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We operate in the State of Perak in Malaysia and aim to become the first primary magnesium producer in the South East Asia. We have successfully acquired the Mining Right to extract dolomitic limestone from the Dolomite Hills for a term of 20 years with an option to renew for a further period of 10 years. We are also in the process of constructing the Perak Magnesium Smelter on completion of which we will be able to smelt and process the dolomitic limestone extracted from the Dolomite Hills into magnesium metal in ingot form.

According to UKM, the dolomitic reserves in the Dolomite Hills are capable of supplying a total of approximately 20,005,480 tonnes of dolomite for the Perak Magnesium Smelter for approximately 58 years with an estimated annual production capacity of 30,000 tonnes of magnesium ingots (or approximately 116 years with an estimated annual production capacity of 15,000 tonnes of magnesium ingots). We also secured the Old CVM Project Finance Loan as substituted by the New CVM Project Finance Loan and purchased the Smelter Land on which we are constructing the first production line of the Perak Magnesium Smelter, which will have an estimated annual production capacity of 15,000 tonnes of magnesium ingots and is expected to be completed and operational in or about April 2009. As at the Latest Practicable Date, we have commenced small-scale dolomite quarrying activities on the south hill of the Dolomite Hills. We are in a position readily to increase our dolomite quarrying prior to the completion of the construction of the Perak Magnesium Smelter.

We believe we have the directors and senior management with the requisite blend of experience and expertise necessary to bring the CVM Project to commercial production. Upon the commercialisation of the CVM Project, the Perak Magnesium Smelter will be the first of its kind in Malaysia.

Our management team comprises, principally, three executive Directors and three senior managers, whom we believe possess the required level of experience. It derives, in some cases, from many years' of involvement in the magnesium production business, aside from participation in the CVM Project, and, in other cases, from the various elements of the CVM Project itself, which has been pursued for more than three years, and supplemented by other experience and activities which we consider to be directly relevant to the successful implementation and commercialisation of large-scale, resource-driven projects such as the CVM Project. The three executive Directors are Mr. Chong Wee Chong, our Chief Executive Officer, Mr. Gao Qi Fu, our executive Director for Mining and Exploration, and Mr. Lim Ooi Hong, our executive Director for Special Projects. The three senior managers are 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. Please refer to the detailed biographies of Mr. Chong, Mr. Gao, Mr. Lim, Mr. Zhou, Mr. Wen and Mr. Ha in the section headed "Directors and Senior Management" in this prospectus.

In light of the experience of our Directors and senior management, we applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the profits and other requirements relating to qualifications for Listing under Rule 8.05 of the Listing Rules in accordance with Rule 18.03 of the Listing Rules. Details of the waiver from compliance with Rule 8.05 of the Listing Rules are set out in the section headed "Waiver from Strict Compliance with the Listing Rules" in this prospectus.

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COMPETITIVE STRENGTHS

We believe that our potential for successful business development is primarily due to a combination of the following strengths:

- **We have a strong and experienced management team**

Our Directors and senior management have relevant experience derived from previous direct involvement in both our operations and other mineral, natural resources or infrastructure projects, including the setting-up of new magnesium smelting plants in the PRC. Among our Board and senior management, we have members who have extensive mining experience and, management expertise. Some members of our management team are familiar with the local operating environment in Malaysia and have experience in managing public listed companies. Some of them have extensive experience in the magnesium industry in the PRC. We believe that we will be able to retain our Directors and senior management staff with, amongst other things, competitive remuneration packages, a good working environment and a continuous training programme. Details of the experience of our Directors and our management team are set out in the section headed “Directors and Senior Management” in this prospectus.

- **We are able to benefit economically from a large magnesium reserve**

Our Group will be engaged in upstream magnesium mining activities and the production of magnesium ingots. Based on the estimation of UKM, the Dolomite Hills have total dolomite reserves of approximately 20,005,480 tonnes (including the underground reserves). According to the NERI Report, the Dolomite Hills are capable of supplying sufficient dolomite to the Perak Magnesium Smelter for the purpose of manufacturing magnesium ingots with an estimated annual production capacity of 30,000 tonnes for approximately 58 years (or approximately 116 years with an estimated annual production capacity of 15,000 tonnes of magnesium ingots).

Having direct access to the magnesium reserve ensures that we will have a stable supply of primary magnesium. We will also be in a better position to control our production costs and to react promptly to our prospective customers’ needs with a view to maximising our profitability after the commencement of operations of the Perak Magnesium Smelter.

- **We are committed to the long term success of the CVM Project**

CVM has made a substantial investment in the CVM Project totalling approximately HK\$207.9 million up to 30th September, 2008. Save for the repayment of the New CVM Project Finance Loan to Bank Rakyat and the secondary finance to KFHMB and the payment of the minimum amount of royalties of RM30,000 (equivalent to approximately HK\$67,797) per month to HPC for the duration of the Mining Agreement, our Directors believe that we will not have any material commitments after the 24 month period from the date of this prospectus in relation to the first production line of the Perak Magnesium Smelter. Please refer to the detailed breakdown of historical and planned future capital expenditure in the

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section headed “Financial Information” in this prospectus for further details of our capital expenditure. We are committed to achieving full operations and generating profits at the earliest opportunity. To this end, we have already secured financial support from Bank Rakyat and KFHMB by virtue of the New CVM Project Finance Loan and the secondary finance facilities respectively to finance the construction of the Perak Magnesium Smelter and appointed professional contractors and consultants to oversee the construction of infrastructure and the logistics support systems of the Perak Magnesium Smelter. Our principal Shareholders and management team are determined to turn the Group into a leading and prominent magnesium producer in South East Asia.

- **We have established business relationships with prospective customers of good standing**

We have already signed off-take agreements for a substantial quantity of magnesium ingots with five different entities in the steel alloy industry and other industries, some of which are well-known publicly listed corporations. There is no fixed expiry date for our supply of magnesium ingots under most of these off-take agreements and they are intended to remain valid for as long as we continue to do business with these prospective customers. This should ensure a steady demand for our products after the Perak Magnesium Smelter becomes fully operational. Should we secure business from additional prospective customers in the near future, we believe we have the capacity and resources to expand the size of the Perak Magnesium Smelter by constructing the second production line with an estimated annual production capacity of magnesium ingots of a further 15,000 tonnes to cater for potential growth of demand from our prospective customers.

- **The local economic policies are favourable to us**

Manufacturing of non-ferrous metals, such as primary ingots, is a promoted activity and product currently encouraged by the Malaysian government through MIDA. On 11th December, 2007, CVM was approved by MIDA for special incentives, which exempted CVM from statutory income tax pursuant to the Malaysian Income Tax (Exemption) (No. 11) Order 2006 for manufacturing of magnesium ingots and magnesium alloy for a period of 10 years commencing from a date to be determined by MITI, subject to certain conditions set out in the section headed “Financial Information” in this prospectus. Accordingly, the local economic policies of the federal government of Malaysia are currently supportive of the development of the manufacturing of magnesium ingots. The CVM Project is also expected to attract local and foreign technicians and bring more employment opportunities to the local workforce. We believe that the CVM Project will contribute to the social and economic development in Malaysia, especially in the State of Perak.

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RESERVES

Magnesium reserves are found in the Dolomite Hills. They comprised a fine grain of dolomite with a whitish to grey colour. The rock texture and colour is uniform throughout the hill formation. The Dolomite Hills comprise a south hill and a north hill. The south hill is a continuous north-south hilly area, about 750m in length, and ranging from 20m to 50m in height. The north hill is an isolated hill, situated about 450m to the north of the south hill. The height of the north hill ranges from 20m to approximately 80m.

Dolomite is a formation of limestone which contains magnesium mineral. It can be processed into pure magnesium metal by virtue of the Pidgeon Process.

Our magnesium reserve in the Dolomite Hills is determined by multiplying the total amount of dolomite limestone in tonnage by the grade (in weight percentages) of magnesium in the limestone. The UKM Report suggests that there are approximately 14,463,824 tonnes of dolomite limestone in the south hill and approximately 5,541,656 tonnes in the north hill, including the underground reserves. NERI estimates that the Dolomite Hills are capable of supplying sufficient dolomite to the Perak Magnesium Smelter for the purpose of manufacturing magnesium ingots with an estimated annual production capacity of 30,000 tonnes for approximately 58 years, which is calculated as follows:

Total dolomite tonnage (1):	20,005,480 tonnes	<i>Please refer to page IV-80 of this prospectus</i>
Conversion rate (2):	11.5	<i>Please refer to page V-10 of this prospectus</i>
Magnesium tonnage (3):	1,739,607 tonnes	<i>(1) / (2)</i>
Duration of dolomite reserves (based on two production lines with an estimated annual production capacity of 15,000 tonnes of magnesium ingots per year each):	(approximately) 58 years	<i>(3) / 30,000</i>

Please refer to the UKM Report set out in Appendix IV to this prospectus for, amongst other things, methodology and basis of the calculation of our estimated reserves adopted by UKM. In estimating the amount of our dolomitic reserves, UKM has determined the quality of deposits after taking into account the MgO weight percentages of the samples taken from the Dolomite Hills. The average weight percentages of MgO for the south hill are 19.17% for above ground and 18.59% for below ground. As for the north hill, they are 20.06% for above ground and 19.10% for below ground. NERI is of the view that such MgO weight percentages are suitable for the purpose of the production of magnesium ingots at the Perak Magnesium Smelter using the Pidgeon Process.

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The map on page 171 of this prospectus shows the location of the Dolomite Land in Perak.

The Dolomite Hills are shown in the photographs below:



The southerly Dolomite Hill



The northerly Dolomite Hill

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MINING RIGHT

On 15th June, 2006, HPC and CVM entered into the Mining Agreement, under which HPC granted to CVM an exclusive right to mine and extract both aboveground and underground reserves from the Dolomite Land subject to the terms and conditions of the Mining Agreement.

The duration of the Mining Agreement is 20 years from the date on which CVM commences operation in the Dolomite Land, which is expected to be shortly after the completion of the construction of the Perak Magnesium Smelter, with an option to renew for a further period of 10 years. 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.

Pursuant to the Mining Agreement, CVM undertakes to HPC to mine and extract an amount of not less than 15,000 tonnes of dolomite from the Dolomite Land every month for the duration of the Mining Agreement. If, amongst other things, CVM fails to observe or perform its obligations and undertaking provided under the Mining Agreement or breach any of its obligations under the Mining Agreement and such breach is not remedied within 45 days from receipt by CVM of a notice in writing from HPC stating the breach and requiring remedy thereof, HPC may take such action as may be available at law to enforce specific performance of the Mining Agreement against CVM or HPC may terminate the Mining Agreement by giving a written notice to that effect to CVM and the Mining Agreement shall become null and void and neither party shall have any claims against the other. Specific performance is an equitable remedy awarded by the court for breach of contract when monetary damages are inadequate, such as to require CVM to perform a specific act being an agreed obligation of CVM under the Mining Agreement which has been breached. Such agreed obligations under the Mining Agreement include but not limited to CVM's undertaking to mine and extract an amount of not less than 15,000 tonnes of dolomite from the Dolomite Land every month for the duration of the Mining Agreement, the payment of the agreed sums as disclosed below and CVM carrying out or causing to be carried out all the works stipulated in the Mining Agreement in a safe, skilful, efficient, diligent and workmanlike manner.

In consideration of HPC agreeing to grant the Mining Right to CVM for the purpose of mining and extracting the dolomite from the Dolomite Land, CVM agrees to pay to HPC a royalty payment of RM2 (equivalent to approximately HK\$4.5) per metric tonne of dolomite mined and extracted from the Dolomite Land on a monthly basis, subject to a minimum monthly payment of RM30,000 (equivalent to approximately HK\$67,797) based on a minimum quantity of 15,000 tonnes of dolomite to be extracted by CVM. Such an agreed sum of RM2 (equivalent to approximately HK\$4.5) per tonne shall be reviewed every five years between CVM and HPC. The reviewed price shall not be less than the current price of RM2 (equivalent to approximately HK\$4.5) provided that the increase shall not be less than 5% and not exceeding 10% of the price. The percentage of increase shall depend on the average cost of magnesium in the London Metal

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Exchange within the 5 years period. Pursuant to two letters dated 10th December, 2007 and 12th September, 2008 issued by HPC to CVM, HPC agreed to CVM's proposal to reduce the minimum monthly payment from RM30,000 (equivalent to approximately HK\$67,797) to RM15,000 (equivalent to approximately HK\$33,898) until the full operation of the mining and extraction of dolomite in March 2009. Accordingly, for the five months ended 31st May, 2008, we have paid royalty fees amounting to approximately HK\$182,142 to HPC in respect of the minimum monthly payment of RM15,000 (equivalent to approximately HK\$33,898) for the dolomite mined and extracted by us from the Dolomite Land during the period.

The total future minimum royalties payable under the Mining Agreement therefore amounts to RM7,200,000 (equivalent to approximately HK\$16.3 million).

Under the Mining Agreement, CVM shall pay and bear all expenses incurred and, or to be incurred in respect of the operation of mining and extracting the dolomite from the Dolomite Land, including all levies or fees such as the dockets charged and fines or penalties howsoever imposed by the relevant land office or land and mines department for and arising out of the extraction and removal and transportation of the dolomite. CVM is also responsible to pay the yearly quit rent to be incurred on the Dolomite Land during the duration of the Mining Agreement and pay on behalf of HPC the premium to be incurred for the Dolomite Land, which sum is to be deducted from the subsequent monthly payment for the dolomite mined and extracted due and payable by CVM. CVM agrees that HPC shall be entitled to appoint a representative to monitor the operation of the mining and extraction of dolomite from the Dolomite Land and CVM agrees to pay to HPC a sum of not more than RM750 (equivalent to approximately HK\$1,695) only per month as allowances for the representative.

CVM is required to, amongst other things:

- ensure the operator appointed by CVM to carry out the mining and extraction of dolomite from the Dolomite Land shall have obtained all necessary licenses, consents and approvals and complied with all relevant laws and regulations;
- carry out all works stipulated under the Mining Agreement in a safe, skillful, efficient, diligent and workmanlike manner using all proper precautions in quarrying activities, to ensure the safety of the quarry, to take such due and proper precautions during operation of the quarry, to give due considerations to the safety of the public and persons involved in the works and shall indemnify HPC for all costs, expenses, compensation, claims, loss, actions and damages howsoever arising in respect thereto;
- provide measures for dumping of materials and necessary controls or protective measures relating to noise, fumes or dust particles during the operation of the quarry;
- take all precautions to prevent any nuisance, inconvenience, damage, injury or loss to be the owners, tenants and, or occupiers of any adjoining or neighbouring land and to the public generally;

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- liaise and obtain the consent of HPC in all matters pertaining to the development of the quarry other than quarrying activities and shall be responsible for all fees and costs incurred by any consultants in the preparation of the development plans for the quarry; and
- use the dolomite solely for the purpose of the Perak Magnesium Plant.

In addition, if there is no dolomite found on the Dolomite Land or the amount of the dolomite on the Dolomite Land is insufficient to satisfy our production requirement for the duration of the Mining Agreement, CVM may terminate the Mining Agreement by giving one month written notice to HPC and CVM shall within two months thereafter vacate the Dolomite Land.

Ben & Partners are of the view that CVM has the legal rights to mine and extract the dolomite from the Dolomite Land and is entitled to sell the dolomite and retain the proceeds from the sale.

MINING AND QUARRYING

The Dolomite Land for mining has been identified and all necessary licences, permits and approvals for carrying out quarrying activities have been obtained by CVM, and, or the Quarry Contractor as at the Latest Practicable Date save for the specific licence for the use of explosives which is needed each time blasting activities are conducted.

Details of licenses, permits and approvals we have obtained for the purpose of carrying out the mining activities in the Dolomite Land and key measures taken by us to ensure compliance by our Group and our contractors including the Quarry Contractor are set out in the sections headed “Regulation of our Industry” and “Business — Licenses” respectively in this prospectus.

As the Dolomite Hills are rock formations above ground, as validated by both UKM and NERI, the appropriate mining method is quarrying. The appropriate approved explosives are used to loosen up and crack the rock. These rock are then normally excavated and loaded on a conveyor belt to a crusher which will crush the rock into smaller sizes. The smaller rock is then moved onto another conveyor belt to be crushed into even smaller pieces, appropriate to be fed into the Perak Magnesium Smelter. The appropriate size is 10 to 30 mm each in terms of height, length and width. These rock will then be transported by road to the Perak Magnesium Smelter. The Directors are of the view that the quarrying process at the Dolomite Land is a relatively simple process compared to mining and exploitation activities involving other minerals such as oil, gas and gold.

We have commenced small-scale quarrying activities on the south hill of the Dolomite Hills since August 2008 to stock-pile sufficient dolomite for our Perak Magnesium Smelter upon its completion of construction. We will only commence excavation on a commercial scale after the completion of the Perak Magnesium Smelter as there is no commercial merit in building up and storing a large inventory of dolomite raw material.

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As at the Latest Practicable Date, CVM has not engaged in exploration activities of dolomite mines other than at the Dolomite Hills.

We have, as a commercial matter, chosen to subcontract the quarrying activities in respect of the Dolomite Hills to the Quarry Contractor.

Quarry Contractor

On 16th October, 2006, CVM entered into a dolomite mining and extraction agreement with the Quarry Contractor to carry out quarrying activities on the Dolomite Land. The agreement is valid for a period of 5 years from the date of notice of commencement of work to be issued by CVM, which is expected to be shortly after the completion of the construction of the Perak Magnesium Smelter, and CVM shall have an option to renew this agreement for a further period of 5 years upon the terms and conditions to be agreed between the parties. Under the agreement, the Quarry Contractor agreed to mine, extract and remove not less than 15,000 tonnes of dolomite from the Dolomite Land every month and thereafter deliver the dolomite to the Perak Magnesium Smelter during the term of the agreement. Any deferment or reschedule of the quantity of dolomite to be delivered in the following year shall be subject to CVM's written notice to the Quarry Contractor not less than 3 months before the end of a year, provided that there is sufficient dolomite on the Dolomite Land to extract the minimum quantity of 15,000 tonnes. The Quarry Contractor will charge us an agreed fee of RM30.50 (equivalent to approximately HK\$68.9) per tonne of dolomite mined, extracted, removed and delivered by it, inclusive of the costs of delivery.

CVM is also liable to bear and pay for all taxes, duties or other governmental fees and charges which may be imposed by the government applicable for the mining, extraction, removal and delivery of the dolomite. In addition, if there is a variation in the price of diesel based on the official release from the Statistic Department of Malaysia, the Quarry Contractor shall be entitled to an additional claim for the variation of not exceeding 10% per centum of the existing price. CVM and the Quarry Contractor will mutually agree of the additional claim if the variation exceeds 10% per centum.

Pursuant to the agreement, the Quarry Contractor is required to supply and deliver to CVM the dolomite which conforms to the specifications required by CVM. Other than CVM's obligation to pay for such dolomite extracted which conforms to specifications, CVM is not responsible to supply any plant, machinery, trucks and explosives to the Quarry Contractor for carrying out quarrying activities on the Dolomite Land. If the dolomite delivered to CVM do not conform to the requirements and specifications of CVM and, or they are mined and extracted from other quarries other than from the Dolomite Land, CVM shall be entitled to reject the dolomite delivered to CVM. Such rejected dolomite which is extracted from the Dolomite Land shall remain the property of CVM and be returned to the Dolomite Land while the other rejected dolomite not extracted from the Dolomite Land shall be immediately removed by the Quarry Contractor from the Perak Magnesium Smelter. A copy of the test result of the sampling and analyses shall be

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forwarded to the Quarry Contractor within 14 days of the test being carried out. If there is a significant discrepancy between the analysed results and the specifications and, or the actual weight and the weight stated in the invoices, CVM shall give the Quarry Contractor a written notice of the discrepancy and both parties shall within 30 days from the date of the Quarry Contractor receiving the notice meet to resolve the discrepancy. All payments due to the Quarry Contractor for such invoices shall be withheld by CVM pending the resolution of the discrepancy.

The Quarry Contractor is also required to obtain and provide all relevant documents, approvals, licences for the mining, extraction, removal and delivery of the dolomite to CVM, failing which the Quarry Contractor shall be liable to CVM for all direct and, or indirect costs, losses, damages, charges and expenses which may be suffered or incurred by CVM as a consequence thereof. The Quarry Contractor shall also indemnify and keep CVM indemnified against all costs, losses, damages, claims or liability which CVM may suffer or incur in connection with or in the course of delivery of the dolomite to CVM. As at the Latest Practicable Date, the Quarry Contractor has obtained the written approval from the Land Administrator of Perak for carrying out quarry work on the Dolomite Hills and the permit to extract, remove and transport rock material pursuant to the National Land Code and the approval from the Land Administrator of Perak and the approval in principal 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 used for a particular day, can only be obtained on the day when the explosives are used which is the day blasting activities are conducted.

If for any reason whatsoever the Quarry Contractor fails to deliver any shipment of the dolomite to CVM in accordance with the agreement, CVM may elect to either (i) accept an offer from the Quarry Contractor made within 3 business days from such failure, to deliver to CVM a quantity of the dolomite similar to that which it has failed to deliver, from an alternative source, at a different time or otherwise under alternative arrangement; or (ii) if the Quarry Contractor fails to make such an offer within the stipulated time or if the offer is made within the stipulated time but the terms of the offer are not acceptable to CVM, then CVM may obtain dolomite from another source and the Quarry Contractor shall be liable to bear the costs and expenses incurred by CVM in obtaining the same.

Save for the right to terminate the agreement by either parties in the events of default including any breach of the agreement or insolvency events, there is no other provision in the agreement which provides for an early termination the agreement with prior written notice.

So far as is known to the Directors, the Quarry Contractor was established on 23rd August, 1989 and is an Independent Third Party, and the main business of the Quarry Contractor is to operate as a quarry contractor. The Quarry Contractor has been engaged in quarrying works for housing project and quarrying and marketing of limestone. It has also been involved in quarrying projects such as backhoe excavator operator in tin mining, hiring of excavators and tractors, and trading in mining sand and aggregate stone.

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So far as is known to the Directors, the Quarry Contractor is owned by Ong Ee Seng, Ong Jit Seng and Ong Eng Seng as to 33.33% each. Ong Ee Seng, Ong Jit Seng and Ong Eng Seng are the directors of the Quarry Contractor and Independent Third Parties.

The Quarry Contractor is familiar with the dolomite hills of Perak, as it has been involved in the quarrying of a dolomite hill adjacent to the Dolomite Hills for other purposes, such as for glass manufacturers and for agricultural uses, for more than 10 years.

We intend to leverage the skills and expertise of the Quarry Contractor to ensure that the mining operations are carried out in accordance with sound safety standards and to a high level of environmental compliance. As part of our internal controls on the quarrying activities, our personnel will be stationed at the Dolomite Land to ensure that (i) the dolomitic limestones are properly quarried and processed to the required sizes by the Quarry Contractor; (ii) the limestones are appropriately separated from other stones of different sizes, by-products or waste products; (iii) the Quarry Contractor stores the dolomitic limestones properly; and (iv) the Quarry Contractor transports the dolomitic limestones to the Perak Magnesium Smelter for further processing in a timely manner.

FINANCING OF THE CVM PROJECT

In order to finance the development of the CVM Project, CVM obtained the Old CVM Project Finance Loan from BPMB on 20th September, 2006 and the secondary finance from KFHMB on 3rd July, 2008. On 22nd September, 2008, the New CVM Project Finance Loan from Bank Rakyat was obtained to replace the Old CVM Project Finance Loan. The following are summaries of the major terms of the Old CVM Project Finance Loan, the New CVM Project Finance Loan and the secondary finance provided by KFHMB:

Major terms of the Old CVM Project Finance Loan and the New CVM Project Finance Loan

	The Old CVM Project Finance Loan	The New CVM Project Finance Loan
Purpose of the loan	Tranche 1 To guarantee payment to the secondary creditor, KFHMB, for the construction and purchase of equipment for the CVM Project as stipulated in the EPC Contract	Facility A Bank guarantee-i facility (“BG-i”) convertible to term financing-i facility (“TF-i 1”) to guarantee the payment to the secondary creditor, KFHMB, for the construction and purchase of equipment for the development of CVM Project as stipulated in the EPC Contract

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	The Old CVM Project Finance Loan	The New CVM Project Finance Loan
	<p>Tranche 2</p> <p>To part finance the purchase of the Smelter Land, the construction of site infrastructure and soil improvement works</p>	<p>Facility B</p> <p>Term financing-i facility (“TF-i 2”) to redeem the existing tranche 2 of the Old CVM Project Finance Loan for the acquisition of the Smelter Land, the construction of site infrastructure and soil improvement works and to finance the balance of site infrastructure and soil improvement works for the CVM Project</p>
Borrower	CVM	CVM
Lender	BPMB	Bank Rakyat
Loan amount	<p>RM 142 million (equivalent to approximately HK\$320.9 million), comprising:</p> <ul style="list-style-type: none"> Tranche 1: a bank guarantee facility, convertible into a term loan facility, of RM115 million (equivalent to approximately HK\$259.9 million) Tranche 2: a term loan facility of RM27 million (equivalent to approximately HK\$61.0 million) 	<p>RM 147 million (equivalent to approximately HK\$332.2 million), comprising:</p> <ul style="list-style-type: none"> Facility A: BG-i of RM115 million (equivalent to approximately HK\$259.9 million) convertible to TF-i 1 of up to RM117.8 million (equivalent to approximately HK\$266.2 million) which is inclusive of the capitalised bank guarantee fees Facility B: TF-i 2 of RM32 million (equivalent to approximately HK\$72.3 million)
Types of facilities	<p>Tranche 1: Bank guarantee facility convertible into a term loan</p> <p>Tranche 2: Term loan facility</p>	<p>Facility A: Bank guarantee facility convertible into a term loan</p> <p>Facility B: Term loan facility</p>

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	The Old CVM Project Finance Loan	The New CVM Project Finance Loan
Tenure	<p>The tenure of the bank guarantee of tranche 1 shall be valid for up to 27 months from the date of issuance and the tenure of tranche 1 (after the conversion from bank guarantee) shall be 10 years from the conversion date of the bank guarantee (“Conversion Date”)</p> <p>The tenure of the tranche 2 shall be up to 10 years from the date of the first drawing, inclusive of the grace period of 24 months</p>	<p>The tenure of BG-i shall be valid for up to 24 months from the date of issuance and the tenure of facility A (after the conversion from bank guarantee) shall be 10 years from the conversion date of BG-i (the “Conversion Date”).</p> <p>The tenure of facility B shall be up to 10 years from the first disbursement date, inclusive of the grace period of 12 months</p>
Interest rate (<i>the Old CVM Project Finance Loan</i>)/ Profit (<i>the New CVM Project Finance Loan</i>)	<p>Tranche 1 (after the conversion from bank guarantee) and tranche 2 will be subject to an interest rate of 2.0% per annum above the effective cost of funds, which is effectively 8.25% per annum</p>	<p>Facility A (after conversion from BG-i) and facility B will be subject to a profit margin which is the difference between the selling price of the “identified assets” (for facility A) or “specified assets” (for facility B) payable by CVM and the purchase price of the “identified assets” (for facility A) or “specified assets” (for facility B) from Bank Rakyat. The profit earned by Bank Rakyat provides an internal rate of return of 8.50% per annum</p>
Other major fees	<p>CVM shall pay a processing fee of 0.20% of the facilities (amounting to RM284,000 or approximately HK\$641,808) upon acceptance of the letter of offer</p> <p>CVM shall pay a bank guarantee fee of 1.0% per annum on the principal amount of the bank guarantee issued under tranche 1</p>	<p>CVM shall pay a processing fee of 0.125% of the facilities (amounting to RM187,221 or approximately HK\$423,098) upon acceptance of the letter of offer</p> <p>In respect of facility A, CVM shall pay a bank guarantee fee of 1.2% per annum on the principal amount of BG-i</p>

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	The Old CVM Project Finance Loan	The New CVM Project Finance Loan
Principal Repayment terms	Tranche 1 shall be repaid quarterly commencing on the third month from the Conversion Date, in 40 equal instalments. Tranche 2 shall be repaid quarterly commencing on the 27th month from the date of first drawdown, in 32 equal instalments	TF-i 1 should be repaid by 120 monthly instalments commencing from the first month from the Conversion Date to the end of the tenure. Facility B shall be repaid by 108 monthly instalments commencing after the grace period of 12 months from the first disbursement date which is the date of the first drawdown of facility B
Financial covenants	N/A	<p>There are financial covenants which include, but are not limited to:</p> <p>FSCR:</p> <ul style="list-style-type: none"> • CVM shall ensure that this shall not be less than 1.50 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 • Should CVM decide to declare any dividends, CVM shall ensure that the FSCR (pre and post dividends) on a consolidated group basis shall not be less than 1.50 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

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The Old CVM Project Finance Loan

The New CVM Project Finance Loan

- Should the FSCR (pre and post dividends) on a consolidated group basis exceed 5.0 times, CVM shall use the available cash flow for early principal repayment of at least 6 months over and above the monthly instalments
- In the event the FSCR does not meet the specified requirement, CVM shall get Bank Rakyat's prior consent before declaring any dividends

Guarantor

HWGB

Prior to the Listing —
Corporate guarantee from HWGB and the Company

Upon Listing —
Corporate guarantee from the Company only. HWGB's corporate guarantee will be discharged

BUSINESS

	The Old CVM Project Finance Loan	The New CVM Project Finance Loan
Security	<p>The security documents cover the following:</p> <ul style="list-style-type: none"> • the Old Facility Agreement • assignment of the Smelter Land • the deed of assignment of all CVM's rights, entitlement and interest in and to all building contracts, design drawing and other contracts pertaining to the CVM Project • the deed of debenture • the corporate guarantee of HWGB • the deed of assignment of all CVM's rights, interests, benefits and proceeds in and to the performance bonds/completion guarantees in connection with the CVM Project • the deed of assignment of all CVM's rights, benefit and interests under insurances undertaken by CVM as part of its operations for the CVM Project • the deed of assignment of all off take proceeds of CVM 	<p>The security documents cover the following:</p> <ul style="list-style-type: none"> • the New Facility Agreement • the first party first fixed legal charge • the corporate guarantee of HWGB • the corporate guarantee of the Company • the deed of debenture • the deed of assignment of all CVM's rights, entitlement and interest in and to all building contracts, design drawing and other contracts pertaining to the CVM Project • the deed of assignment of all CVM's rights, benefit and interests under insurances undertaken by CVM as part of its operations for the CVM Project • the deed of assignment of all off take proceeds of CVM • the Deed of Assignment over the revenue account and monies standing to the credit of the revenue account, in favour of Bank Rakyat

BUSINESS

Major terms of the secondary finance of KFHMB

Purpose of the secondary finance of KFHMB

1. For issuing letters of credit (“LC”) to facilitate the purchase of equipment and machinery that are required for the setting up of the Perak Magnesium Smelter, pursuant to the credit facilities called Wakalah Letter of Credit-I Facility (“WLC”) and Murabahah Letter of Credit-I Facility (“MLC”)
2. For issuance of shipping guarantee to facilitate clearance of goods/equipment/machinery pending receipt of original transport documents drawn under WLC and MLC
3. To settle the WLC/MLC which is due for payment on the maturity of the LC, pending receipt of funds from Bank Rakyat for the liquidation of BG-i (“MTQ1”)
4. To facilitate the payment of the civil structure, mechanical and engineering works by the contractors for the CVM Project (“MTQ2”)
5. To book forward USD rate of LC (“Forex Line”)

Borrower

CVM

Lender

KFHMB

BUSINESS

Loan amount RM115.6 million (equivalent to approximately HK\$261.2 million) consisting of:

		Approximate HK\$
Credit Facilities	Amount (RM)	equivalent
a WLC/MLC	78,000,000#	176,271,186#
b Shipping Guarantee	78,000,000#	176,271,186#
c MTQ 1	78,000,000#	176,271,186#
d MTQ 2	22,000,000	49,717,514
e Forex Line	<u>15,600,000</u>	<u>35,254,237</u>
	<u>115,600,000</u>	<u>261,242,938</u>

Facility a, b and c are interchangeable up to a maximum limit of RM78,000,000 (equivalent to approximately HK\$176.3 million) at any one time

Types of facilities Letters of credit, shipping guarantee, term loan and forex line

Tenure

WLC/MLC
Each LC shall have a validity period of up to 24 months calculated from the date of first issuance of the LC

Shipping Guarantee
A maximum of 6 months from the date of issuance

MTQ 1 and MTQ 2
Shall be available to CVM for a period of 24 months calculated from the date of the first purchase transaction

Forex Line
Revolving subject to annual review

Profit/Commission

WLC/MLC
0.1% per month or part thereof calculated on the amount of the LC with minimum charges of RM100 (equivalent to approximately HK\$226) for each issuance

Shipping Guarantee
To be determined on drawdown date

BUSINESS

MTQ 1 and MTQ 2

Subject to a profit margin which is the difference between the selling price payable by CVM and the purchase price from KFHMB. The profit earned by KFHMB shall be the amount of 2% per annum above KFHMB's bank financing rate, which is effectively 8.75% as at the Latest Practicable Date

Based on the secondary finance facility agreement, the selling price and the purchase price refer to those of the shariah compliant goods and commodities which are acceptable to KFHMB.

Other major fees

CVM shall pay a structuring fee of RM1,150,000 (equivalent to approximately HK\$2.6 million) upon acceptance of the letter of offer

Repayment terms

The repayment of MTQ 1 and MTQ2 shall be made in full upon liquidation by KFHMB of BG-i (which will occur upon fulfillment of the bank guarantee conditions when the construction of the Perak Magnesium Smelter is expected to be completed in or about March 2009).

Financial covenants

N/A

Guarantor

The Company

Security

The security documents cover the following:

- Facility agreements
- Bank guarantee of RM115 million (equivalent to approximately HK\$259.9 million) from Bank Rakyat
- Corporate guarantee of RM115.6 million (equivalent to approximately HK\$261.2 million) from the Company
- General investment account of RM1,500,000 (equivalent to approximately HK\$3.4 million) from the Company
- Memorandum of deposit cum letter of set off
- Deed of negative pledge
- Letters of undertakings

BUSINESS

The financing of the CVM Project pursuant to the Old CVM Project Finance, the secondary finance of KFHMB and the New CVM Project Finance Loan is explained in detail in the paragraphs below.

The Old CVM Project Finance Loan

To finance the construction of the Perak Magnesium Smelter on the Smelter Land and related business activities contemplated under the CVM Project, including non-EPC site infrastructure, soil improvement works, the purchase of equipment and other incidental costs, on 20th September, 2006, CVM and BPMB entered into the Old Facility Agreement under which CVM secured the Old CVM Project Finance Loan from BPMB for a total amount of RM142 million (equivalent to approximately HK\$320.9 million), which comprised tranche 1 and tranche 2 facilities set out in the above summary of major terms of the Old CVM Project Finance Loan. A guarantee fee is payable upfront prior to the issuance of the bank guarantee, at 1.0% per annum on the principal amount of the bank guarantee issued under tranche 1 of the Old CVM Project Finance Loan. The term loan facility for both the tranche 1 (after the conversion from bank guarantee) and tranche 2 will be subject to an interest rate of 2.0% per annum above the ECOF, which is effectively 8.25% per annum.

Up to 26th September, 2008 when the Old CVM Project Finance Loan was redeemed and refinanced by the New CVM Project Finance Loan referred to below, we had drawn down approximately RM26.6 million (equivalent to approximately HK\$60.1 million) of the tranche 2 facility, which has been applied towards the purchase of the Smelter Land, perimeter security fencing, soil improvement works and infrastructure works of the Perak Magnesium Smelter.

Secondary finance provided by KFHMB

In addition, on 3rd July, 2008, CVM obtained the secondary finance facilities totalling RM115.6 million (equivalent to approximately HK\$261.2 million) from KFHMB. The secondary finance facilities comprise LC credit facilities of RM78 million (equivalent to approximately HK\$176.3 million), shipping guarantee facilities of RM78 million (equivalent to approximately HK\$176.3 million), MTQ1 facilities of RM78 million (equivalent to approximately HK\$176.3 million), MTQ2 facilities of RM22 million (equivalent to approximately HK\$49.7 million) and a foreign exchange facility of RM15.6 million (equivalent to approximately HK\$35.3 million). As shown in the above summary of major terms of the secondary finance of KFHMB, the LC facilities, shipping guarantee facilities and MTQ1 facilities are interchangeable and drawdown of these facilities is limited to a maximum amount of RM78 million (equivalent to approximately HK\$176.3 million) at any one time. The banking facilities under the secondary finance are secured by, amongst other things, a corporate guarantee by the Company in favour of KFHMB. We are subject to a floating interest rate of 2.0% per annum above the bank financing rate of KFHMB. Pursuant to the master facilities agreement, KFHMB may at any time at its absolute discretion, vary and/or add the terms of the agreement, including but not limited to the profit rate, additional charges, compensation charges, and other charges stated in there, and the amount or form of the facilities granted or to cancel one or more facilities or to create two or more from the secondary facilities.

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The New CVM Project Finance Loan

In contemplation of the Reorganisation and the Listing, on 20th June, 2008, CVM applied to BPMB to seek the bank's approval to the Company being the sole shareholder and holding company of CVM after the Reorganisation, the borrowing by CVM of a short term loan of US\$5 million (equivalent to approximately HK\$39 million) from DBS Bank Ltd. to repay advances from HWGB prior to the Listing and the substitution of HWGB with the Company as the corporate guarantor under the Old CVM Project Finance Loan upon the Listing. On 18th July, 2008, the Company received a letter from BPMB rejecting the Company's application without stating the reasons for the rejection.

To ensure that we have the means to finance the construction of the Perak Magnesium Smelter, on 22nd September, 2008, CVM and Bank Rakyat entered into the New Facility Agreement under which CVM secured the New CVM Project Finance Loan from Bank Rakyat for a total amount of RM147 million (equivalent to approximately HK\$332.2) which comprised facility A and facility B set out in the above summary of major terms of the New CVM Project Finance Loan.

The secondary finance facilities provided by KFHMB remain in place and are secured by, amongst other things, a corporate guarantee by the Company. They were previously also secured by a bank guarantee dated 16th June, 2008 by BPMB, which is replaced by the bank guarantee dated 26th September, 2008 under facility A by Bank Rakyat, of which KFHMB is the beneficiary.

Included in facility A is the sum of RM115 million (equivalent to approximately HK\$259.9 million) which is to guarantee the payment of KFHMB for the construction of the Perak Magnesium Smelter and the purchase of equipment for its development in accordance with the EPC Contract and a sum of up to RM2,776,560 (equivalent to approximately HK\$6.3 million) which is for bank guarantee charges payable by CVM. The bank guarantee charges are converted to form part of the principle of TF-i 1 under facility A.

The purpose of TF-i 2 under facility B is to redeem the Old CVM Project Finance Loan and to partially finance the balance of the site infrastructure and soil improvement work under the CVM Project.

As at the Latest Practicable Date, the Old CVM Project Finance Loan has been fully redeemed and a total amount of approximately RM30.0 million (equivalent to approximately HK\$67.8 million) had been drawn down under facility B of the New CVM Project Finance Loan.

Other key terms

Pursuant to the terms of the New CVM Project Finance Loan, upon the conversion of BG-i into TF-i 1, Bank Rakyat, as a financial guarantor under facility A, shall first sell the "identified assets" (representing the aggregate amount of loan instalments under facility A) to CVM at a "sale price" of RM175,231,295 (equivalent to approximately HK\$396.0 million) on deferred payment terms and immediately thereafter repurchase the "identified assets" from CVM at a "purchase price" of RM117,776,560 (equivalent to approximately HK\$266.2 million), being the facility

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drawdown amount, on cash terms. The difference between the “sale price” and the “purchase price” represents the interest portion of approximately RM57,454,735 (equivalent to approximately HK\$129.8 million) borne by CVM (which is in turn the “profit” of Bank Rakyat in Islamic financing terms). The effective interest rate of facility A is 8.5% per annum.

As regards facility B, Bank Rakyat shall first sell the “specified assets” (representing the aggregate amount of loan instalments under facility B) to CVM at a “sale price” of RM49,794,386 (equivalent to approximately HK\$112.5 million) on deferred payment terms which comprise a purchase price of RM32 million (equivalent to approximately HK\$72.3 million), being the facility drawdown amount, and the interest portion of approximately RM17,794,386 (equivalent to approximately HK\$40.2 million) (i.e. the “profit” of Bank Rakyat). The effective interest rate of facility B is 8.5% per annum.

“Identified assets” and “specified assets” refer to the shares in Angkasaraya Development Sdn Bhd which are legally and beneficially owned by Bank Rakyat to facilitate the transactions contemplated under the New CVM Project Finance Loan. For the purposes of the facilities, Bank Rakyat has identified these assets to be sold to CVM at “higher price” on deferred repayment basis and thereafter immediately repurchased by Bank Rakyat at a “lower price” on cash terms based on the New Facility Agreement. The difference between the “higher price” and the “lower price” would be the capitalised bank charges or “profits” (which, in conventional banking calculation, will equal the bank interest). The sale by Bank Rakyat does not involve a physical transfer of the assets and the repurchase is done immediately upon the sale. The words “higher price”, “lower price” and “profits” are used for the purpose of illustrating the terms and structure of the New CVM Project Finance Loan. It is noteworthy that under Islamic laws, the term “interest” or “riba” is prohibited.

BG-i under facility A is valid for up to twenty four months from the date of issuance and the tenure for TF-i 1 is 10 years from the conversion date of the BG-i. A commission of 1.2% per annum with a minimum tenure of one month is payable on BG-i and capitalised from the issuance date of facility A to the conversion date of every guarantee issued by Bank Rakyat. The bank commission and bank guarantee charges are capitalised such that they are converted upon liquidation of BG-i to form part of the principle loan of RM117,776,560 (equivalent to approximately HK\$266.2 million) under facility A.

TF-i 2 under facility B has a term of 10 years including a grace period of 12 months during which interest will be capitalised by Bank Rakyat.

As security for the New CVM Project Finance Loan, CVM has, amongst other things, created a first fixed legal charge over the land and factory building to be erected on the Smelter Land, assigned the proceeds to be generated from the off-take agreements with its prospective customers, created fixed and floating legal charge over all present and future assets of CVM excluding performance bonds, assigned all rights, entitlement, interest in and to all building contracts, design drawings and other contracts of CVM pertaining to the CVM Project, assigned all rights, benefits and interests under insurances undertaken by CVM as part of its operations for the CVM Project and executed a legal assignment over a designated revenue account and monies

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standing to the credit of the revenue account, in favour of Bank Rakyat. In addition, prior to the Listing, HWGB has provided a corporate guarantee in favour of Bank Rakyat, which will be released and replaced with a corporate guarantee by us in favour of Bank Rakyat upon the Listing.

The securities provided by CVM to Bank Rakyat under the New CVM Project Finance Loan are generally the same as those provided to BPMB under the Old CVM Project Finance Loan save for the additional corporate guarantee by the Company and the assignment over the revenue account and monies standing to the credit of the revenue account. In addition, the Old CVM Project Finance Loan had an assignment of the performance bonds/completion guarantees which is not a security under the New CVM Project Finance Loan.

Repayment schedule

Commencing from the issuance date of the New CVM Project Finance Loan up to the date of conversion of BG-i under facility A, all guarantee fees payable during the bank guarantee period shall be capitalised and included in the calculation of the loan repayment amounts. All interest payable shall be paid monthly commencing from the conversion date of BG-i up to the end of the tenure of facility A. The payment of the “sale price” of RM175,231,295 (equivalent to approximately HK\$396.0 million) for facility A shall be made by 120 monthly instalments commencing from the first month from the conversion date of BG-i. The amount of repayment for each of the 1st to 119th instalments is RM1,460,261 (equivalent to approximately HK\$3.3 million) while the amount of repayment for the 120th instalment is RM1,460,236 (equivalent to approximately HK\$3.3 million). The effective interest rate of facility A is 8.5% per annum and the aggregate amount of interest payments for the 120 instalments is estimated at approximately RM57,454,735 (equivalent to approximately HK\$129.8 million). The monthly repayments shall be made at the end of every calendar month. The first monthly instalment shall commence on the same month of the first disbursement date which is the date BG-i is liquidated or converted.

The payment of the “sale price” of RM49,794,386 (equivalent to approximately HK\$112.5 million) for facility B shall be made by 108 monthly instalments commencing after the grace period of 12 months. The amount of repayment for each of the 1st to 107th instalments is RM461,060 (equivalent to approximately HK\$1.0 million) while the amount of repayment for the 108th instalment is RM460,966 (equivalent to approximately HK\$1.0 million). The effective interest rate of facility B is 8.5% per annum and the aggregate amount of interest payments for the 108 instalments is estimated at approximately RM17,794,386 (equivalent to approximately HK\$40.2 million). The monthly repayments shall be made at the end of every calendar month. The first monthly instalment shall commence after the grace period of 12 months from the first disbursement date which is 26th September, 2008 i.e. the date of the first drawdown of facility B.

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Revenue account

CVM shall open and maintain a revenue account with Bank Rakyat during the tenure of the New CVM Project Finance Loan for the purposes of remitting and, or depositing all proceeds received and, or to be received from operational activities of CVM which include but not limited to the proceeds arising from the off-take agreements. In addition, upon the enforcement of the security under the New CVM Project Finance Loan, Bank Rakyat shall have the priority in respect of the amounts standing to the credit of such revenue account over and above other creditors of CVM.

Upon the full redemption of all outstanding amounts under the New CVM Project Finance Loan, the abovementioned revenue account shall be closed and the excess balances (if any) will be refunded to CVM.

Monies in the revenue account, which shall be operated solely by Bank Rakyat, shall be applied in the following manner:

- (1) Payment of monthly instalments arising under facility A and facility B;
- (2) An amount equivalent to one instalment shall be maintained at all times; and
- (3) Transfer into CVM's own bank account upon fulfilments of all the above requirements and payment of all monthly instalments under facility A and facility B.

The creation of the revenue account is not expected to lead to any material interruption to our operations and cash flow as we will only need to maintain an amount equivalent to one month's instalment at all times for repaying the New CVM Project Finance Loan. Any amount in excess of the one month's instalment can be used by us.

Drawing mechanism

The drawdown of both facility A and facility B of the New CVM Project Finance Loan is subject to fulfillment of all the conditions precedent as set out in the New Facility Agreement and ancillary documents of the New CVM Project Finance Loan. Amongst the conditions precedent are:-

- (a) that a panel valuer of Bank Rakyat shall be appointed to prepare a valuation report on the proposed land to be pledged as security and the value of such land shall not be less than RM30.0 million (equivalent to approximately HK\$67.8 million); and
- (b) an independent checking engineer/quantity surveyor acceptable to Bank Rakyat shall be appointed at the cost of CVM to oversee/verify the CVM Project which includes the development of site infrastructure and soil improvement works.

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Upon fulfillment of all the conditions precedent to the drawdown of facility A, CVM is required to issue a written notice to Bank Rakyat at least 3 business days prior to the proposed issuance of the bank guarantee together with such other documents which are satisfactory to Bank Rakyat. Bank Rakyat will thereafter issue BG-i under facility A to the secondary financier, KFHMB, as beneficiary.

Upon fulfillment of all the conditions precedent to the drawdown of the facility B, a drawing notice for each drawing shall be completed, signed and delivered by CVM to Bank Rakyat at least 3 business days prior to the proposed drawing. With regard to the drawings in favour of BPMB for the redemption of the Old CVM Project Finance Loan, Bank Rakyat would additionally require a private caveat on the Smelter Land to be lodged and a letter of undertaking from BPMB to deliver the document of title together with the memorandum of transfer and the document of discharge of charge and undertaking to refund the money paid to BPMB if the charge cannot be registered for whatsoever reason. With regard to the drawings to contractors/suppliers/consultants of CVM, the drawing notice has to be supported by the relevant documents together with the relevant invoices and such other documents that are satisfactory to Bank Rakyat. The drawings shall be against 90% of the independent checking engineer's certification on the value of work done/invoices or such other documents acceptable to Bank Rakyat. All drawings in respect of facility B of the New CVM Project Finance Loan shall be made directly to, amongst other parties, Bank Rakyat or Bank Rakyat's solicitors or contractors/suppliers/consultants of CVM.

The conditions precedent for the issue of BG-i under facility A of the New CVM Project Finance Loan were complied with on 26th September, 2008 and accordingly, BG-i was issued by Bank Rakyat to KFHMB on 26th September, 2008. The conditions precedent for the liquidation of BG-i will only be met upon the completion of the construction of the Perak Magnesium Smelter, which is expected to be in or about March 2009.

The conditions precedent for drawdown of facility B of the New CVM Project Finance Loan were also complied with on 26th September, 2008 and the Old CVM Project Finance Loan was fully redeemed on the same day.

Pursuant to the New Facility Agreement, Bank Rakyat reserves the right to review, recall, cancel or change the terms and conditions of the New Facility Agreement as and when it deems necessary at its absolute discretion.

Usage of the secondary finance by KFHMB

Following the decision to replace the Old CVM Project Finance Loan with the New CVM Project Finance Loan, CVM continued to utilise the secondary finance loan from KFHMB instead of utilising the New CVM Project Finance Loan as the secondary finance loan from KFHMB has been progressively drawn down prior to CVM obtaining the New CVM Project Finance Loan. In such case, CVM tried to minimise the interruption to releasing funds to the contractors in order to avoid further delay to the completion of the CVM Project. Accordingly, the New CVM Project Finance Loan was structured in a manner similar to the Old CVM Project Finance Loan and utilised in conjunction with the secondary finance of KFHMB.

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The secondary finance provided by KFHMB comprises:

- (i) LC facilities of RM78 million (equivalent to approximately HK\$176.3 million) to facilitate the purchase of machinery and equipment required for setting up the Perak Magnesium Smelter;
- (ii) shipping guarantee facilities of RM78 million (equivalent to approximately HK\$176.3 million) to facilitate the clearance of goods/equipment/machinery pending the receipt of original transport documents drawn under WLC and MLC. The shipping guarantee is available for a maximum period of 6 months from the date of issuance and all expired shipping guarantee must be returned to KFHMB for cancellation on its expiry or upon the receipt of notification from the beneficiary that KFHMB is no longer liable under the shipping guarantee;
- (iii) MTQ1 facilities of RM78 million (equivalent to approximately HK\$176.3 million) to settle the LC facilities due for payment on the maturity of the LC, pending receipt of fund from Bank Rakyat for the liquidation of BG-i;
- (iv) MTQ2 facilities of RM22 million (equivalent to approximately HK\$49.7 million) to facilitate the payment of the civil structure, mechanical and engineering works by the contractors involved in the development of the Perak Magnesium Smelter; and
- (v) the Forex Line of facility of RM15.6 million (equivalent to approximately HK\$35.3 million) to book forward US\$ rate of the LC facilities in (i) above. If CVM intends to utilise the forex line facility, its authorised personnel shall transact with KFHMB's treasury division through acceptable communication modes and promise to KFHMB to purchase or sell the foreign currencies at a future date at a predetermined exchange rate.

Since 16th June, 2008 when BPMB granted KFHMB the bank guarantee under tranche 1 of the Old CVM Project Finance Loan and up to the Latest Practicable Date, we had drawn down approximately RM13.9 million (equivalent to approximately HK\$31.4 million) under the LC facilities of RM78 million (equivalent to approximately HK\$176.3 million) and RM12.7 million (equivalent to approximately HK\$28.7 million) under MTQ 2 facilities of RM22 million (equivalent to approximately HK\$49.7 million). We will continue to draw down monies under the secondary finance of KFHMB until the completion of the Perak Magnesium Smelter in or about March 2009 when BG-i B converted into TF-i 1.

THE SMELTER LAND

Based on the conclusion of SAMI's feasibility study, 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 for an agreed consideration of RM5,662,800 (equivalent to approximately HK\$12.8 million), based on the then market rate of approximately RM2.00 (equivalent to approximately HK\$4.5) per square foot. Pursuant to the Smelter Land Agreement, CVM has paid (i) RM566,280 (equivalent to approximately HK\$1.3 million) being the deposit and part payment to SEDC upon signing of the Smelter Land Agreement, (ii) a sum of RM566,280 (equivalent to approximately HK\$1.3 million) to SEDC within two months from the date of the Smelter Land Agreement and (iii) a sum of RM4,530,240 (equivalent to approximately HK\$10.2 million) within

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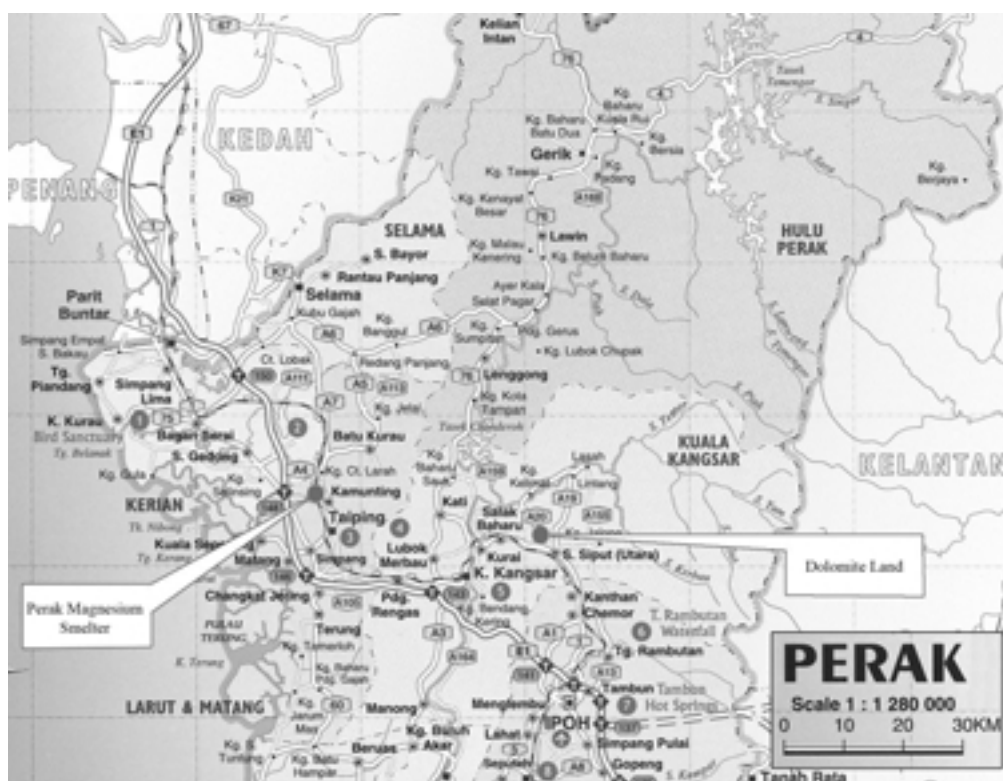
four months from the date of the Smelter Land Agreement to SEDC of which a sum of RM3,530,240 (equivalent to approximately HK\$8.0 million) was paid to SEDC's solicitors, Messrs. Rusnah Loh Ng & Co as stakeholder, who shall only release the sum to SEDC after seven days of presentation of the transfer of the Smelter Land in favour of CVM at the appropriate land registry. The purchase price for the Smelter Land has been fully paid. As the land title has been issued and transferred to CVM, the sum of RM3,530,240 (equivalent to approximately HK\$8.0 million) held by SEDC's solicitors, Messrs. Rusnah Loh Ng & Co as stakeholder has been released to SEDC in accordance with the Smelter Land Agreement. The purchase of the Smelter Land was financed through the tranche 2 of the Old CVM Project Finance Loan. At the same time, HWGB completed its acquisition of the initial 51.16% shareholding in CVM on 26th April, 2006 and subsequently increased its shareholding in CVM to 55% on 16th October, 2006.

As at the Latest Practicable Date, the land title to the Smelter Land has been issued and registered in name of CVM. Accordingly, CVM is the registered proprietor and legal and beneficial owner of the Smelter Land under the Malaysian Land Law.

PERAK MAGNESIUM SMELTER

We are currently in the process of constructing the Perak Magnesium Smelter, which is located 40 km from the Dolomite Land.

The locations of the Dolomite Land and the Perak Magnesium Smelter are shown in the map of the State of Perak below:



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The Perak Magnesium Smelter will mainly be used for manufacturing magnesium ingots by processing the dolomite extracted from the Dolomite Hills. Based on the estimation of reserves in the Dolomite Hills by UKM, NERI considers that the total reserves are sufficient to supply dolomite for the Perak Magnesium Smelter for approximately 58 years based on an annual production capacity of 30,000 tonnes of magnesium ingots (or approximately 116 years based on an annual production capacity of 15,000 tonnes of magnesium ingots). We currently intend to construct the first production line with an estimated annual production capacity of 15,000 tonnes of magnesium ingots. As we expand our business scale, we will invest in the construction of the second production line with an estimated annual production capacity of 15,000 tonnes of magnesium ingots. The second production line will involve the construction of additional plants and facilities, including a material calcination workshop, a material glomeration workshop, a water circulation pond, two magnesium deoxidization workshops and a magnesium refining workshop as indicated in the detailed layout plan of the Perak Magnesium Smelter below. The construction time of the second production line including the installation of machinery and equipment is estimated to be approximately nine months. As at the Latest Practicable Date, we have no concrete timetable for the construction of the second production line, which will depend on, amongst other things:

- the level of demand for magnesium ingots from prospective customers which have already entered into or will enter into off-take agreements with us;
- the prevailing market prices of magnesium ingots and the raw materials; and
- the availability of funds, including internally generated resources and external borrowings, to finance the construction of the second production line.

We will disclose details of any proposed construction plan and the time schedule of the second production line coming into operation by way of announcements as and when appropriate. We will also make relevant disclosure in our annual reports.

As at the Latest Practicable Date, all site clearance, earthwork, levelling, drainage, road formation, water reticulation, telephone trunking and street lighting works of the plant area had been completed. Building of the factory commenced in September 2007. It is expected that our first production line will achieve its commercial operation by April 2009. Our management team will be responsible for overseeing the operation and management of the Perak Magnesium Smelter, as more fully explained below.

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The detailed layout plan of the Perak Magnesium Smelter which has been designed by the EPC Contractor and submitted by a certified engineer in Malaysia to the Taiping Town Council is shown below.

