On 25th October, 2007 we obtained approval from the Taiping Municipal Council on the above layout plan of the Perak Magnesium Smelter.

The Perak Magnesium Smelter has an estimated maximum production capacity of 30,000 tonnes of magnesium ingots per annum or 83 tonnes per day. It has the space to construct two phases, each accommodating a production line with an estimated annual production capacity of 15,000 tonnes of magnesium ingots using the major raw material, dolomite, extracted from the Dolomite Hills.

The Perak Magnesium Smelter will produce magnesium ingots using the Pidgeon Process which is explained in detail in the paragraph headed "Magnesium Production Process" below.

In order to provide more useful information to potential investors on various technical aspects relating to the construction and the future operation of the Perak Magnesium Smelter, the Company voluntarily chose to engage NERI to prepare a summary report on the Perak Magnesium Smelter which is set out in Appendix V to this prospectus. Information relating to the Perak Magnesium Smelter including the Pidgeon Process as disclosed in NERI's summary report on the Perak Magnesium Smelter is also disclosed in the relevant paragraphs of this section.

Infrastructure Contractor

On 16th October, 2006, we entered into an infrastructure works agreement with the Infrastructure Contractor to appoint Ong Eng Seng Enterprise Sdn. Bhd. as the infrastructure contractor to design, supply, build and construct all the non-EPC infrastructure works on the Smelter Land for a consideration of RM13,875,000 (equivalent to approximately HK$31.4 million) in accordance with the plans and design approved by the relevant governmental authorities in Malaysia.

The Infrastructure Contractor is a registered contractor with the Construction Industry Development Board of Malaysia. The duties of the Infrastructure Contractor pursuant to the infrastructure works agreement include, amongst other things:

- constructing an access road, drainage and water supply systems and piping along and underneath the road within the Smelter Land;
- installing all communications systems;
- carrying out electricity and cabling works; and
- carrying out earthwork on the Smelter Land.

The Infrastructure Contractor completed all the non-EPC infrastructure works for the Perak Magnesium Smelter in February 2008 in accordance with the terms and conditions of the infrastructure works agreement.

EPC Contractor

The EPC Contractor, an Independent Third Party, is engaged in research, development and promotion of transmission technology and use of related machinery including three ring reducer, gear reducer, three ring transmission set, converter multi-gnaw transmission set, round material offer and blast furnace, etc.

Pursuant to the EPC Contract, the EPC Contractor is responsible for providing technical advice to CVM in respect of the design, construction and supervision of the Perak Magnesium Smelter. It assists in the planning, designing and supervising the infrastructure works and provides advice on assembly works including the installation of utilities facilities, piping and drainage systems. The EPC Contractor will inspect the Perak Magnesium Smelter after the completion of the construction works and purchase the machinery and equipment for use in the Perak Magnesium Smelter on behalf of us. After the commencement of production of the Perak Magnesium Smelter, the EPC Contractor will oversee all material aspects of the operations of the Perak Magnesium Smelter to ensure the proper functioning of the production facilities for a period of 12 months after the commencement of operations of the Perak Magnesium Smelter, handle all technical inquiries and assist us in the implementation of management systems. Another major role of the EPC Contractor is to provide training to our employees at various levels on the operations and use of machinery and equipment at the Perak Magnesium Smelter.

The contract equipment (i.e. machinery, electrical equipment and special tools) to be supplied by the EPC Contractor in accordance with the agreed time schedule shall comply with the agreed technical requirements and the quality of construction of the contract project shall comply with the agreed design drawings.

During the construction of the Perak Magnesium Smelter, the EPC Contractor is responsible for supervising the construction according to the agreed standards and for the commissioning, start up, Hot Tests and performance tests of the contract equipment. CVM has agreed to supply the operation personnel and the materials, tools and apparatus, and the energy supplied for the performance tests, whilst the EPC Contractor shall recommend and submit a scheduled plan for the performance tests and put forward a training plan for the CVM's personnel.

The EPC Contractor will further be responsible for handling all necessary formalities for the supervisors to enter and exit Malaysia, including obtaining the entry visas, visa extensions or work permits, by providing the necessary documents to CVM. Any other expenses payable in Malaysia in connection with the formalities shall be borne by CVM.

The EPC Contractor will be permitted to sub-contract certain portions of the contract deliverables and services to well-known sub-contractors of high reputation, located in China or abroad, on the basis that any sub-contracted works shall be guaranteed by the EPC Contractor.

The total contract price is USD39.625 million (equivalent to approximately HK$309.1 million) comprising USD33.18 million (equivalent to approximately HK$258.8 million) for the provision of the contract equipment and USD6.445 million (equivalent to approximately HK$50.27 million) for the construction of the Perak Magnesium Smelter. Within 45 days of the signing of the EPC Contract, CVM shall open a letter of credit with a reputable bank. The contract price shall be paid by CVM to the EPC Contractor in the following manner:

a) US$7.925 million (equivalent to approximately HK$61.8 million) by way of a deposit to be paid after a receipt of the pro-forma invoice of deposit; and

b) the balance of US$31.7 million (equivalent to approximately HK$247.3 million) to be released by the bank which opened the letter of credit to the EPC Contractor in the agreed amounts and against certain documents to be provided by the EPC Contractor up to the full amount of the balance of USD31.7 million (equivalent to approximately HK$247.3 million).

Whilst the EPC Contractor is responsible for building the Perak Magnesium Smelter, installation of the contract equipment and the performance tests, CVM is responsible for organising geological survey for the construction on the site and arranging supplies of and the associated permits to use electricity, gas and water on the site to support the EPC Contractor in performing its obligations.

The EPC Contractor provides certain warranties in relation to the supplied contract equipment and is obliged to repair or replace any defective equipment during a 12 month warranty period.

The EPC works of the Perak Magnesium Smelter shall proceed in accordance with a time schedule provided by the EPC Contractor to CVM for submitting drawings and technical documentation, and for manufacturing contract equipment. CVM, on the other hand, will be responsible for providing the construction and operation conditions and the time schedule for the construction and completion of the Perak Magnesium Smelter. The EPC Contractor is obliged to submit to CVM monthly progress reports. CVM is entitled to check on-site the information of the progress reports and to make stage inspections for the completed parts of works and issue the inspection and acceptance reports for those works. The contract provides for liquidated damages payable by the EPC Contractor in connection with late delivery of the contract equipment and the contract project in respect of any delays of more than 30 working days and such delay exceeding 15 days thereafter.

The EPC Contract can be terminated by either party in the event of a material breach by the other party which has not been remedied within 30 days, or in the event of an insolvency of the other party.

The EPC Contractor is a PRC company controlled by Mr. Hu Shi Guo, who has been working in the PRC mining industry for over 20 years. He has been an officer at the Ministry of Metallurgy (冶金部), which offers advice on the design and management of state-owned steel companies, for 10 years. He has worked on a number of steel and metal factory projects in the PRC. He also conducts professional research on the technological and engineering aspects of the application of magnesium (including the Pidgeon Process). Mr. Hu has sufficient experience in studying both ferrous and non-ferrous metals. Mr. Hu is also the Chief Executive Officer of Beijing Tieforce Drive Machine Co. Ltd. which specialises in providing technical consultancy and engineering contracting services and machinery and equipment for the steel and metallurgical industry for PRC and overseas clients. Its products include three ring reducer, multiple-spot flexible drive device, lifting transportation equipment as well as equipment used for the purposes of mine exploitation, metal smelting, rolling and forming, water purifying treatment etc. Mr. Hu is familiar with the use and operation of the machinery and equipment (including rotary kiln and deoxidization furnance which are important for the Pidgeon Process) to be installed in the Perak Magnesium Smelter pursuant to the EPC Contract.

Our Directors believe that our Company would, if necessary, be able to find alternative contractors for securing the required technology and expertise in relation to the EPC works.

Superintending Officers

On 1st November, 2006, we appointed Sedia Perunding, an Independent Third Party, as the superintending officer in relation to the infrastructure works of the Perak Magnesium Smelter. Sedia Perunding is responsible for, amongst other things, verifying the earthwork design, fencing design and design of civil and structural element for auxiliary works and for verifying and submitting progress claims for the works and services performed by sub-contractors.

The prior experience of Sedia Perunding included, amongst other things, civil and building works for a plant mill, an air cargo complex at Subang International Airport and other industrial buildings, factories and warehouses in Malaysia. It also conducted technical feasibility studies for factory development at Subang Hi-Tech Industrial Park and Phase II Lion Industrial Park.

On 25th July, 2007, we appointed Jururunding EMSC Sdn. Bhd., an Independent Third Party, as the superintending officer in relation to the EPC works. Jururunding EMSC Sdn. Bhd. is responsible for, amongst other things, attending periodic project meetings, reviewing and verifying progress payment claims submitted by contractors, certifying and issuing certificates of payment to the relevant contractors based on site evaluation and participating in testing and commissioning works relating to the installation of machinery and equipment.

The prior experience of Jururunding EMSC Sdn. Bhd. in Malaysia included, amongst other things, the construction of a computer data centre and supporting office area, a paints warehouse and thinner store, a 1½ storey ice factory and the New Data Centre for UMW Toyota Motor Sdn. Bhd. and the upgrading of mechanical and electrical services at Wisma Bernama.

Independent Checking Engineer

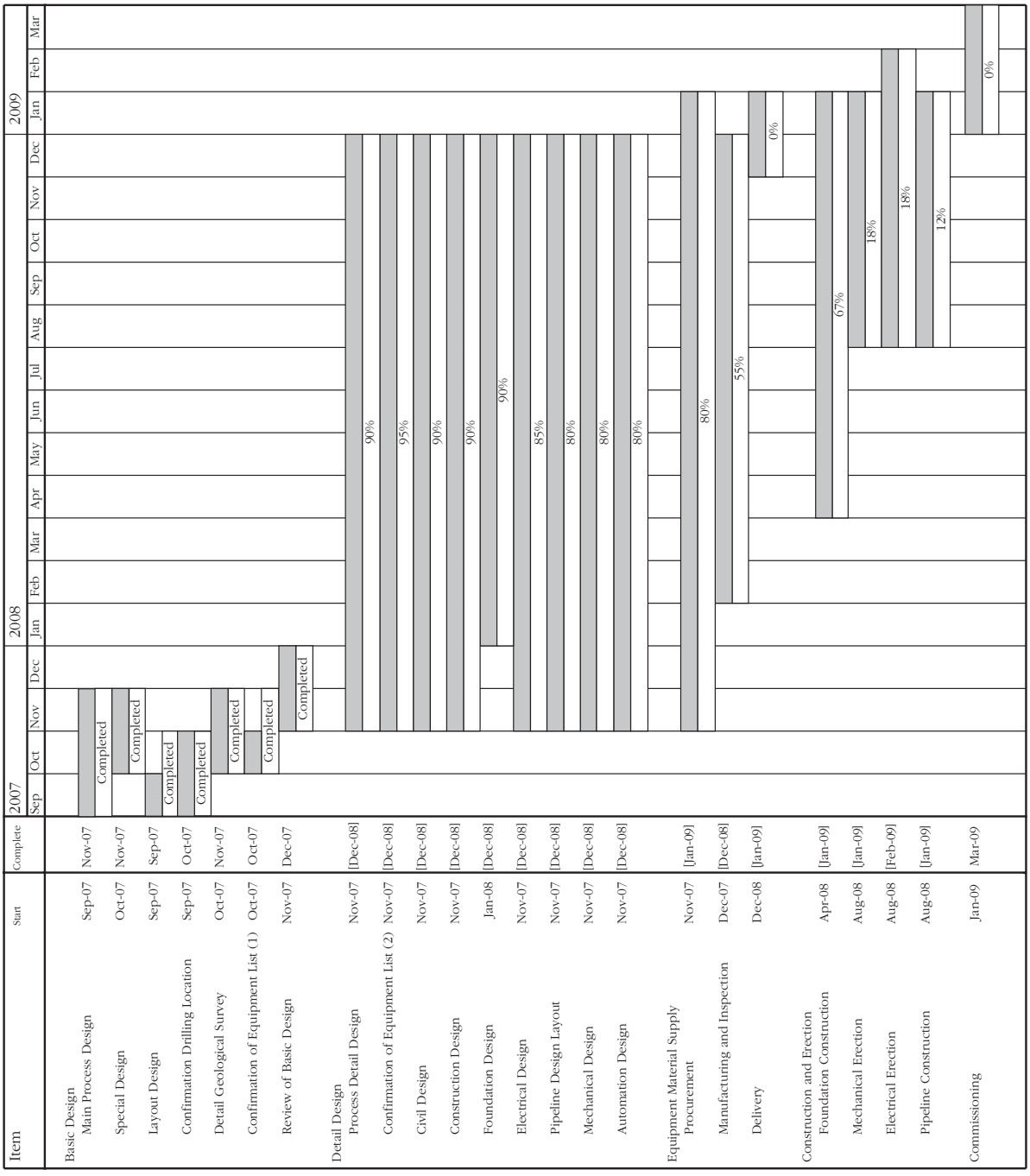
On 4th October, 2006, we appointed Jurutera Perunding Zaaba Sdn. Bhd., an Independent Third Party, as the independent checking engineer who will be responsible for verifying and certifying the infrastructure works and the EPC works of the Perak Magnesium Smelter upon the completion of the construction works before we accept delivery of the Perak Magnesium Smelter.

The prior experience of Jurutera Perunding Zaaba Sdn. Bhd. included, amongst other things,

- detailed investigation, design and supervision of construction for the Kuala Terengganu Peringkat IV water supply project;
- detailed investigation, design and supervision of construction for Bekalan Air Kuala Terengganu Peringkat III in the state of Terengganu, Malaysia;
- rehabilitation and upgrading of water supply system in Malaysia Package 2, the State of Perak;
- detailed design for flood mitigation and drainage at Sg. Muda Kedah, Malaysia;
- provision of engineering consultancy services for the development of Sg. Langat for navigation purpose;
- detailed design for flood mitigation and drainage at Chukai, Kemaman, Terengganu;
- packaging six east and west runways and parallel taxiways for Kuala Lumpur International Airport Berhad;
- realignment and upgrading of route B15 at Putrajaya and Cyberjaya;
- infrastructure works for the Development of Multimedia University in Cyberjaya, Selangor, Malaysia;
- construction and completion of small industry factory at PT7469, Lot 51, Jalan Jasmine 2, Bandar Bukit Beruntung, Mukim Serendah, Daerah Hulu Selangor, Malaysia; and
- construction and completion of 132/33/11 KV Gas Insulated Substation on Lots 446, 10928 & 10930, Segambut, Kuala Lumpur, Malaysia.

As at the Latest Practicable Date, tasks for the non-EPC infrastructure works have already been completed.

The estimated timetable for the construction of the Perak Magnesium Smelter, based on the progress report for October 2008 prepared by the EPC Contractor, and the stage of completion for each of the major EPC tasks as at 31st October, 2008 are set out below:



In view of the recent global economic crisis, we are closely liaising with the EPC Contractor which has confirmed, despite a generally pessimistic economic outlook, that the construction of the Perak Magnesium Smelter is on schedule and our capital expenditure in relation to the EPC works has not increased up to the 31st October, 2008.

Operation and Maintenance

On 27th September, 2006, CVM entered into the O&M Contract with the Former O&M Contractor to provide technical advisory support services in relation to the operation and maintenance of the Perak Magnesium Smelter. Due to the satisfactory progress of the CVM Project and our Directors being satisfied that the Company has already equipped itself with the requisite technical and operating skills and knowledge for this extraction of dolomite and in operating and managing a magnesium smelter, we took the decision to terminate the O&M Contract on 6th May, 2008. This contract was terminated without our needing to incur material costs and without further liability on our part. Rather than relying on the Former O&M Contractor for additional support and advice, our Directors have devised, and will continue to develop, a comprehensive training program for our supervisory level staff, to be implemented before the commencement of operations at the Perak Magnesium Smelter. The training programme will comprise two modules:

(1) Theoretical knowledge of magnesium to be given to the relevant staff, leveraging on the industry experience and expertise of our senior management team; and

(2) Practical training relating to the operation and management of a magnesium smelter to be conducted at Shanxi Training Plant, which has been chosen because it employs the design and technology (including the Pidgeon Process) similar to those at the Perak Magnesium Smelter. The Shanxi Training Plant has an annual production capacity of 20,000 tonnes of magnesium ingots.

Both the theoretical and practical training will be led by Mr. Gao Qi Fu, one of our executive Directors, and assisted by Mr. Zhou Wu and Mr. Wen Guo Qiang, both of whom are members of our senior management. Mr. Chong Wee Chong, our Chief Executive Officer, will supervise the training.

The recruitment of staff at supervisory level is expected to commence in the fourth quarter of 2008. As the Perak Magnesium Smelter approaches its final stage of construction around the first quarter of 2009, training will be given to the supervisors in the Perak Magnesium Smelter in the context of both the Cold Test and the Hot Test as performed by the EPC Contractor. Once the cold test and the hot test are completed to the satisfaction of the EPC Contractor and the management of the Company, commercial production of the Perak Magnesium Smelter will commence.

The Company's internal training arrangements are also in line with the Malaysian government policy to encourage local corporations to train local staff and upgrade their knowledge. In this regard, we received pursuant to a letter dated 11th December, 2007 issued by MIDA to CVM a training grant of RM1.3 million (equivalent to approximately HK$2.9 million) for training Malaysian staff. As a condition of our Plant Licence, we are also obliged to train our workers who are Malaysian citizens so that the technology transfer and expertise can be channeled to all levels of positions. The ultimate objective of developing our own training programme is to establish a corporation with a team of locally trained technical staff.

Manning of the Perak Magnesium Smelter

The Perak Magnesium Smelter will require approximately 40 management and supervisory personnel and 360 workers upon the commencement of its operations.

We plan to recruit personnel who have worked in other smelters in related industries in Malaysia, such as aluminium and steel plants, since the knowledge in managing these smelting plants will be relevant to the day-to-day operations of the Perak Magnesium Smelter and such personnel are likely to be more familiar with the local operating environment and regulatory requirements. Our Directors are confident that the personnel to be recruited by the Company locally will be capable of supporting the daily operations of the Perak Magnesium Smelter, which the Directors consider to be less complicated than the operations of smelters processing minerals such as aluminium, steel and gold. It is expected that the management and technical supervisory staff will be supported by workers with limited or lower skill levels.

It is expected that the major divisions of the Perak Magnesium Smelter will operate on three eight-hour shifts per day, seven days a week. Scheduled maintenance will be conducted alternately by sections such that the production line is not required to close down during maintenance.

The following is a breakdown of the estimated number of employees per shift we intend to recruit in performing the various functions involved in the Pidgeon Process immediately after the commencement of operations of the Perak Magnesium Smelter:

Functions/facilities	**Estimated number of employees**
Deoxidization Plant	60
Rotary Area	7
Brigutte press plant	7
Refining	5
Finishing	17
Raw materials handling	7
Total	103

Apart from local workers, we may recruit foreign workers from neighbouring countries which may include Indonesia, Thailand, Cambodia, Nepal, Myanmar, Laos, Vietnam, the Philippines, Turkmenistan, Uzbekistan and Kazakhstan due to cheaper labour cost. Such workers are expected to account for approximately 30% of our total workforce as at the first year of operation. In order to train Malaysian citizens so that the technology transfer and expertise can be channeled to all levels of positions, which is as a condition of our Plant Licence, we will recruit other workers and management and professional level staff locally.

RAW MATERIALS AND SUPPLIERS

The major raw materials for the magnesium production process are dolomite, ferrosilicon and refining flux.

The dolomite to be used by the Perak Magnesium Smelter to produce magnesium ingots will be supplied from the Dolomite Hills located on the Dolomite Land. NERI has confirmed that the dolomite extracted from the Dolomite Hills meets the requirements of the Pidgeon Process and the supply of dolomite by the Dolomite Hills to the Perak Magnesium Smelter can last for approximately 58 years based on an estimated annual production capacity of 30,000 tonnes of magnesium ingots (or approximately 116 years based on an estimated annual production capacity of 15,000 tonnes of magnesium ingots).

We have also entered into long term supply contracts with Independent Third Parties for the purchase of key raw materials to ensure stability of materials and continuity of supply. These suppliers are 鶴壁市淇濱區太行熔鑄廠 (Hebi Qibin Shansi Casting Plant), a PRC private enterprise established in 1994 with ISO 9001 certifications for the Flux Supply Contract and 寧夏天辰冶金有限公司 (Ningxia Tianchen Metallurgical Private Ltd), a silicon iron smelting enterprise with ISO 9001 certification, for the Ferrosilicon Supply Contract.

Pursuant to the non-exclusive Flux Supply Contract, the flux supplier agrees to supply to CVM on a long-term basis, 220 tonnes of flux per month commencing from end of December 2007, in accordance with the specification stipulated in the Flux Supply Contract, at the agreed price of RMB3,000 (equivalent to approximately HK$3,403) per tonnes, subject to the market rate at the time of delivery, exclusive of domestic transportation costs and export duties which shall be subject to mutual agreement by CVM and the flux supplier. All payments for the flux supply pursuant to the Flux Supply Contract shall be made to the flux supplier by way of letter of credit at sight in US$, which exchange rate is to be calculated based on the US$ foreign exchange rate market. The flux supplier is responsible to deliver the flux up to the Shanghai Port in the PRC. It is also required to pack the flux delivered by it to CVM in waterproof packaging, which shall be suitable for long distance freight shipment. If such protective measures are not met which results in any damage to the flux, the flux supplier shall be responsible for such losses incurred. The flux supplier is not responsible for any other events that occur during the shipment of the flux. We have, on 11th September, 2008, informed the flux supplier that due to the delay in the completion of the construction of the Perak Magnesium Smelter, we would like to delay the commencement of the supply of flux to the first quarter of 2009.

Pursuant to the non-exclusive Ferrosilicon Supply Contract, the ferrosilicon supplier agrees to supply to CVM in a long-term basis, 1,500 tonnes of ferrosilicon per month commencing from end of December 2007, in accordance with the specification stipulated in the Ferrosilicon Supply Contract, at the agreed price of RMB5,200 (equivalent to approximately HK$5,898) per tonnes, subject to the market rate at the time of delivery, inclusive of domestic transportation and packaging costs and such other dutiesas shall be incurred in the PRC. All payments for the ferrosilicon supply pursuant to the Ferrosilicon Supply Contract shall be made to the ferrosilicon supplier by way of letter of credit at sight in US$, which exchange rate is to be calculated based on the US$ exchange rate of the Bank of China at the time of delivery. The ferrosilicon shall be exported through the port in Shanghai or Tianjin. The ferrosilicon supplier is also required to pack the ferrosilicon delivered by it to CVM in packaging, which shall be suitable for long distance freight shipment. We have, on 11th September, 2008, informed the ferrosilicon supplier that due to the delay in the completion of the construction of the Perak Magnesium Smelter, we would like to delay the commencement of the supply of ferrosilicon to the first quarter of 2009.

Based on the letters provided to the flux and ferrosilicon suppliers by CVM subsequently, Ben & Partners note that the suppliers are agreeable to the extension of the supply date and the suppliers have confirmed that there will not be any penalty or other claims against CVM for this extension.

During the Track Record Period, our Group only had two prospective suppliers namely, Ningxia Tianchen Metallurgical Private Ltd and Hebi Qibin Shansi Casting Plant. Our Group had not made any purchases from our prospective suppliers during the Track Record Period. None of the chief executive of our Company, our Group's Directors nor any of their respective associates nor any Shareholders who, to the knowledge of our Directors, will own more than 5% of the total issued Shares immediately after completion of the Share Offer, has any interest in our Group's prospective suppliers during the Track Record Period.

It is estimated that, upon commencement of our operations, the purchase costs payable to the top five largest prospective suppliers of the Group will account for approximately 83% (comprising 38%, 32%, 5%, 4% and 4% for ferrosilicon, natural gas, flux, dolomite and electric power respectively) of the Group's total cost of goods sold for the financial year ending 31st December, 2009. During the same period, it is estimated that the largest prospective supplier will account for approximately 38% (in ferrosilicon) of the Group's total costs of goods sold. All the Group's five largest prospective suppliers are Independent Third Parties. None of the chief executive of the Company, the Group's Directors nor any of their respective associates nor any Shareholder who, to the knowledge of our Directors, will own more than 5% of the total issued Shares immediately after completion of the Share Offer, has any interest in the Group's five largest prospective suppliers for the financial year ending 31st December, 2009.

The following table shows the prices of ferrosilicon and flux to be consumed by us in the Pidgeon Process, during the Track Record Period:

	Unit	2005	2006	2007	May 2008
Ferrosilicon*	USD/tonne	683	734	749	807
Flux*	USD/tonne	611	654	683	790

(Source: Ningxia Tia Feng Magnesium Company (寧夏泰豐鎂業有限公司) and Qinghai Normoon Technology Co. Ltd. (青海北辰科技有限責任公司), both are Independent Third Parties)

*Note: * including a PRC tax rate of 17% and taking into account the movements in the exchange rates of RMB against USD during the Track Record Period*

MAGNESIUM PRODUCTION PROCESS

According to NERI, there are four methods of producing magnesium:

1 Electrolysis method

Electrolysis is an established technique and has been widely used in the U.S., Norway, Former Soviet Union and the PRC.

Magnesium smelting by electrolysis can generally be divided into: (i) electrolysis of molten magnesium chloride; and (ii) electrolysis of magnesium chloride dissolved in the molten salt.

This method requires high electricity consumption which poses certain limitations on construction of operating facilities and expansion of production capacities. This process also produces chloride gas and is not considered environmentally friendly. It also involves a high initial capital investment.

At present, major magnesium-producing countries in the world adopting electrolysis experience a decreasing level of output and operating scale and some of the magnesium factories were already closed. NERI is of the view that electrolysis as a magnesium smelting method will have limited room for development in the short run.

2 Semi-continuous silicon heating method

Semi-continuous silicon heating method uses dolomite after calcining as raw materials, silicon iron as reducing agent and bauxite for the purpose of producing slag, and performs smelting in single phase or three phases vacuum electric furnace. The molten slag in the furnace has proper conductivity under high temperature, and slag acts as a thermal conduction body. By adding a certain proportion of particle-shaped materials to the surface of the molten body, the reaction will occur in accordance with the following reaction formula under the normal operating conditions:

$$2(CaO \bullet MgO)+Si(Fe)+nAl_2O_3=2CaO \bullet SiO_2 \bullet nAl_2O_3+2Mg$$

For semi-continuous silicon heating method, the capacity for single furnace is large, mainly using electricity. However, the electricity consumption per ton magnesium is high. Accordingly, this method is more suitable for areas with adequate electricity supply.

3 Electricity internal heating method

Electricity internal heating method uses dolomite after calcining as raw materials and silicon iron as reducing agent. The compound materials are made into chunk type through roll forming machine. The chunk-type compound materials made are then added to the prepared resistance body. They perform reduction in high-temperature and vacuum conditions, and then perform smelting over the reduced crystallized magnesium.

For electricity internal heating method, the capacity for single furnace is large, mainly using electricity. However, the electricity consumption per ton magnesium is high. Accordingly, this method is more suitable for areas with adequate electricity supply.

4 The Pidgeon Process (external heating)

The Pidgeon Process is a process which involves the mixture and briquetting of finely powdered calcined dolomite, ferrosilicon and charged retorts made of nicket-chrome-steel alloy. The hot reaction zone portion of the retort is either gasfired, coalfired, or electrically heated in a furnace, while the condensing section equipped with removable baffles extends from the furnace and is water-cooled. As a result of distillation, magnesium crowns with very high purity are produced and they are then smelted and cast into ingots.

The selection of the suitable magnesium production method depends on the conditions of the area in which the smelting plant is located and the individual needs of the projects. In general, the prerequisites for each of the magnesium production method mentioned above are as follows:

1 Electrolysis method

- magnesite mines or magnesium chloride resources;

- adequate electricity supply at reasonable cost;
- chlorine gas resources;
- commitment to environmental protection by the local authorities; and
- excellent technicians.

2 Semi-continuous silicon heating method

- qualified dolomite and silicon iron resources;
- adequate electricity supply at reasonable cost; and
- excellent technicians.

3 Electricity internal heating method

- qualified dolomite and silicon iron resources;
- adequate electricity supply at reasonable cost; and
- excellent technicians.

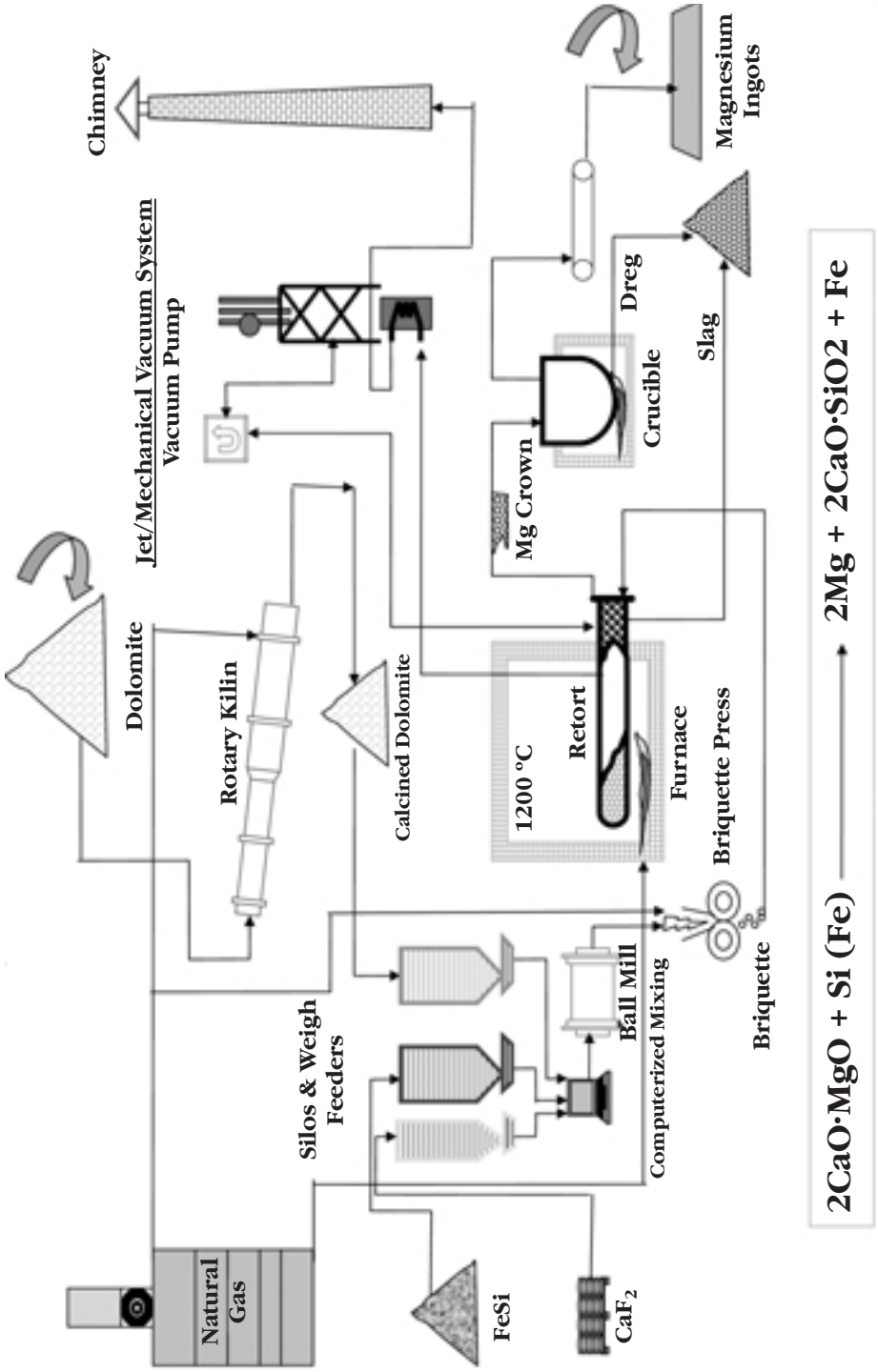
4 The Pidgeon Process (external heating)

- qualified dolomite and silicon iron resources; and
- sufficient labour force

Based on the conditions set out above, it is apparent that the operating conditions of the Pidgeon Process are relatively simple and the resources requirements are lower. The Pidgeon Process requires a sufficient amount of labour force because the deoxidization plant of the Perak Magnesium Smelter requires manual work for handling raw materials and monitoring and handling the machinery and equipment during the Pidgeon Process.

According to NERI, the electricity consumption for a magnesium smelter plant to produce one tonne of magnesium metal is 13,500kWh for the electrolysis method, 11,500kWh for the semi-continuous silicon heating method, 11,000kWh for the electricity internal heating method and 1,800kWh for the Pidgeon Process (the lowest amongst the four production methods). Accordingly, the Pidgeon Process has become a widely used magnesium production method in the world. Our magnesium production process will be carried out in the Perak Magnesium Smelter using the Pidgeon Process. In addition, based on the sample rock extracted by UKM from the Dolomite Hills, the test results prove that the dolomite is suitable for the Pidgeon Process of magnesium production.

The diagram below shows the flow chart for magnesium production via the Pidgeon Process.



The key processes of magnesium smelting are described below:

- Dolomite Calcination
- Material Proportioning
- Briquetting
- Reduction
- Refining

Each of these processes in described in detail in the NERI Report, as summarised in Appendix V to this prospectus.

Dolomite Storage

A dolomite stock yard will be designed and established inside the Perak Magnesium Smelter to cater for up to three months of dolomite supply based on a production plan of approximately 15,000 tonnes of magnesium ingots per annum. According to NERI, this is more than adequate for the continuous operations of the Perak Magnesium Smelter if there is any disruptions to (i) the quarrying operations in the Dolomite Land or (ii) the transportation of dolomite from the Dolomite Land to the Perak Magnesium Smelter.

OTHER FACILITIES

Upon the completion, the Perak Magnesium Smelter will consist of various facilities including the magnesium production plant, an administration and multi-purpose building, a research and development laboratory, water treatment plant, cast house for magnesium ingots as well as waste handling facilities.

Warehouses will also be built inside the Perak Magnesium Smelter for the purposes of bulk storage of raw materials, spare parts, lubricate oil, tools and work-protection articles.

NATURAL GAS, ELECTRICITY AND WATER RESOURCES

Natural gas serves as the heating agent in the Pidgeon Process. Natural gas will be tapped from a pipeline which passes through Taiping area in the State of Perak and is 3 km from the main valve to the Perak Magnesium Smelter. Accordingly, the Perak Magnesium Smelter will have an easy access to the supply of natural gas. The design of the Perak Magnesium Smelter also caters for industrial oil or diesel as back-up energy source. When the supply of natural gas stops, the Perak Magnesium Smelter will be switched to industrial oil or diesel for its production process.

Natural gas will mainly be used for operating the rotary kiln and deoxidization furnace during the Pidgeon Process.

Electricity will be used in the smelting area to control vacuum pulp and refining plant and office in the Perak Magnesium Smelter. According to NERI, the electricity consumption for a magnesium smelter plant to produce 1 tonne of magnesium metal is 1,800kWh for the Pidgeon Process.

The industrial estate, where the proposed site of the Perak Magnesium Smelter is located, has an established drainage network. The water supplier has confirmed that it will ensure adequate water supply is provided for the Perak Magnesium Smelter.

Natural gas, electricity and water will be obtained through the national utility and energy providers in Malaysia. Our Directors are of the view that the requirements for the main utilities used in the Perak Magnesium Smelter can be met. According to the Lembaga Air Perak (or Water Department of Perak), a statutory body established under the Perak State Enactment 12 of 1988, and Gas Malaysia, a licensed gas utility company in Malaysia, the historical costs of water and natural gas, respectively, to be consumed by us in the Pidgeon Process during the Track Record Period were as follows:

					US$/Unit
	Unit	**2005**	**2006**	**2007**	**May 2008**
Natural gas	USD/m^3	0.13	0.13	0.14	0.25
Water	USD/m^3	0.37	0.38	0.41	0.44

Sources:

1. Natural Gas - Gas Malaysia
2. Water - Ministry of Energy, Water and Communications of Malaysia

The costs of natural gas and water are subject to tariff imposed by the Malaysian government.

Regarding the cost of electricity, according to Tenaga Nasional Berhad, the largest electricity utility in Malaysia, the electricity charges in Perak are as follows:

Electricity charges	Unit	Since 1st May, 1997	Since 1st June, 2006	Since 1st July, 2008
Unit price of electricity during the peak period	US$/kWh	0.06	0.07	0.08
Unit price of electricity during the off-peak period	US$/kWh	0.04	0.04	0.05
Special charges on the amount of electricity consumed during Exceeded Intervals (defined below)#	US$/kW	6.2	6.97	8.8
Minimum monthly electricity charge	US$	142.86	171.43	171.43

Source: Tenaga National Berhad

For each kilowatt of maximum demand per month during the peak period

The cost of electricity is also subject to tariff imposed by the Malaysian government.

The Perak Magnesium Smelter will operate three eight-hour shifts per day, seven days a week. For the purpose of calculation of electricity consumption, the peak period represents the hours between 8:00 a.m. and 22:00 p.m. while the off-peak period represents the hours between 22:00 p.m. and 8:00 a.m. During the peak period, if Perak Magnesium Smelter's electricity consumption exceeds the maximum allowed consumption level for any consecutive thirty minutes for two times or more (the "Exceeded Intervals") in any single month, a maximum charge will be levied at the specified rates set out in the above table in respect of the amount of kWh consumed during the Exceeded Intervals.

TRANSPORTATION

The Perak Magnesium Smelter is about 60 km from the Penang Port. Besides, both the Dolomite Land and the Perak Magnesium Smelter are connected by local trunk roads and by the Malaysian North-South Highway. Transportation of magnesium ingots from the Perak Magnesium Smelter to the final destinations will be via road to the Klang Port and Penang Port.

The close proximity of the Perak Magnesium Smelter to port facilities and other transportation systems facilitates the import of raw materials from, and the export of our end products, to other countries or other areas of Malaysia.

OUR PRODUCTS

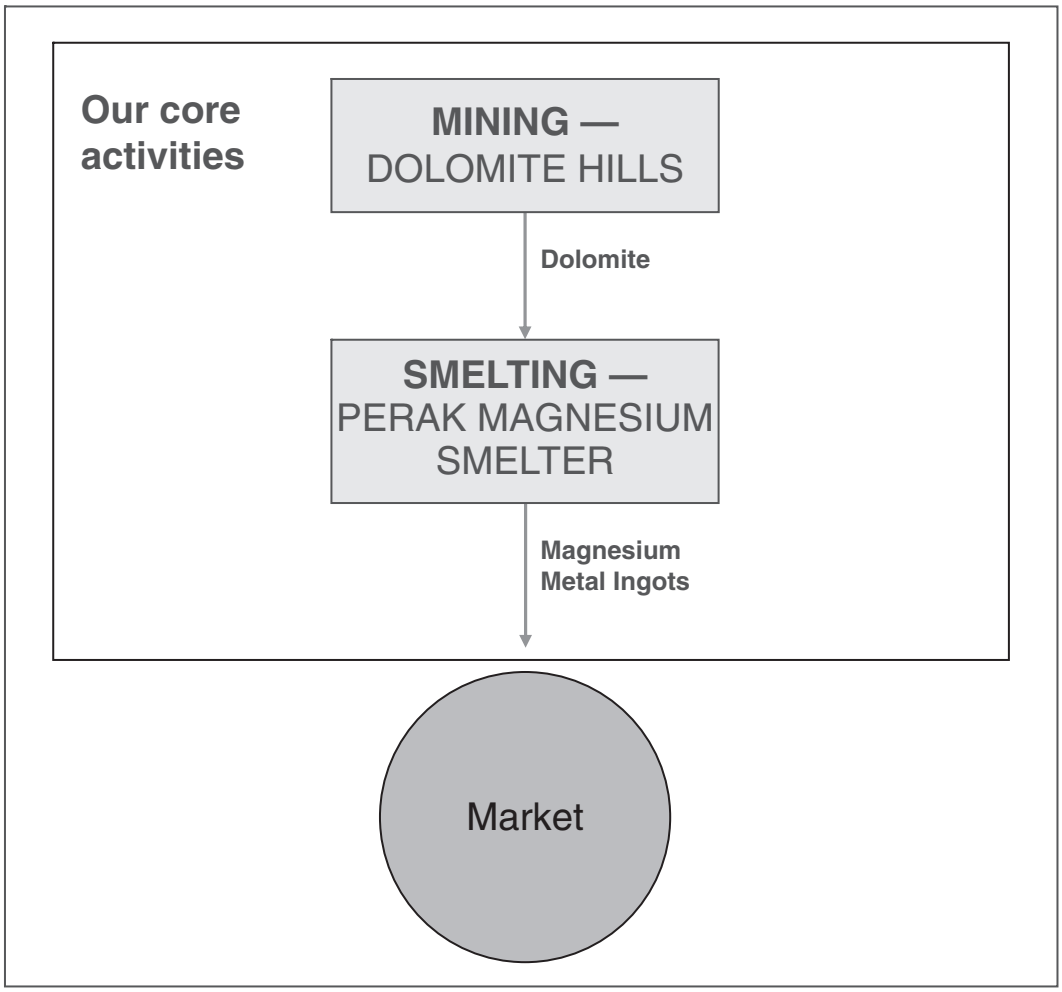
The main product to be produced by the Perak Magnesium Smelter, namely the magnesium ingots, has wide applications in various manufacturing sectors. Pure magnesium can be combined with other metals to form an alloy which has an excellent structural performance. An alloy is commonly used in die-cast products and in spare parts for machinery. Magnesium alloys play an increasingly important role in the manufacturing of automobiles and electronic appliances.

It is expected that magnesium ingots of Mg99.95 will account for 40% of the total output of the Perak Magnesium Smelter and magnesium ingots of Mg99.90 will account for 60% of the total output.

Apart from the main product, magnesium ingots, the Perak Magnesium Smelter will also produce several by-products including fertilisers, clinker and other chemical and building materials. It is currently the intention of our Directors to sell the by-products of the Perak Magnesium Smelter as clinker to cement producing companies in Malaysia. As the first production line of the Perak Magnesium Smelter becomes fully operational and we establish our market presence in the sale of magnesium ingots, we will expand our business in the sale of the magnesium by-products in the future.

The diagram below represents the Company's production flowchart:

Product Flow Chart



For details of the history and development of the magnesium industry, the trends of global production and demand for magnesium, the applications of magnesium and the future prospects of the industry, please refer to the section headed "Industry Overview" in this prospectus.

QUALITY CONTROL

Our Directors are committed to producing magnesium ingots of high quality and to the requirements set out in the "The PRC National Standard Guideline on Primary Magnesium lngots (GB/T3499-2003)". Our Directors are confident that our management team will enable us to provide adequate training, including the training to be conducted at the Shanxi Training Plant, to our staff at both the operational and supervisory levels. Accordingly, our staff will have the ability to ensure that the quality of our magnesium ingots meets the needs of our prospective customers.

SALES AND DISTRIBUTION

As at the Latest Practicable Date, we had entered into five off-take agreements as supplemented by several supplemental letters with five Independent Third Parties for the sale of magnesium ingots which would enable us to sell, in aggregate, at least 17,000 tonnes per annum starting from a date not later than 30th June, 2009. These prospective customers comprise:

(i) Corus Metals (M) Sdn. Bhd., an indirect subsidiary of Tata Steel UK Limited, which is in turn ultimately controlled by Tata Steel Limited, a publicly listed company in India and the sixth largest steel company in the world, for a minimum purchased quantity of 3,000 tonnes of magnesium ingots per year;

(ii) Hyosung Corporation, a publicly listed company in Korea, for a minimum purchased quantity of 4,000 tonnes of magnesium ingots per year;

(iii) Jaka Resources Pte Ltd a trader of commodities and a subsidiary of Millenium Energy Pte. Ltd which is in turn a company incorporated under the laws of Singapore and primarily engaged in the trading of crude oil and other products, for a minimum purchased quantity of 2,000 tonnes of magnesium ingots per year. In Singapore, Jaka Resources Pte. Ltd. works in conjunction with Concord Energy Pte. Ltd. to jointly sell and market its products to prospective customers in South East Asia. Concord Energy is one of the largest oil traders in the South East Asia;

(iv) Magnesium.Com Inc, an American owned company, which together with its subsidiary in Russia, was established in 2000 and specialises in the design and manufacture of magnesium and aluminium components. Its products include automobiles parts and components, center sections of 3-piece wheels, and forged magnesium and aluminium alloy wheels, for a minimum purchased quantity of 4,500 tonnes per year, ramping up an additional amount of 1,500 tonnes per annum each year onwards for 5 years from the date of first delivery of the magnesium ingots; and

(v) Sumikin Bussan International (M) Sdn. Bhd., a subsidiary of Sumikin Bussan Corporation, a publicly listed company in Japan, for a minimum purchased quantity of 3,500 tonnes of magnesium ingots per year.

Please also refer to risk factors entitled "Reliance on a small number of prospective customers" and "Risks associated with the existing off-take agreements" in the section headed "Risk Factors" in this prospectus.

Although the agreements are expressed to be legally binding, it is envisaged that there will be some degree of flexibility to settle certain supplementary terms such as the precise delivery schedules and purchase quantities. The Directors consider that it is not uncommon for plants that are not yet in operation to sign off-take agreements on broader terms and finalise certain details with the prospective customers at a time closer to the target date of commercial production. The Directors believe a "buffer" of 10% to 20% above the production capacity of the Perak Magnesium Smelter is reasonable in anticipating the finalised demand of the prospective customers. The

Directors anticipate that they will be able to settle any further detailed terms on the timing for quantities deliverable (or, as necessary, reduced annual delivery quantities) so as to match production capacity to demand. To this end, we are in close contact with the prospective customers to ensure they are informed of the construction progress of the Perak Magnesium Smelter on a regular basis. We are also negotiating additional off-take agreements with new prospective customers. In light of the notable growth in primary magnesium price and global magnesium consumption in recent years, the Directors are confident that the first production line with an estimated annual production capacity of 15,000 tonnes can satisfy the demand of our prospective customers upon the commencement of its operation. Having considered the recent global economic crisis, our Directors will continue to closely monitor the market developments and regularly update our prospective customers with the latest market information.

Subject to the then actual demand of the prospective customers, any additional off-take agreements secured by CVM and the prevailing market conditions, if the need arises, CVM may construct the second production line with an estimated annual production capacity of 15,000 tonnes of magnesium ingots in order to fill the orders to be placed by all the prospective customers under the off-take agreements.

The off-take agreements are silent as to the penalty for any late delivery, non-delivery or the parties' right to terminate the off-take agreements. However, the parties to the off-take agreements shall resolve all disputes by amicable negotiations and all dispute arising from these agreements are to be settled by arbitration to be held in either the U.S. or Malaysia. A party to the off-take agreements may, if it requires fuller and more specific agreements (not different in terms and intent from the existing off-take agreements) by written notification to the other, negotiate such terms with the other party within 1 month period from the date of notification. If no agreed terms are reached within the 1 month period, the existing terms to the off-take agreements remain.

The specifications of the magnesium ingots to be sold by us include Mg99.90 and Mg99.95 which are determined in accordance with Technical Specification ASTMBI07M00. Under the off-take agreements, if the magnesium ingots do not meet those specifications, our prospective customers are not obliged to purchase the magnesium ingots from us.

The price of the magnesium ingots to be charged by us will be 110% of the base price determined by the Metal Bulletin Index for Chinese magnesium of Mg99.90 and Mg99.95 in each calendar month during the term of each off-take agreement. Our prospective customers will pay for the magnesium ingots to be sold by us pursuant to the off-take agreements by way of letters of credit at sight in US$. The Company, upon consultation with the EPC Contractor, has confirmed that the expected date of completion of the construction of the first production line of the Perak Magnesium Smelter, taking into account the time required for the Cold Test and Hot Test of the manufacturing facilities, is in or about March 2009. We expect to commence sales of magnesium ingots immediately upon the completion of Hot Test in or about March 2009. We have by way of supplemental letters informed the prospective customers that we will commence the sale of magnesium ingots from a date not later than 30th June, 2009 or any extension thereafter to be

agreed between CVM and the prospective customers. In the event that there is any change to the date of commencement of sale of magnesium ingots due to unexpected changes to the timetable of the construction of the Perak Magnesium Smelter, the Company will communicate with each of the prospective customers by way of written notification.

Our Group's five largest prospective customers are all Independent Third Parties. None of the chief executive of the Company, nor any of our Directors or their respective associates, nor any Shareholder, who, to the knowledge of our Directors, owns more than 5% of the total issued Shares immediately after completion of the Share Offer, has any interest in our Group's five largest prospective customers for the financial year ending 31st December, 2009.

Although CVM has already signed off-take agreements with five prospective customers who agreed to purchase from CVM substantially all the magnesium ingots to be manufactured by the Perak Magnesium Smelter, our prospective customers may not be able to fulfil the purchase quantities as agreed upfront or any of these prospective customers may cease to do business with us. If we are unable to secure new prospective customers with similar sales volume on terms acceptable to us to take up the outputs of the Perak Magnesium Smelter, our business may be materially and adversely affected. Please also see section headed "Risk Factors — Reliance on a small number of prospective customers" in this prospectus.

THIRD PARTY CONTRACTORS

Although we have subcontracted work relating to the quarrying activities and the EPC works to third party contractors, we believe that we have the ability to operate our business successfully due to the following reasons:

(1) As disclosed in the section of this prospectus headed "Directors and Senior Management", most of the executive Directors and senior management of the Company have extensive experience and expertise in the magnesium industry and all have been involved in the CVM Project for more than four years. They have contributed significantly to all aspects of the CVM Project. Mr. Chong Wee Chong, the Chief Executive Officer of the Company, has been involved in the CVM Project since its inception and is entirely familiar with all aspects of the business and technical issues relating to and arising from the CVM Project, as well as the trends in and development of the global magnesium industry. Mr. Gao Qi Fu, an executive Director of the Company, has over 40 years of experience in mining and exploration industry and he is one of the pioneers of the PRC magnesium industry, having made considerable contributions to the design and construction of a number of magnesium smelters in the PRC and the improvements as regards magnesium production methods adopted by PRC magnesium plants.

Each of the other members of the Board and the senior management has his/her own area of expertise relevant to aspects of the CVM Project. Only with the combination of their knowledge could the Company implement suitable strategies and make the right

business decisions on matters such as appointment of appropriate professional contractors for the construction of the Perak Magnesium Smelter. Besides, the actual day-to-day carrying out of the manufacturing, financial management and all sales activity will be handled by the Group itself without outsourcing to third parties.

As regards the quarrying activity, the management of the Company (although knowledgeable and comfortable with the handling and delivery of dolomite and fully able to oversee the relatively simple quarrying process) has chosen, at least at the outset, to retain the services of the Quarry Contractor who has mined the adjacent hill (for unrelated and non-competing purposes) for more than 10 years. The management of the Company believes that this makes best commercial sense and will enable the team to supplement its own experience in the quickest timeframe whilst being able to derive the benefits of a contractor with a proven quarrying track record.

(2) As at the Latest Practicable Date, the Group has already successfully secured a number of licences, approvals and permits in respect of the mining activities conducted at the Dolomite Land and the manufacturing activities to be carried out on the Perak Magnesium Smelter, as evidenced in the summary table set out in the section headed "Regulation of our Industry" in this prospectus. Such approvals, from various federal, state and local government bodies in Malaysia, may not have been forthcoming had such bodies not been convinced as to the management's overall capacity of making a success of the CVM Project. In addition, the Group has successfully secured the New CVM Project Finance Loan from Bank Rakyat, in the considerable principal amount of RM147 million (equivalent to approximately HK$332.2 million). As shown in the section headed "History and Corporate Structure" to this prospectus, during the Track Record Period, the shareholders of the Company have also provided financial assistance to the Group by way of capital injection in CVM. The support to the Company from the government authorities in Malaysia, its bankers and its shareholders therefore demonstrates that the Group, together with its management, has the potential to carry out the CVM Project efficiently and successfully.

(3) The contracting arrangements with the various contractors is a commercial decision of the Group which, in turn, allows the Group to leverage the expertise of those contractors to develop the CVM Project and to allocate more time and effort to the business development and revenue generating activities of the Group. More importantly, all important strategic, financial and business decisions of the Group are made by the Group itself, not by any of the contractors.

(4) The Company is confident that it will be able to provide adequate training to its staff at both the operational and supervisory levels. This confidence is reflected in the decision of the Malaysian government to make a grant of RM1.3 million (equivalent to approximately HK$2.9 million) for training purposes.

ENVIRONMENTAL COMPLIANCE

A. In relation to the quarrying activities on the Dolomite Land

Pursuant to section 34A of the Malaysian Environmental Quality Act 1974, any person intending to carry out any of the prescribed activities, which include, amongst other things, the carrying out of quarrying activities of aggregate, limestone, silica, quartzite, sandstone, marble and decorative building stone within 3 kilometres at any existing residential, commercial and industrial areas or any area for which a licence, permit or approval has been granted for residential, commercial or industrial development, shall before any approval for the carrying out of such activity is granted by the relevant approving authority, submit a report containing an assessment of the impact such activity will have or is likely to have on the environment and the proposed measures that shall be undertaken to prevent, reduce or control the adverse impact on the environment to the Director General of the Environmental Quality.

In accordance with the provisions of the Malaysian Environmental Quality Act 1974, we have appointed an independent environmental consultant, SBA Consultants, to undertake an EIA study for CVM. The focus of the EIA study is to identify significant environmental impacts associated with quarrying operations, recommend plan for appropriate abatement and mitigating measures, to identify significant residual environmental impacts and to specify the necessary monitoring programme.

The findings of SBA Consultants on the EIA study are set out in the preliminary EIA study report prepared by SBA Consultants in February 2008, which are summarised below:

Existing Environment

The Dolomite Land comprises flat land and undulating area. The lower-lying area and flat ground is enough to be allocated for crusher plant and quarry infrastructure area. The Dolomite Land is located in a surrounding area which is drained by tributaries of Sungai Periok. The water quality falls under Class II to V limit of Interim National Water Quality Standards for Malaysia. The ambient noise level recorded is typical. The access road to the Dolomite Land is moderately trafficked. There are a few basic types of vegetation occur in the vicinity of the Dolomite Land, namely, the limestone hill vegetation, oil palm plantations, rubber plantations and secondary forest. Generally, the area where the Dolomite Land is situated is moderately polluted in terms of its natural biological resources.

Environment impacts

During the exploration stage of development, disturbance to the existing environment is minimal and no significant adverse impact has been identified for this stage of development. During the initial site preparation and construction stage, soil erosion and sedimentation towards the waterbodies is moderate; air pollution is not significant and noise pollution is also not significant as the noise generated by machinery and equipment are localised and the quarry operations shall be going on during day time only. During the quarrying and production stage, the main adverse impacts are soil erosion and associated sediment pollution and siltation on hill

slopes. Air pollution and noise pollution are moderate. Although vibration and air blast are common impacts during the quarrying and production stage, such impacts are expected to be isolated and controlled. During the development of the stages of exploration, initial site preparation and quarrying, socio-economic impacts are considered to be positive. During the stage of restoration and rehabilitation, some adverse impacts may arise or if the quarried-out area are abandoned without any restoration.

Residual impacts

Residual adverse impacts are those such as impact due to air pollution, noise and water quality. Residual beneficial impact is socio-economic impacts such as job vacancies and business opportunities. Air pollution, water and noise during site preparation works, plant construction, installation of equipment, plant operation and transportation operations and vibration, air blast and possible occurrence of flyrock from rock blasting operation are of the main concern. In order to minimise and prevent the potential adverse residual impacts, SBA Consultants has recommended to establish an environmental management plan to achieve effective and long term compliance in environmental protection.

SBA Consultants concluded that based on the abundant available rock reserve to be quarried, the readily available market, compatibility with surrounding land use and the needs for safer quarry, SBA Consultants have foreseen the CVM Project to be economically and environmentally viable. With the implementation of proper mitigation measures recommended by SBA Consultants, the proposed quarrying operation could be carried out in an environmentally friendly manner.

Based on the preliminary environmental impact assessment prepared by SBA Consultants, upon commencement of operation, the quarrying activities may generate air and noise pollution to the Dolomite Land which adverse impact to the environment is moderate. In addition, there may be moderate loss of topsoil due to erosion and minor hydrological changes and changes to the groundwater regime.

On 4th April, 2008, we obtained an approval on the EIA study of the Dolomite Land issued by the Department of Environment State of Perak, Ministry of Natural Resources and Environment.

The EIA approval is subject to, amongst other things, the following conditions:

Project concept

1. The development of the project is limited to the Quarry Scheme as proposed in the EIA report prepared by SBA Consultants dated February 2008. The area involved is part of Lot 14882 measuring 9.51 hectares.

2. The embankment zone must be at least 600 meter in width surrounding the quarry site and only agricultural, fisheries and breeding activities (without permanent structure) are allowed within this zone.

Compliance

3. All steps pertaining to prevention and control as stated in the EIA Report submitted by HPC through SBA Consultants dated 27th February, 2008 must be fully complied with.

4. The designs and blasting of rock shall only be based on the method approved by Mineral and Geoscience Department. The Quarry Contractor shall be fully liable to any damages onto infrastructure facilities, properties or public casualties due to the said blasting activities.

5. The design to erosion sediment control must comply with the terms and conditions in Urban Stormwater Management Manual For Malaysia issued by Drainage and Irrigation Department 2000 and approval must be obtained in advance from Drainage and Irrigation Department or the relevant local authorities for the design to flood retention pond and drainage system plan and the aforesaid plan shall be submitted for approval prior to the commencement of earth work.

6. HPC must procure approval plan for earth work from the local authority prior to the said commencement of work to the development. Copy of the said approval for earth work must be submitted to Perak State Environmental Department prior to any earth work done.

7. HPC must within one (1) month upon issuance of the EIA report provide a full and comprehensive Erosion Sediment Control Plan to Perak State Environmental Department and Perak Drainage and Irrigation Department for approval.

8. The emergency response plan that considered all aspect of quarry activities must be prepared and submitted to Department of Environment for approval.

9. A specific and detailed environmental management plan ("Plan") for the quarry works must be prepared and submitted to Perak State Environmental Department for approval three (3) months prior to the earth works commencement. This Plan shall consist all activities of the quarry such as site clearance, extinction of overburden, surface run-off connection, wetting the access roads in and out of the quarry site, dust control from crusher plant, water sprinkler alarm system and rehabilitation of the quarry site. This Plan shall be reviewed and changed from time to time pursuant to requirements.

Control and supervision of water quality

10. The extra earth (if any) must be collected and gathered within the quarry forthwith. This earth must be placed away from water running space.

11. The land erosion control must be carried out to ensure the water surface run-off or water flowing out from the site do not contain floating substances of more than 50mg/l.

12. The turbid trap pond, turbid trap and drainage system to flow out the surface run-off must be prepared. Any release of the turbid trap, either from the pond or otherwise must not contain floating substances of more than 50mg/l. The said turbid trap pond must be property maintained and serviced to ensure it is in good condition.

13. All vacant land and exposed hill slopes due to the quarry works and access roads are to be stabilised and planted with grass or leguminous cover crops immediately.

Control and supervision of air quality

14. All the access roads for transportation within the quarry site must be wetted at all times until no dust is produced.

15. Earth work control must be carried out so that no air pollution for floating substances exceeding the average measurement of 260 ug/m^3 within 24 hours.

16. Water collecting facilities for dust pollution, transports to go in site and washing bays must be provided in the quarry site.

17. All sources producing dust and air pollution must be completed with effective pollution control devices. The following items must be linked to the equipment design of this quarry:-

    (a) All rock drilling equipment must be completed with dust control devices;

    (b) All rock crusher must be surrounded or cover must be completed with effective dust control devices; and

    (c) Water sprinkler system must be installed at every transfer point.

18. The quarry operation shall be stopped forthwith when the above mentioned devices experience any faults and will only resume when the air pollution control devices of this quarry are fully functional.

Noise control and supervision

19. All the activities carried out within the quarry must be supervised so that no noise is created for more than 65 dB(A) level during day time and 55 dB(A) during night time affecting the neighbouring area.

Management or refuse debris and schedule refuse

20. The remaining plant growth due to the clearance of the site is prohibited from being brought out of the quarry site and shall be destroyed in a place far from water stream or any site that has been approved by the local authority. The site clearance plan including the location of the dumping of debris of plants within the quarry shall be submitted to the Perak State Environmental Department prior to the commencement of clearance work commenced.

21. Bundwall must be constructed surrounding oil tank or chemical tank to control any spillage and to accommodate at least 110 percent of the biggest tank within the bundwall. The site for the tank must be made of concrete and facilities to pump out the spillage facilities must be provided.

Restoration of environmental

22. The Quarry Contractor must ensure restoration work onto the non-operation surface of the quarry shall be planted with suitable trees.

23. The vehicle transporting the material from the quarry using public access road must be covered to avoid spillage. All spillage thereof must be cleared and cleaned.

Supervision to environmental quality

24. The water quality discharged from turbid trap pond and from source of river or stream within the quarry site must be supervised every month and a report thereto must be submitted on every three (3) months. The parameters that require supervisions are the biochemical oxygen, diluted oxygen, total of solid floating substance and oil and grease. The location and sample program must be submitted to the Perak State Environmental Department prior to the commencement of quarry works.

25. Air ambient quality control for solid floating substance parameter must be carried out. The frequency of taking the said air ambient sample is three (3) months once and a control and supervision report thereto must be submitted to the Environmental Department. The sample extract spot is at the quarry site and nearby residential area.

Report

26. While carrying out the said project, the Quarry Contractor must ensure to submit Work Progress Information by using Forms PPE 1/97 and Schedule Of Compliance to EIA terms and conditions by using form PPE2 to show that all terms and condition in the said EIA report has been complied with and prevention and control steps have been taken under the provision of Section 24A(7), Environmental Quality Act 1974, Amendment 1996. The said report must submitted to the Perak State Environmental Department within 90 days from the issuance of this letter and thereafter to the Perak State Environmental Department every three (3) months.

27. Air quality control report and the valuation on water quality (at the beginning and mouth of the stream) shall be submitted on every three (3) months with effect from the date of the commencement of work. The parameter analysts for the said water quality must be done in a Malaysian Laboratory Accreditation scheme approved by Malaysian Standard Department.

Administration

28. The quarry scheme, blasting activities including blast design, blast sequence, total explosive used, explosion distance and height of quarry surface must be done by a qualified Consultant Engineer who have experience in quarry works whether he is a mining engineer, civil engineer, mechanical engineer or etc.

29. The name of the supervisor in charged of the pollution control at all section in the quarry must be submitted to Perak State Environmental Department two (2) weeks prior to the quarry work commencement.

30. The Quarry Contractor must immediately inform Perak State Environmental Department and forward a copy to the headquarters of the said department if there are any changes in the shareholding of the said quarry or management of therein.

31. A copy of EIA report and the comments thereto must be displayed at a suitable conspicuous space of the quarry site.

32. The terms and conditions of the approved EIA report shall only valid and can be used for **two (2) years** only from the date of the approval letter dated 4th April, 2008. In the event the project was not carried out during the stipulated period, the EIA approval shall be null and void automatically. The approval **can be withdrawn** at any times in the event there are any violations of the terms in the EIA approval and instruction to stop work will be issued forthwith.

Upon commencement of the production of the Perak Magnesium Smelter, the Quarry Contractor has to comply with local environmental regulations with regard to the control on the noise level and dust emission. The Quarry Contractor has undertaken to us to comply with the environmental regulations set by the relevant authorities including but not limited to the control on the noise level and dust emission and, if required, the employment of an environmental consultant. In addition, the Quarry Contractor will spray water on the site road on the Dolomite Land during dry and windy weather to minimise air pollution due to dust generation and dispersion during the quarrying operation and transportation of dolomite. The Quarry Contractor will also be required to adopt proper and safe blasting technique with engagement of qualified personnel to handle the blasting to reduce noise, vibration and rock-flying from blasting operation.

In relation to minimising soil erosion and siltation, we will further ensure the Quarry Contractor to conduct land clearing for area where the dolomite is to be extracted in stages and levelling of the site to limit the extent of area denuded and exposed at any one time. Where necessary, the Quarry Contractor must avoid clearing and quarrying activities during extremely wet season. Area without rock extraction activities will be planted with vegetation and quarry benches will be used to reduce the velocity of soil erosion. Speed limit of earth moving equipment and trucks must be imposed within the quarry site to minimise earth disturbance and silt traps will be provided to filter any soil erosion before such soil is being discharged into the natural watercourses. An officer of the Group from the mining division will be stationed at the mining sites on a daily basis to ensure the Quarry Contractor comply with all applicable rules and regulations as well as the internal controls procedures set out by the Group. Our executive Directors and senior management will visit the mining sites regularly from time to time.

The Group will implement an environmental management plan which includes the appointment of an environmental consultant on an annual basis to perform independent assessment on dust and noise level generated from such quarrying activities. Such a consultant will also advise the Group on actions required to be taken by the Group to comply with the environmental laws and regulations. There will be costs to be incurred by the Group for compliance with laws and regulations and the Group estimates the professional fees to be incurred for engaging an independent consultant will be approximately RM36,000 (or equivalent to approximately HK$81,356) per annum.

As the quarrying activities will generate only moderate adverse impact to the environment, the Directors believe that the measures stated above are sufficient to encounter and mitigate any environmental concern and such measures are in the Directors' belief to be generally adopted in the industry. There is, as at the Latest Practicable Date, no plan in place to adopt any new technology nor conduct research and development to mitigate the impact on the environment as the Group will prioritise on revenue generation by adopting cost-cutting measures. However, the Directors will consider adopting new technology in the future if there is a potential to enhance the efficiency and reduce the impact on the environment.

B. In relation to smelting activities in the Perak Magnesium Smelter

Pursuant to section 34A of the Malaysian Environmental Quality Act 1974, any person intending to carry out any of the prescribed activities, which include, amongst other things, the carrying out of primary smelting of non-ferrous metal of 50 tonnes per day and above, shall before any approval for the carrying out of such activity is granted by the relevant approving authority, submit a report containing an assessment of the impact such activity will have or is likely to have on the environment and the proposed measures that shall be undertaken to prevent, reduce or control the adverse impact on the environment to the Director General of the Environmental Quality.

In accordance with the provisions of the Malaysian Environmental Quality Act 1974, we have appointed an independent environmental consultant, Perunding Utama Sdn. Bhd. ("Perunding Utama"), to prepare (i) a preliminary site assessment to assess the acceptability of the Smelter Land for the purpose of constructing the Perak Magnesium Smelter and to determine the specific EIA requirements and (ii) the EIA study, which was undertaken in accordance with the relevant guidelines laid down by the Department of Environment. The focus of the EIA study is to address issues relating to air emissions, wastewater generation, residues disposal, risk and hazards from storage of chemicals and fuels, accidents in the process of operations of the Perak Magnesium Smelter, energy demand, ecological impacts, noise and vibration impact, traffic generation and socio-economic issues. The scope of the EIA study includes a review of the relevant environmental legislations and a review of literature.

The findings of Perunding Utama on the EIA study are set out in the preliminary EIA report prepared by Perunding Utama in January 2006, which are summarised below:

Existing Environment

The topography of the Smelter Land is flat and low-lying. The nearest town is Taiping (about 6 km away). The geology of the Smelter Land area has been disturbed through activities such as tin mining, sand quarrying and backfilling. The activity results in the disturbance and mixing of the formation materials. The existing area has been engineered into a flat land. Depressions were backfilled with borrowed material, up to 8.8 m to 19.0 m thick. Freshwater streams within the Smelter Land area are Sg. Malai, Sg. Air Putih and Sg. Jebong. There is a small stream that runs parallel to the western boundary of the site. The lower section of the stream has been channelised and routed to Sg. Air Putih. Water quality is fair and does not appear to be affected by the effluent releases from the Kamunting Raya industrial estate. However, all streams within the Smelter Land area appear to be affected by iron concentrations, in particular, Sg. Jebong, which exceeded the Class III limit of Interim National Water Quality Standards for Malaysia. The climate in the Smelter Land area is equatorial, warm and humid and is influenced by the Northeast and Southwest monsoons. The total annual amount of rainfall is about 1823 mm. The highest rainfall was recorded in November during Northeast monsoon and the dry season is reflected in May. The level of criteria pollutants detected at the Smelter Land boundary is well within the Malaysian Recommended Ambient Air Quality Standard Guidelines recommended limits and the air quality is still good within the Smelter Land site. Noise in the project site is mainly contributed by the natural background sources such as wind and sounds of birds and insects. Due to the proximity of Taman Berkat (N1) to two major noise sources (main road) and commercial activities along the road, the background noise levels were above the recommended noise exposure level of 65 dB(A) for daytime. Background noise levels at Taman Yayasan (N2), Taman Tekah Permai (N3) and Kg. Tersusun (N4) were well within the daytime limit. A greater proportion of the Kamunting Raya industrial estate consists of mined-out area. It is characterised by flat, sandy areas, mining ponds and is essentially barren and void of tree vegetation. Four of the largest ponds within the Kamunting Raya industrial estate area will be retained for recreational and drainage purposes. The project site is easily accessible via the North-South Expressway through the Taiping Interchange. In relation to the utilities of the Perak Magnesium Smelter, Lambaga Air Perak is responsible for the operation and maintenance of the water supply facilities, Tenaga Nasional Berhad is the electricity supplier, telecommunication services is provided by Telekom

Malaysia Berhad and solid waste disposal is managed by the Majlis Perbandaran Taiping. The total population in the District of Larut Matang is 198,305, representing 45,287 households and 54,867 living quarters. The estimated annual rates of population growth in Larut Matang are 1.32% from 2000 to 2005 and 1.29% from 2005 to 2010.

Environmental impacts

The quality of air in the surrounding area of the Smelter Land is anticipated to be within the acceptable level and will not have any significant impact on the surrounding working population's health during normal operation of the Perak Magnesium Smelter. The contribution of the air pollutants emitted from the Perak Magnesium Smelter is within the acceptable limit. The hazards considered in the quantitative risk assessment are mostly related to fire hazards within the Smelter Land and to the surrounding area. The results of the risk assessment show that the Perak Magnesium Smelter meets the risk acceptability criterion with no impacts expected on adjacent industrial areas or residential areas. Water quality issues are not expected to be significant during both construction and operational phases of the Perak Magnesium Smelter as the volume of discharge will be minimal. Results of the noise modelling indicated that there may be slight exceedance of noise, particularly during night-time operation. However, since the Perak Magnesium Smelter is located within a gazetted industrial area, it is expected that no significant impact will be made to the surroundings, as there are no residents within 1 km radius of the Smelter Land. An emergency response plan had been drafted by CVM to identify the types and means to minimise the effect of an accident, with minimum impacts to workers, property and the environment. Scheduled wastes are expected to be of inconsequential amounts and these wastes will be collected, stored and disposed by licensed contractors in accordance with the Environmental Quality (Scheduled Wastes) Regulations, 2005.

Residual impacts

Generally, no major residual impacts are expected from the Perak Magnesium Smelter to the surrounding areas. The Perak Magnesium Smelter has brought many opportunities to the local population in terms of employment and business opportunities.

On 7th September, 2006, we have obtained an approval on the EIA study and the construction of the Perak Magnesium Smelter on the Smelter Land issued by the Department of Environment State of Perak, Ministry of Natural Resources and Environment.

The EIA approval is subject to, amongst other things, the following conditions:

- CVM is required to submit the EIA approval and the approval of the layout plan to the Office of State Land and Mineral Office of Perak to be brought to the State Assembly Council for further consideration. As at the Latest Practicable Date, the EIA approval had been obtained by the Company;

- the effective and current preventive and control measures for pollution of the environment as recommended in the EIA report should be fully implemented at every level of construction and operations;

- If the effective control measures are not taken, erosion and mud which is the source from earth works activities will occur. Accordingly, CVM is required to obtain earth works plan from Taiping Municipal Council and Department of Irrigation and Drainage of the State of Perak earlier to control water pollution at Sg Air Putih an Sg. Jebong and copies of the earth works plan should be submitted to the State of Perak Environment Department before earth works are carried out. As at the Latest Practicable Date, we have obtained from the Taiping Municipal Council approvals on the earth works plan for the Smelter Land on 12th October, 2001 and on the street and drainage plans for the Smelter Land on 23rd February, 2007 and 28th November, 2007 respectively;

- The development of the Perak Magnesium Smelter will involve cleaning of the bush area and will produce left-over growth. The disposal of the left-over growth in the Perak Magnesium Smelter should be fully implemented to ensure that the Smelter Land could be developed by environmental friendly way;

- Open burning activities are absolutely prohibited;

- Safety risks to the surrounding residents must be given attention especially to the risk of fire burning material reserve tank, coaches which carry dangerous material/ flammable to be repaired and any event beyond expectation. Emergency Response Plan (on-site and off-site) must be provided in encountering any accidents. The project motivator also should make compensation agreements to the victims whether to the workers, visitors and the public if any accidents occur;

- Construction and technology stack should be given attention so that the discharge does not exceed the limit of 200 mg/Nm^3 or ambient concentration of 40pg/m^3 for 24 hours;

- The exit and entry road to the Perak Magnesium Smelter during the earth works and construction should not pass through residents area nearby;

- Interruptions to laying of foundation works, loud noise and vibrations and dust to nearby residents including lorries earth works activities and construction must be given serious attention; and

- river reserves/trench/public drain/exit and entry roads should be provided based on the requirements of the Local Authority.

We will ensure the Perak Magnesium Smelter is in full compliance with the above conditions prior to or when it becomes fully operational.

At the same time, we also obtained the environmental management plan (EMP) approval for the Perak Magnesium Smelter issued by Department of Environment State of Perak, Ministry of Natural Resources and Environment on 29th January, 2007.

During the construction period of the Perak Magnesium Smelter, the environmental consultant appointed by us, Perunding Utama, is responsible for preparing and submitting environmental monitoring report to the Department of Environment. The firm will also assess whether the construction works comply with the relevant environmental requirements under the laws and regulations in Malaysia.

Based on the preliminary environmental impact assessment prepared by Perunding Utama, we have been advised that manufacturing activities are expected to generate insignificant residual environmental pollutants such as dust.

Notwithstanding the above, in compliance with the applicable environmental protection laws, we will adopt the following measures in the Perak Magnesium Smelter:

- The processes for production, treatment or handling of products have the potential to generate dust. We will keep air away by placing covers over runners and using an inert atmosphere at transfer pints, such as from the furnace to transfer vessel and conditioning of dusty materials with water sprays in order to prevent and minimise the generation of fugitive dust;

- Adopting bag filters, which have a removal efficiency of above 99%, in controlling particle matters in stack emissions. To maintain their effectiveness, a proper maintenance programme will be adopted to minimise performance failure. The proper maintenance of the control system will ensure that emission and ambient levels of air pollutants are well within the recommended limits;

- An effective emergency response system with built-in automatic controls and alarm to detect systems failures has been proposed to minimise the impact of uncontrolled emissions to the atmosphere;

- Materials storage yards will be closed at all time to minimise wind blown dust. Roads and open storage areas will be cleaned regularly to prevent fugitive dust generation due to wind or the movement of vehicles. Roads and other areas prone to fugitive dust emissions will also be sprayed to reduce dust generation;

- The inconsequential amounts of industrial scheduled wastes discharged will be collected, stored and disposed by licensed contractors in accordance with the Environmental Quality (Scheduled Wastes) Regulations, 2005; and

- Regularly maintain the plant facilities to ensure environment compliance is not being compromised.

In addition, the Perak Magnesium Smelter has been designed in such a way that it will adopt a concealed system in the Briquette Press segment and the continuous heating system will enable the re-use of high pressure and temperature steam. This design aims to reduce emission of heat significantly.

As the production activities will generate insignificant residual environmental pollutants such as dust, the Directors believe that the measures stated above are sufficient to encounter and mitigate any environmental concern and such measures are in the Directors' belief to be generally adopted in the manufacturing industry. There is, as at the Latest Practicable Date, no plan in place to adopt any new technology nor conduct research and development to mitigate the impact on the environment as the Group will prioritise on revenue generation by adopting cost-cutting measures. However, the Directors will consider adopting new technology in the future if there is a potential to enhance the efficiency and reduce the impact on the environment.

As most of our executive Directors have past hands-on experience in managing environmental issues from their prior involvement in projects related to natural resources, our Directors are committed to environmental protection and any environmental issues that may arise from the mining and manufacturing activities. The Group will also implement relevant internal controls policy and procedures for handling environmental matters such as the appointment of an environmental compliance officer to ensure all conditions and regulations are being adhered to at all material times. Internal auditors will conduct independent checks on the compliance status for the environmental matters. External environmental consultant will also be appointed from time to time to monitor environmental compliance matters when the need arises.

DANGEROUS ARTICLES

Our mining operations in the Dolomite Hills involve the handling of explosives, being the dynamite used by the Quarry Contractor for the blasting of the Dolomite Hills.

Blasting is a regulated activity in Malaysia. Rule 20 of the Perak Quarry Rules 1992 states that no explosives shall be brought into, stored in, placed in, moved about or used in any quarry except those of such type and standard, in such places, in such quantities in such manner and under such conditions as shall be approved by the Land Administrator. A further license and, or permit is also required pursuant to the Explosives Act 1957 which generally states that a permit is required. In Malaysia, a permit is required for the purchase, sale or possession of any explosive (except for certain classes of explosives which are specifically exempted). A further licence is also required for the import, export or removal from place to place of any explosives (except for certain classes of explosives which are specifically exempted). The Royal Malaysia Police is the licensing authority for issuing such a permit and, or licence.

Only a designated individual who is authorised under a quarry permit is allowed to handle explosives. The Group will supervise the quarrying activities on the Dolomite Land to ensure that all related laws and regulations are complied with.

OCCUPATIONAL HEALTH AND SAFETY

The Quarry Contractor, in carrying out its quarrying activities, has to comply with the relevant rules and regulations laid down by the Department of Occupational Safety and Health of Malaysia in relation to the occupational safety and health of workers working on the Dolomite Land. These include, amongst other things, the provision of masks, helmets and safety shoes to the workers on and visitors to the Dolomite Land, and providing training courses to them on occupational safety and health. The blasting activities are conducted in the presence of police officials or personnel from police approved private security firms to ensure all requirements are being met during blasting, and there is no one present near the blasting area during the blasting activities.

Upon the Perak Magnesium Smelter becomes operational, we will be required to comply with the relevant provisions of the Occupational Safety and Health Act 1994, details of which are set out in the section headed "Regulation of our Industry" in this prospectus.

In order to ensure the Quarry Contractor and the Group comply with the applicable laws relating to occupational health and safety, the Group will adopt the relevant internal controls policy and procedures for handling occupational health and safety matters. We will appoint an occupational health and safety officer under the human resources department, to ensure all matters relating to occupational health and safety requirements are complied with according to the manuals on occupational health and safety prepared by us. A copy of such manuals will be distributed to each employee on their joining of our Group. We will conduct regular trainings to educate our employees at the Perak Magnesium Smelter and will request the Quarry Contractor to train its employees so that employees are familiar with the manuals and internal control policy concerning the occupational health and safety. Our internal auditors will also conduct independent checks on the compliance status for occupational health and safety matters. The Directors believe that these measures are adequate to address potential future risks associated with occupational health and safety.

As the Group has yet to commence operations at the Perak Magnesium Smelter, the labour force is minimal at present. To the best of our Directors' knowledge and belief, the Company has complied with all relevant health and safety laws and there have been no complaints from the relevant authorities as at the Latest Practicable Date.

As the machinery will be fixed in accordance with the approved plans by the relevant authority in Malaysia and most of the safety facilities such as fire extinguishers and helmets for factory workers will be purchased prior to the commencement of operations of the Perak Magnesium Smelter in accordance with the applicable occupational health and safety laws and regulations in Malaysia, these costs will be incurred as part of the capital expenses. As we will handle the occupational health and safety compliance in-house through an officer to be appointed, which will be an employee of the Group, save for salary for this officer and costs associated in conducting trainings and printing manuals, which costs are expected to be not significant. We also plan to buy a group insurance policy for our employees to provide adequate insurance coverage for all employees. Such expenses when incurred will be disclosed in our audited financial statements in accordance with the accounting standards.

EMPLOYMENT

Please refer to the section headed "Regulation of our Industry" in this prospectus for details of the employment laws in Malaysia which are applicable to us. In order to comply with the relevant employment laws in Malaysia, we will implement the following internal controls:

- we will only recruit foreign workers through professional and established foreign labour agencies which will make all the necessary arrangements to apply for valid work permits for the foreign workers;

- our human resources department will cooperate with the relevant embassies in Malaysia to register the employment of the foreign workers from their respective jurisdictions and if necessary, register such employment with the local police station;

- we will comply with all relevant legal and regulatory procedures in respect of the termination of the work permits of the foreign workers by closely coordinating with the appropriate local authorities including the Immigration Department;

- our human resources procedural manual and policy will also clearly set out the relevant legal and regulatory procedures in relation to the recruitment and termination of employment of foreign workers to be working in the Perak Magnesium Smelter; and

- our external and internal audit consultant will conduct regular audits on our internal controls covering, amongst other things, compliance with our human resources procedures and policies.

In light of the above internal controls to be implemented, we are confident that we are able to comply with the relevant labour laws including section 5 of the Malaysian Employment (Restriction) Act 1968 as and when the Perak Magnesium Smelter begins to recruit foreign workers from the neighbouring countries. Accordingly, our Directors are of the view that there are no foreseeable illegal labour issues faced by the Group.

INSURANCE AND RISK MANAGEMENT

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

Our Directors will maintain adequate insurance prior to the commencement of operation of the Perak Magnesium Smelter.

LICENCES

Please refer to the section headed "Regulation of our Industry" in this prospectus for detailed information of licences, permits and approvals we have obtained or will obtain.

In order to ensure compliance by the Group or its contractors, as the case may be, with all relevant regulatory and licensing requirements relating to the mining operations and the smelting process of the Perak Magnesium Smelter, we have taken the following key measures:

- as at the Latest Practicable Date, we have commenced small scale quarrying activities on the south hill of the Dolomite Hills. Our quarrying activities are subject to CVM or the Quarry Contractor obtaining and complying with the terms of the relevant licences and permits relating to our mining operations, as set out in the section headed "Regulation of our Industry — Summary of Key Regulatory Requirements" in this prospectus. As at the Latest Practicable Date, CVM and, or the Quarry Contractor had obtained all the major mining licences, permits and approvals. As for the licence for the use of explosives in the Dolomite Hills, the approval in principle from the Royal Malaysian Police was obtained on 8th August, 2008. The specific licence for the use of explosives, which sets out in detail the exact amount of explosives purchased and 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. Save for this licence which is needed each time blasting activities are conducted, Ben & Partners are of the view that (1) we have obtained all outstanding permits and approvals for our mining operations, (2) the permits, licenses, approval and the Mining Right obtained by us, or the Quarry Contractor in respect of our mining operations are legally valid and enforceable and (3) we are in a position to commence our quarrying activities in compliance with all relevant laws and regulations as at the Latest Practicable Date. As for our future smelting operations, as at the Latest Practicable Date, we have submitted the relevant application to the relevant authority in Malaysia to apply for the licences, permits and approvals which we have yet to obtain or in situation where the application can only be submitted after obtaining certain other licences, we have gathered the necessary information to ensure application can be submitted expeditiously immediately after obtaining such other licences, permits and approvals;

- we have engaged professionals in the relevant industry to assist us in applying for the relevant licences, permits and approvals such as the EIA consultant. For example, SBA Consultants is engaged to apply for the approval of EIA report and to apply for the permit to extract, remove and transport rock material as well as the written approval pursuant to the Perak Quarry Rules. The EPC Contractor has also engaged Perunding YGL as the mechanical and engineering contractor, which is responsible for obtaining the written approval from the Inspector of Factories and Machinery and Certificate of Fitness for steam boiler, unfired pressure vessel or hoisting machine. In addition, CVM will also apply for the Visit Pass (Temporary Employment) and Employment Pass in respect of the recruitment of foreign workers and we understand that it is a straight-forward process;

- our Directors and members of the senior management conduct periodic progress meetings and are regularly on site at the Smelter Land to monitor the progress;

- the independent checking engineer appointed by CVM pursuant to the terms of both the Old CVM Project Finance Loan the New CVM Project Finance Loan has to verify the necessary approvals from the Malaysian government authorities be in the context of the construction of the Perak Magnesium Smelter;

- the miscellaneous items of machinery and equipment which require special licences in accordance with the FMA will be ordered in Malaysia, instead of being imported from the PRC, as the relevant manufacturer(s) will be more familiar with the Malaysian specifications and regulatory requirements; and

- we have also appointed Ben & Partners to perform regular review of the Group's compliance with all relevant regulatory and licensing requirements and we will regularly report such findings by Ben & Partners and the status of compliance to our compliance adviser.

Our Directors are of the view that the measures we have in place are sufficient to ensure compliance with all relevant regulatory and licensing requirements relating to our mining and smelting operations, and that we will be able to commence smelting operations by April 2009. In particular, CVM and the independent checking engineer appointed by CVM play an important combined role in monitoring the performance, including regulatory compliance, of the contractors. Due to our good relationship with the Malaysian local government, we will also seek the assistance of the relevant Malaysian regulatory bodies to facilitate the approval process shall CVM or its contractors encounter any unforeseeable difficulty in obtaining any licence, permit and, or approval.

On the basis that the licences, permits and approvals are a matter of formality and the application processes are administrative in nature, as long as CVM submits all the required documents as requested by the relevant Malaysian regulatory authorities, Ben & Partners have advised that there are no foreseeable legal impediment in obtaining all outstanding requisite licences, permits and approvals.

Having considered the measures we have put in place as disclosed in the prospectus, the administrative nature of the application processes and the timing of such application processes the Sponsor, our Directors and Ben & Partners are of the view that:

(i) as at the Latest Practicable Date, CVM has obtained the Plant Licence and the approval of the EIA report for the Perak Magnesium Smelter and the Quarry Contractor has obtained the written approval pursuant to the Perak Quarry Rules;

(ii) as the State Authority of Perak has disposed the Dolomite Land by way of alienation to HPC, HPC has already been given the approval in principle to extract, remove and transport rock material from the Dolomite Land, the title in the Dolomite Land vests in HPC, the Quarry Contractor appointed by CVM has obtained the written approval pursuant to the Perak Quarry Rules and as the permit to extract, remove and transport rock material has been obtained by CVM, 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;

(iii) as at the Latest Practicable Date, CVM has been issued with the land title to the Smelter Land; and

(iv) barring any unforeseen event, as most applications have been submitted or prepared in advance, CVM or its contractors are likely to be able to obtain all other major requisite permits, licences and approvals for its operations by April 2009. Such major permits, licences and approvals include written approval from the Inspector of Factories and Machinery for the installation of machinery, certificate of fitness for steam boiler, unfired pressure vessel or hoisting machine, visit pass (temporary employment) and employment pass for employment of non-citizens.

In view of the above, the Sponsor, our Directors and Ben & Partners are reasonably satisfied that adequate measures have been taken or will be taken by CVM to ensure that all major requisite permits, licences, approvals will be obtained in a timely manner, and to the best of their belief, barring any unforeseen event, there is no reason to believe that the production of the Group will not commence in April 2009. In the event that any of the regulatory and licensing requirements cannot be met such that commercial production of CVM cannot be commenced by April 2009, we will make an appropriate announcement to update the status of compliance with the relevant requirements. Where appropriate, we will also disclose the status of the major licences, permits and, or approvals we are yet to obtain prior to the operations of the Perak Magnesium Smelter in our voluntary quarterly results announcements after the Listing.

The Directors do not anticipate any delay in commencement of production resulting from a material delay in obtaining the relevant licences, permits and approvals. However, by virtue of a deed of indemnity referred to in the summary of material contracts in Appendix VII to this prospectus and conditional upon the fulfilment of the conditions stated in the section headed "Structure of the Share Offer — Conditions of the Share Offer" in this prospectus, HWGB has agreed to keep the Company and member(s) of the Group indemnified from and against any loss, damages, claims and penalties incurred or suffered by the Company or any members of the Group resulting from the Group's failure to obtain in a timely manner any licence, permit or approval as is required under the laws and regulations of Malaysia, such that the Group is unable to commence production by April 2009. HWGB's liability under the indemnity is limited to a maximum amount of RM3 million (equal to HK$6.8 million) being the amount less than 5% of HWGB's latest audited net tangible assets as at the date of the deed.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, our Group owns, possesses, or has the right to use the intellectual property rights as set out in section B2 of Appendix VII to this prospectus, which have either been registered or in respect of which we are applying for registration. Our Directors confirm that to the best of their knowledge and belief, there does not appear to be any violation or infringement of any intellectual property rights owned by our Group or by any third parties in Hong Kong or Malaysia.

COMPETITION

The Perak Magnesium Smelter will be the first magnesium smelter in Malaysia. Accordingly, we do not expect to face any significant competition from potential players in Malaysia that may enter into the industry after the commercialisation of the CVM Project. As magnesium prices are driven by global demand and supply of magnesium and such information is publicly available, the Directors do not consider that price competition exists among the major players in the magnesium industry. Besides, since our target customers are mainly overseas magnesium alloys plants and, or metal traders/producers, we face competition mainly from primary magnesium ingots producers in other parts of the world, in particular the PRC, in terms of quality assurance.

In an effort to remain competitive in the market, we will provide training, including the training to be conducted at the Shanxi Training Plant, to our staff at both the operational and supervisory levels after the commencement of operations of the Perak Magnesium Smelter. We will also continue to closely monitor the magnesium production process with a view to satisfying the needs of our prospective customers.

RESEARCH AND DEVELOPMENT

As we possess the relevant skills and knowledge applicable to the manufacture of magnesium ingots and our quarrying and smelting operations involve tasks with lower technological sophistication compared to the mining and smelting activities in relation to other minerals or metals such as oil, gold and aluminium or magnesium alloys, after the full operation of the Perak Magnesium Smelter, our research and development activities will primarily focus on commissioning studies to achieve high cost efficiency and productivity. We may conduct more laboratory research and development works if and when we decide to venture into the production of magnesium alloys in the future.

LITIGATION

As at the Latest Practicable Date, none of the members of our Group was a party to any legal or administrative proceedings, and no proceedings were known by any member of our Group to be contemplated by government authorities or third parties, which, if adversely determined, would adversely affect us.

RELATIONSHIP WITH HWGB

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.

Immediately following the completion of the Share Offer, HWGB will own 41.25% of the issued share capital of the Company (assuming that the Over-allotment Option is not exercised) or approximately 39.76% of the issued share capital of the Company (assuming that the Over-allotment Option is exercised in full) and will continue to be our Controlling Shareholder. From that time, HWGB will account for the Company as an associated company. Our Group operates as a distinct business unit separate from the range of other businesses of the HWGB Group.

As at the Latest Practicable Date, no member of the HWGB Group carried on any mining, quarrying, metallurgical, mineral processing or similar business in relation to magnesium. Accordingly, our Directors are of the view that none of the other businesses in which HWGB has an interest, competes or is likely to compete, either directly or indirectly, with the business of our Group.

Pursuant to the Listing Requirements of Bursa Malaysia, HWGB is required to obtain its shareholders' approval for the listing of the Company. On 9th August, 2007, 13th November, 2007 and 24th December, 2007, HWGB made the necessary announcements through Bursa Malaysia concerning the Listing. Furthermore, on 12th March, 2008, HWGB obtained its shareholders' approval for the Listing of the Company and the disposal of shares in CVM held by HWGB. Save for the shareholders' approval which has been obtained on 12th March, 2008 pursuant to the requirements of the Listing Requirements of Bursa Malaysia, no approval from Bursa Malaysia is required to be obtained by HWGB for the Listing.

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%), Goh Sin Huat (30.86%) and 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 Goh Sin Huat and Lim Hui Sing. Mr. Lim Hui Sing is the uncle of our executive Director, Mr. Lim Ooi Hong. As Mr. Lim Ooi Hong is a substantial shareholder of HWGB and an executive Director of our Company, where the need arises and in situation where there is a conflict of interest between the interest of HWGB and our Company, Mr. Lim will abstain from voting in our Board meeting in accordance with the applicable laws and regulations.

HWGB has pursued the Listing for the following purposes:

(a) to raise funds and provide the Company with the potential flexibility of raising future funds on the region's principal capital market so as to support the Company's growth and to facilitate it in becoming a major participant in the magnesium industry in the South East Asia. A Hong Kong listing also provides a spring board for potential future diversification of the Company's business in the magnesium mineral sector into the PRC; and

(b) to attract new investors who are seeking an investment opportunity in the international trading of magnesium metal, as the magnesium ingots produced by the Company will be sold on the international market, and are not targeted for domestic consumption.

RELATIONSHIP WITH TSM

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). To the best knowledge of the Directors, the shareholders of TSM are Mr. Teoh Tek Siong, currently holding 80% of the issued share capital of TSM, and Ms. Lai Choy Kan, as at the Latest Practicable Date held 20% of the issued share capital of TSM.

As at the Latest Practicable Date and immediately prior to the Share Offer, TSM, an existing Shareholder of the Company, owned 20% of the issued share capital of the Company. TSM is a private limited company which was incorporated in Malaysia on 18th August, 1999 under the name of Spiral Master Sdn. Bhd. as an investment holding company. TSM changed its name to Tsorng Shin Machinery (M) Sdn. Bhd. on 11th May, 2000. Immediately following completion of the Share Offer, TSM will own 15% of the issued share capital of the Company (assuming that the Over-allotment Option is not exercised) or approximately 14.46% of the issued share capital of the Company (assuming that the Over-allotment Option is exercised in full).

As at the Latest Practicable Date, save for its shareholding in the Company, our Directors confirm that TSM is an Independent Third Party.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDER

The Board is entirely satisfied that, after the Listing, the Company can carry on business independently of HWGB for the reasons set out below:

- **Independence of boards and management**

Set out below is a summary of the directors and senior management of HWGB and the Company as at the Latest Practicable Date:

	HWGB	**The Company**
Executive Directors	Goh Sin Huat Teo Tiew Chien, Chao-Chuan Tong Gee Pun	Chong Wee Chong Gao Qi Fu Lim Ooi Hong
Independent non-executive Directors	Tee Lay Peng Wong Tuck Jeong Dato' Mohd Shahar Bin Abdul Hamid	Tony Tan Wong Choi Kay Chong Lee Chang Lam Cheung Shu
Senior Management	Tham Fook Sun Song Kok Seng Law Shu Pin	Zhou Wu Wen Guo Qiang Ha Bin Khean

No director of any member of the HWGB is or will be a director of any member of our Group. This ensures independence of operations between the Company and HWGB.

Throughout the Track Record Period, our Group has had an essentially separate management from HWGB, due, principally, to the fact that the underlying businesses of our Group and the HWGB Group are, themselves, different.

Our Group's development has been led, throughout, by Mr. Chong Wee Chong who became a director of CVM on 2nd March, 2004, around the time of the inception of the CVM Project. The independent nature of Mr. Chong's work was supplemented through the expertise of other independent management team members, including Mr. Gao Qi Fu (also an executive Director) who has a 40-year background in the mining and exploration industry, Mr. Zhou Wu (a member of our senior management team), who is an expert in constructing and operating magnesium smelting plants and Mr. Wen Guo Qiang (also a member of our senior management team) who also brings specific expertise on magnesium smelting, mining and exploration. None of these people are employed elsewhere in the HWGB Group.

Mr. Lim Ooi Hong, an executive Director, was an executive director of HWGB from 2003, but resigned from the board of directors of HWGB on 12th December, 2007. With a finance and business administration background, his role on the board of directors of HWGB has historically been to plan business strategy and oversee special projects, of which our Group's development has been one such project.

The Company and HWGB have their own separate head offices (albeit that our Group rents office space from the HWGB Group, as described further below), and separate administrative functions, as described below. Only as regards local Malaysian corporation secretarial work, we will continue to share services with HWGB, and then only for so long as HWGB continues to hold not less than 30% of the entire issued and fully paid share capital of the Company.

- **Independence of business and operations**

Our Group operates in an entirely different field of business as compared to the businesses of the HWGB Group. Our Group is developing the business of mining and extracting of dolomite, which will then be smelted and processed into magnesium ingots.

This is different from the business activities (not including CVM's business) undertaken by the HWGB Group which is principally involved in investment holding, manufacturing and trading of 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.

With district spheres come a variety of other important corollary distinctions, including the following:-

Physical locations of the CVM Project — Both the Dolomite Hills and the Smelter Land are sites only relevant to our Group, with the HWGB Group having no business presence or interests on or located near either sites. At the operation level, this will result in a complete separation of employment role and identity of employees.

At the head office level, our Group and the HWGB Group have separate offices, albeit that our Group has rented office space from the HWGB Group (details of which are set out below in the paragraph headed "Exempt Continuing Connected Transactions"). That said, the Board is satisfied that our Group's offices in Kuala Lumpur could be replaced by comparable premises at comparable rentals and without material disruption to the operations of our Group.

Independent suppliers/raw material sourcing — Our Group's principal activity is, in essence, the first stage of a 'supply chain' that sees raw material processed into magnesium ingots. As such, our Group's requirement for raw material will largely be satisfied from the Mining Right. Nevertheless, in order to produce the magnesium ingots, our Group will need to purchase other raw materials including flux and ferrosilicon. Our Group's suppliers of these raw materials are independent from the HWGB Group and its connected persons.

Other independent contractors — Our Group, being at an early stage of development, will be reliant on the support of various important third party contractors, principally among which will be the EPC Contractor and the Quarry Contractor. Further particulars concerning these parties and their respective roles are set out elsewhere in this "Business" section (under the headings "Mining and Quarrying", "Perak Magnesium Smelter" and "Third Party Contractor").

For the purposes of this section concerning our Group's independence of operations from the HWGB Group, our Board is satisfied that the contractors described above are entirely independent from the HWGB Group and its connected persons and are unlikely to be called on to provide advice or services to members of the HWGB Group.

Independence of prospective customers and sale channels — Our Group has and will continue to develop its own sales team and sales channels that is/are independent of the HWGB Group. This is entirely logical and to be expected given the difference in products which the respective groups are in the business of selling. To date, our Group has entered into five off-take agreements with Independent Third Parties, further particulars of which are set out elsewhere in this "Business" Section (under the heading "Sales and Distribution"). So far as this section of the prospectus is concerned, the Board is satisfied that these prospective customers (and future prospective customers likely to be) are not likely to contract with any other members of the HWGB Group in ways that would have any adverse impact on our Group's business or operations.

In summary, given the different nature of businesses between our Group and the HWGB Group after the Listing, our Directors do not expect there to be any overlap or competition of HWGB Group's businesses and our Group's business.

- **Independent financial viability**

Our Group is financially independent from the HWGB Group and, following the Listing, will continue to be so.

As at 30th September, 2008, an amount of HK$36,835,289 was owed by CVM to HWGB. This amount (other than accounts payables incurred in the ordinary course of business) has been settled in full by CVM through a short term loan facility amounting to US$5 million (equivalent to approximately HK$39 million) from DBS Bank Ltd., Labuan Branch obtained by CVM prior to the Listing. This short-term loan facility is not subject to any security by CVM and is repayable on the expiry of six months period from the date of first drawdown.

Besides, the corporate guarantee provided by HWGB in favour of Bank Rakyat pursuant to the New CVM Project Finance Loan will be released and replaced with a corporate guarantee by us in favour of Bank Rakyat upon the Listing. The corporate guarantee provided by HWGB in favour of KFHMB to secure the banking facilities under the secondary finance granted by KFHMB will also be released and replaced with a corporate guarantee by us in favour of KFHMB upon the Listing.

- **Independent internal audit**

The Company will engage an independent professional firm to perform the internal audit role after the Listing.

- **Independent administrative capability**

Save for the local Malaysian corporation secretarial work which we will continue to share services with HWGB, and then only for so long as HWGB continues to hold not less than 30% of the entire issued and fully paid share capital of the Company, all the essential and substantive administrative functions which relate to the operation of our Group's business including accounting, internal audit, tax compliance, general administration, human resources, information technology, finance, legal and compliance will be handled by our Group independently. Such local Malaysian corporation secretarial work is not crucial to the Group's operation. Apart from HWGB, the local Malaysian corporation secretarial work can also be provided by other Independent Third Party secretarial firms with comparable pricing.

- **Non-competition undertaking**

In support of the separation of entity between our Group and the HWGB Group, HWGB has executed a non-competition undertaking in favour of the Company to the effect that, at any time during which the Shares are listed on the Stock Exchange and for so long as HWGB and its associates together hold 30% (or such other amount as may from time to time be specified in the Takeovers Code) or more of the voting power in general meetings of the Company:

(i) HWGB will not engage, and will procure member of the HWGB Group not to engage, on its own account or with each other or in conjunction with or on behalf of any

person, firm or company, carry on or be engaged in, concerned with or interested in, directly or indirectly, whether as a shareholder (other than as a shareholder of the Company), partner, agent or otherwise, in the business of mining and extracting dolomite and smelting and processing it into magnesium ingots ("**Restricted Activity**"); and

(ii) in the event that any opportunity is made available to HWGB, to invest in any Independent Third Party business which is engaged in the Restricted Activity (an "**Investment Opportunity**"), HWGB will use its best efforts to procure that such Investment Opportunity is offered to our Group and our Group shall have a right of first refusal in respect of such Investment Opportunity.

The restrictions which HWGB has agreed to undertake, as mentioned above, do not apply to HWGB or its associates holding or being interested in shares or other securities in any company which conducts or is engaged in any Restricted Activity (a "**Subject Company**"); provided that:

(a) such shares or securities are listed on a recognised stock exchange;

(b) the aggregate equity interest or number of shares held by HWGB and its associates do not exceed 10% of the issued capital or issued shares of the Subject Company; and

(c) HWGB and its associates do not have board or management control of the Subject Company.

As the non-competition undertaking by HWGB in favour of the Company would be within the purview of the powers of the directors of HWGB, the directors of HWGB would be able to give such an undertaking for and on behalf of HWGB and the approval of the shareholders of HWGB would not be required.

- **Corporate governance measures regarding potential conflict of interest with the HWGB Group**

The Company is committed to the view that the Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong element on the Board which can effectively exercise independent judgment. The Company is also committed to the view that the independent non-executive Directors should be of sufficient caliber and number for their views to carry weight.

HWGB has also undertaken to provide an annual confirmation to the Company confirming that it has not breached the terms of the non-competition undertaking (including without limitation that it has offered any investment opportunity to the Company as and when required under the non-competition undertaking), and to provide all information necessary for the annual review by the independent non-executive Directors on the enforcement of the non-competition

undertaking. We will disclose HWGB's annual confirmation to us confirming that it has not breached the non-competition undertaking and to provide all information necessary for the annual review by the independent non-executive Directors on the enforcement of the non-competition undertaking in our annual report.

In addition to the non-competition undertaking, the following measures will be adopted by the Company in respect of the enforceability of the non-competition undertaking:

- the independent non-executive Directors will review, on an annual basis, HWGB Group's compliance with the non-competition undertaking provided by the Controlling Shareholder on its existing or future competing businesses;

- the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to the enforcement of the non-competition undertaking (if any) in its annual report or, where the Board considers it appropriate, by way of an announcement;

- the Controlling Shareholder will make an annual confirmation as to compliance with the non-competition undertaking in the annual report of the Company. Disclosure on how the non-competition undertaking was complied with and enforced as is consistent with the principles of making voluntary disclosures in the corporate governance report;

- the Company will invite the independent non-executive Directors to decide, without attendance by any executive Directors (except as invited by the independent non-executive Directors to assist them), whether or not to take up a new investment opportunity referred to the Company under the terms of the non-competition undertaking; and

- the independent non-executive Directors may engage an independent financial adviser at the expenses of the Company as they consider necessary to advise them on the terms of any such new investment opportunity.

Further, any transaction that is proposed between the Group and HWGB Group will be required to comply with the then requirements of the Listing Rules, including, where applicable, the announcement, reporting and independent shareholders' approval requirements.

Directors' non-competition undertakings

Each of the executive Directors has, as a provision of the service contract which he has with the Company, undertaken in favour of the Company to the effect that, save for those interests as disclosed in this prospectus (please refer to the disclosure in this section above, the section headed "Directors and Senior Management" and the paragraph headed "Disclosure under Rule 8.10(2) of the Listing Rules" in Appendix VII to this prospectus) or interests in any company in which he together with any of his associates, own less than 5%, at any time during which he is an executive Director of the Company, he will not engage, and will procure his associates not to

engage, on his own account or with each other or in conjunction with or on behalf of any person, firm or company, carry on or be engaged in, concerned with or interested in, directly or indirectly, whether as a shareholder (other than being a director or a shareholder of our Group or its associated companies), partner, agent or otherwise, in the business of mining and excavating dolomite and smelting and processing it into magnesium ingots, or in any other business that may compete, directly or indirectly, with such business.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Group has entered into or expects to enter into the following continuing connected transactions which are exempted from reporting, disclosure and independent shareholders approval requirements under Chapter 14A of the Listing Rules:

- Renting of office premises for operations by CVM from HWGB
- Sharing of company secretarial services with HWGB
- On demand purchase of air tickets from Ho Wah Genting Poipet Resorts Sdn. Bhd. ("HWGP")

1. Renting of office premises for operations by CVM from HWGB

CVM, a wholly-owned subsidiary of the Company, has entered into a tenancy agreement on 10th August, 2007 with HWGB, the Controlling Shareholder, for the leasing of an office premises located at 2nd floor of Nos. 35, 37 and 39 and 3rd floor of No. 39, Jalan Maharajalela, 50150 Kuala Lumpur, Malaysia which amounts to an annual payment of RM84,000 (equivalent to approximately HK$189,831), commencing from 1st January, 2007 and expiring on 31st December, 2008. On 17th September, 2008, CVM entered into a supplemental letter with HWGB to renew the tenancy for a further term of 1 year commencing from 1st January, 2009 and expiring on 31st December, 2009. The total annual rental payable by our Group to HWGB shall be less than HK$1,000,000.00 and on terms no less favourable than those offered by Independent Third Parties. The rental payable by our Group to HWGB is determined by reference to market rental for such an office premises offered by Independent Third Party landlords, generally in the open market in Malaysia. As the tenancy only commenced on 1st January, 2007, there was no rental paid by our Group to HWGB in the past two financial years ended 31st December, 2006 while the annual rental made by our Group to HWGB for the year ended 31st December, 2007 was RM84,000 (equivalent to approximately HK$189,831). Grant Sherman Appraisal Limited has reviewed the tenancy agreement and the supplemental letter and confirmed that the rental reflects the prevailing market rates. This transaction is exempted from the reporting, announcements and independent shareholders' approval requirements pursuant to Rule 14A.33(3) of the Listing Rules.

2. Sharing of company secretarial services with HWGB

Our Group is sharing company secretarial services with HWGB with effect from 1st January, 2008. This arrangement may be terminated if HWGB's shareholding in the Company shall fall

below 30% or by either party by giving six month's notice in writing to the other. The charges payable by our Group under the relevant company secretarial services agreement will be determined based on cost of the services and the time spent by HWGB as recorded monthly and calculated in proportion to their departmental monthly charges. It is agreed between CVM and HWGB that HWGB will provide a company secretary and a company secretarial assistant, who will each provide secretarial services to CVM for up to 5 hours per month, accountable for approximately 3% of the company secretary and company secretarial assistant's monthly working hours with HWGB, at the total monthly fees of not exceeding RM1,500 (or equivalent to approximately HK$3,390) or RM18,000 (or equivalent to approximately HK$40,678) per annum. Such secretarial fees payable by CVM to HWGB are determined by reference to market rate for similar services offered by Independent Third Party secretarial firms. As the company secretarial services only commenced in January 2008, there were no charges incurred by our Group for each of the three years ended 31st December, 2007. This transaction is exempted from reporting, announcement and independent shareholders' approval requirements, pursuant to Rule 14A.33(2) of the Listing Rules.

Our Directors and the Sponsor (i) have reviewed the relevant underlying agreement and the agreed secretarial services fees between HWGB and CVM; (ii) participated in due diligence and discussion among the Company and its advisers; and (iii) considered the pricing principles, reasons for the transactions.

Based on the above, our Directors and the Sponsor consider that:

(i) the provision of company secretarial services by HWGB, being a continuing connected transaction, has been entered into in the ordinary and usual course of business of the Group either (a) on normal commercial terms, being terms which a party could obtain if the transaction were on an arm's length basis; or (b) on terms that are no less favourable to the Group than terms available to or from Independent Third Parties; or (c) on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole; and

(ii) the annual fees set for the provision of company secretarial services by HWGB are fair and reasonable and in the interest of the shareholders of the Company as a whole.

3. On demand purchase of air tickets from HWGP

Our Group is expected to, from time to time, purchase air tickets for business travels, from HWGP, an associate of HWGB in which HWGB has 40% equity interest. The total annual payment payable by our Group to HWGP for such purchases of air tickets shall be less than HK$1,000,000.00 and on terms no less favourable than those offered by Independent Third Parties. The payment payable by our Group to HWGP is determined by reference to market price for the air tickets offered to Independent Third Party purchasers, generally in the open market in Malaysia. The annual payment made by our Group to HWGP in each of the three years ended 31st December, 2007 and the five months ended 31st May, 2008 were approximately, HK$nil, HK$71,124, HK$244,862, and HK$243,595 respectively. These transactions are exempted from reporting, announcement and independent shareholders' approval requirements, pursuant to Rule 14A.33(1) of the Listing Rules.