through his KLS Group of Companies. Dato' Kho was also admitted by the Council of the University of New South Wales to the degree of Doctor of Science in 2004.

Each of Dato' Kho, MKW Jaya and ZDSB is a passive investor in the Company and does not have any board representation in the Company. As at the Latest Practicable Date, save for their respective shareholdings in the Company, our Directors confirm that each of Dato' Kho, MKW Jaya and ZDSB and the respective beneficial shareholders of MKW Jaya and ZDSB is an Independent Third Party from the Group.

Each of Dato' Kho, MKW Jaya and ZDSB (each holding an interests of 3.75% of the Company immediately after the Share Offer (assuming the Over-allotment Option is not exercised)), although not substantial shareholders, has voluntarily undertaken to the Stock Exchange, the Company and the Sponsor that it shall not, during the period commencing on the Latest Practicable Date and ending on the date which is 6 months from the Listing Date, dispose of, nor

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enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares of which it is shown in this prospectus to be the beneficial owner (save as regards its right to pledge/charge Shares in favour of an authorised institution (as defined in the Banking Ordinance) for a bona fide commercial loan).

REORGANISATION OF THE COMPANY

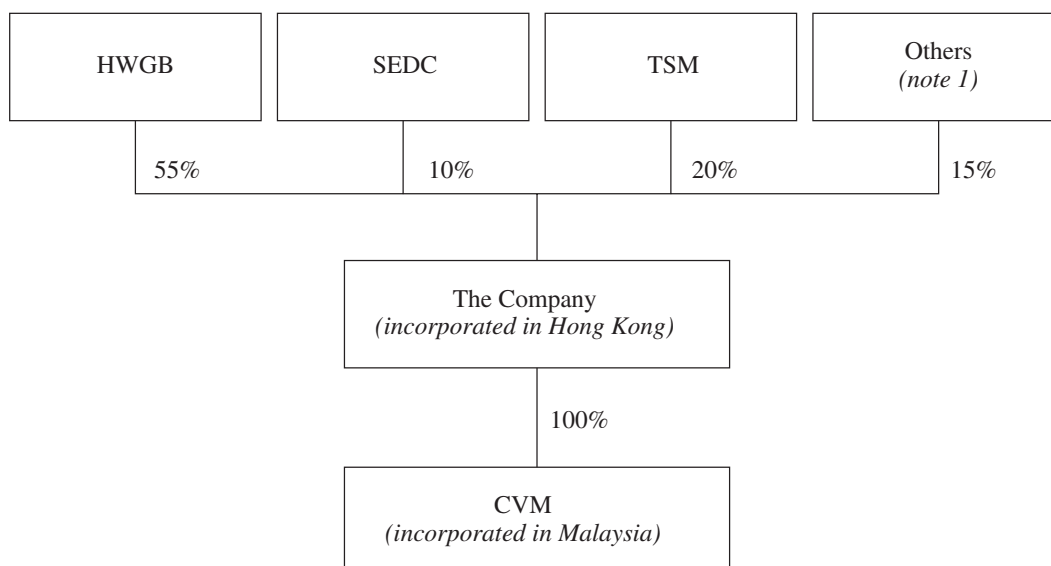
Prior to the Share Offer, the Reorganisation was effected to transfer the shares in CVM, which operates the magnesium business, to us, in preparation for the Listing.

Details of the Reorganisation steps are set out in the section headed “Share swap” in Appendix VII to this prospectus. In summary, the Reorganisation steps were as follows:

- we were incorporated under the laws of Hong Kong on 9th November, 2007
- on 14th October, 2008, we acquired from HWGB, TSM, SEDC, Dato’ Kho, MKW Jaya and ZDSB the entire issued and fully paid-up share capital of CVM, a company incorporated in Malaysia with direct interests in the Mining Right and the Perak Magnesium Smelter, for a total purchase consideration based on the audited net asset value of CVM of HK\$67,750,000 as at 31st December, 2007, satisfied via an issuance of the Shares in equal proportion of their respective shareholdings in CVM.

Set out below is the corporate structure of the Group immediately prior to and after the Share Offer:

Corporate structure of the Group immediately prior to the Share Offer

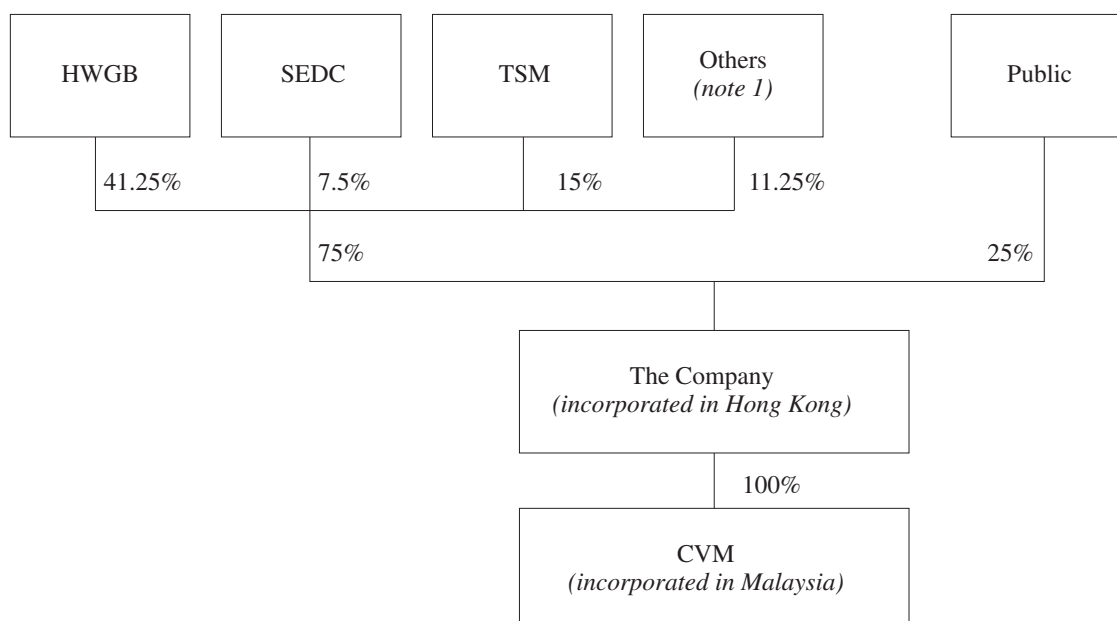


Note:

1. The other shareholders comprise: Dato’ Kho, MKW Jaya and ZDSB who each held 5% of the entire issued and fully paid-up share capital of the Company immediately prior to the Share Offer.

HISTORY AND CORPORATE STRUCTURE

Corporate structure of the Group immediately after the Share Offer (assuming the Over-allotment Option is not exercised)



Note:

- The other shareholders comprise: Dato' Kho, MKW Jaya and ZDSB who will each hold 3.75% of the entire issued and fully paid-up share capital of the Company immediately after the Share Offer (assuming the Over-allotment Option is not exercised).