This section should be read in conjunction with our audited financial information, including the notes thereto, as set out in "Appendix I — Accountants' Report" of this prospectus. This prospectus contains certain forward-looking statements relating to our plans, objectives, expectations and intentions, which involve risks and uncertainties. Our financial condition could differ materially from those discussed in this prospectus. For factors that could cause or contribute to such differences, please refer to the section headed "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We will be engaged in the mining of dolomite and manufacturing of magnesium ingots in the State of Perak, Malaysia, via our main subsidiary, CVM, upon the commencement of operations of the Perak Magnesium Smelter which will be the first magnesium smelting plant in Malaysia and, so far as is known to the Directors, the South East Asia. The construction of the first production line of the Perak Magnesium Smelter, which has an estimated annual production capacity of 15,000 tonnes of magnesium ingots, commenced in September 2007 and is expected to be completed in or about March 2009. We had on 15th June, 2006 entered into the Mining Agreement with HPC and secured the Mining Right.

As we did not commence revenue earning operations but have been engaged in feasibility studies and construction of the Perak Magnesium Smelter, for the three financial years ended 31st December, 2007 and the five months ended 31st May, 2008, we have incurred an audited net loss of HK$618,472, HK$1,563,989, HK$2,682,080 and HK$2,848,499, respectively. However, as at the Latest Practicable Date, we have commenced small-scale quarrying activities on the south hill of the Dolomite Hills to stock-pile the dolomite for our Perak Magnesium Smelter. We had also entered into five off-take agreements with five prospective customers who are Independent Third Parties for the sale of magnesium ingots to be manufactured by the Perak Magnesium Smelter. We expect to commence excavation on a commercial scale and commence revenue generating business activities upon the completion of the construction of the Perak Magnesium Smelter in or about March 2009.

SIGNIFICANT ACCOUNTING POLICIES

In preparing our financial statements for the Track Record Period, some of the accounting policies are significant for portraying our financial position and some require the judgment and estimation of our Directors, often as a result of the need to estimate effects arising from matters that are inherently uncertain and subject to amendments in subsequent periods. Our significant accounting estimates and judgements are set out in note 22 of the Accountants' Report. We considered the following accounting policies critical in view of the significance of financial terms referred thereto and the level of judgments and estimation required for the preparation of our financial information for the Track Record Period.

Useful lives of fixed assets

Property, plant and equipment represent a large portion of our total asset base. Our property, plant and equipment are stated at cost, less accumulated depreciation and any identified impairment loss. We determine the annual depreciation rate of property, plant and equipment based on our estimates of the useful lives of our property, plant and equipment from the date on which they become fully operational.

Estimates of the useful lives of fixed assets are normally based on historical experience of the actual useful lives of assets of similar nature and functions. The actual useful life of property, plant and equipment could vary significantly from historical experience as a result of significant technical innovations and competitor actions in response to industry cycles.

As at 31st May, 2008, the major fixed asset of the Company was the construction in progress of Perak Magnesium Smelter which represented approximately 90% of our total fixed assets as at 31st May, 2008. As the Perak Magnesium Smelter is still under construction, its useful life will only be estimated only upon its completion.

Since the Perak Magnesium Smelter will be the first smelting plant of the Company and there is no past estimation on actual useful life of the similar asset and hence no comparison information is available, our Directors are of the view that its useful life will be estimated only when the construction is finished.

We increase depreciation charges where useful lives are less than previously estimated lives, and write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of assets

At each balance sheet date, we review the carrying amount of our assets to determine whether there is any indication that such assets have suffered an impairment loss. Such determinations involve the application of judgment by our management in estimating the relevant recoverable amount. If the recoverable amount of an asset is estimated to be less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised in the income statement immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the original cost or carrying amount had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Exploration and evaluation expenditure

Exploration and evaluation expenditure is capitalised. If a project does not prove viable, all irrecoverable costs associated with the CVM Project are expensed in the income statement. As at 31st May, 2008, the balance of the total capitalised exploration and evaluation expenditures of the Company was approximately HK$3.9 million. These capitalised expenditures solely reflect exploration and evaluation activities in relation to the Dolomite Hills. Based on the feasibilities studies (including the UKM Report) conducted by the Company, the Directors are of the view that the CVM Project is viable and accordingly the exploration and evaluation expenditure is carried forward at cost.

Upon the commencement of quarrying activities, the capitalised exploration and evaluation expenditure is amortised using the units of production method based on the proven and probable minerals reserves.

Mining right and mining reserves

As detailed in the section headed “Business — Mining Right” in this prospectus, pursuant to the Mining Agreement, the Mining Right has been granted to the Company’s subsidiary, CVM, at no initial cost by HPC, an indirect subsidiary of SEDC (in which SEDC has an effective interest of 33%) which is a shareholder of the Company (after the Reorganisation). The Reorganisation is considered as a business combination under common control and the net assets of the companies comprising the Group are combined using their existing book values. Accordingly, the Mining Right is not recorded in our combined financial statements of the Group.

Pursuant to the Mining Agreement, extraction of dolomite reserves from the Dolomite Land is subject to royalties, which are calculated based on the tonnes mined and extracted. Royalty payments will be expensed in profit or loss in the period in which they are incurred. Further details on the royalty payments are set out in “Business — Mining Right” of this prospectus.

Details of our other significant accounting policies are disclosed in the Accountants’ Report set out in Appendix I to this prospectus.

RECENT GLOBAL ECONOMIC CRISIS

Since September 2008, the governments in the U.S., Hong Kong and other major countries in the world have introduced various financial assistance programs and rescue packages for the banking and financial systems designed to prevent or ameliorate a global recession. The recent economic crisis is perceived to have arisen out of and developed from the sub-prime mortgage crisis in the U.S., which began in early 2007 and which has caused the failure of mortgage companies, investment firms, banks and government sponsored enterprises that invested heavily in investment products backed by sub-prime mortgages. Moreover, the economic crisis has adversely affected the availability of credit in global lending markets and had manifested itself in significant downturns in stock markets throughout the world. As of the Latest Practicable Date, indexes of major stock exchanges in North America, Europe and the Asia-Pacific region show significant falls from the beginning of the year. Whilst governments around the world continue to introduce stimulus packages, economists and market analysts believe that the possibility of a global recession is increasing. In keeping with anticipated global trends, it is expected that the Malaysian economy will also cool on the basis of a slowdown in economic activity.

In view of global economic developments, our Directors have been monitoring the macro-economic environment. 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 31st October, 2008. In addition, we have informed our prospective customers of the construction progress of the Perak Magnesium Smelter and we are also negotiating additional off-take agreements with new prospective customers. There has been no material adverse change in the financial position and, or our operations since 31st May, 2008.

As of the Latest Practicable Date, we were not engaged in any hedging transaction that would expose us to significant financial loss. With regard to our source of funding, in addition to the short term bank loan of US$5 million (equivalent to approximately HK$39 million) from DBS Bank Ltd., which was drawn down on 9th October, 2008, our unutilised banking facilities under the New CVM Project Finance Loan and the secondary finance amounted to HK$205.7 million as of the Latest Practicable Date. Our Directors have not received any notification from Bank Rakyat and KFHMB that banking facilities under the New CVM Project Finance Loan and the secondary finance will not be available to us for the next 24 months after Listing.

In view of the foregoing, our Directors consider that our performance in the near future will not be severely jeopardised by the current weak economic sentiment. Our future plans and the proposed use of the net proceeds from the Share Offer, as set forth in the section headed "Future plans and use of proceeds" in this prospectus, will continue to be implemented as scheduled.

If the weak economic sentiment continues, there might be significant decrease in demand from our prospective customers, and Bank Rakyat and KFHMB might exercise their discretion to vary the terms of the New CVM Project Finance Loan and the secondary finance respectively. Our Directors will therefore closely monitor the macro-economic environment and our financial position. Please also refer to the risk factors entitled "Reliance on the New CVM Project Finance Loan and the secondary finance of KFHMB", "We may be adversely affected by the recent economic crisis in the world" and "Players in our industry with exports to the U.S. market are susceptible to the recent economic downturn in the U.S." in the section headed "Risk Factors" in this prospectus.

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Turnover

Turnover represents the net invoiced value of goods sold. As at the Latest Practicable Date, we have not commenced any revenue generating activity as we are still in a development stage.

Other net loss

Other net loss represents loss on sale of fixed assets.

Administrative expenses

Administrative expenses primarily consist of advertisement, consultancy fee, depreciation, directors' remuneration, entertainment, postage and stamping fees, professional fees, rental of office, salaries, wages, bonus and allowances, telephone and fax, traveling and transportation charges, motor vehicles expenses and utilities.

Finance costs

Finance costs represent interest on bank advances and finance charges on obligations under finance leases.

Gain or loss arising from translation of foreign currencies

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

Tax

We are subject to income tax on profit arising in or derived from the tax jurisdictions in which we domiciled and operate. During the Track Record Period, we were not liable for profits tax in Hong Kong as we did not have assessable profits subject to Hong Kong profits tax.

As CVM, our principal subsidiary, is still in a development stage and no revenue has been generated, the losses sustained by CVM were not deductible for Malaysian income tax purposes.

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

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

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

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

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

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

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

Given the conditions to be complied, there can be no assurance that CVM will be successful in utilising the full income tax exemption.

RESULTS OF OPERATIONS

The following table sets out selected financial data which is extracted from our combined financial statements over the Track Record Period as set out in "Appendix I — Accountants' Report" to this prospectus.

Combined Income Statement

	Year ended 31st December,			Five months ended 31st May,	
	2005	**2006**	**2007**	**2007**	**2008**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Turnover	—	—	—	—	—
Other operating income	7,792	—	—	—	—
Other net loss	—	—	(74,394)	—	—
Administrative expenses	(626,264)	(1,551,036)	(2,583,335)	(666,662)	(2,832,609)
Loss from operations	(618,472)	(1,551,036)	(2,657,729)	(666,662)	(2,832,609)
Finance costs	—	(12,953)	(24,351)	(8,133)	(15,890)
Loss before taxation	(618,472)	(1,563,989)	(2,682,080)	(674,795)	(2,848,499)
Income tax	—	—	—	—	—
Loss for the year/period	(618,472)	(1,563,989)	(2,682,080)	(674,795)	(2,848,499)
Dividends	—	—	—	—	—
Loss per share *(Note)*					
— basic	(3.95)	(0.21)	(0.09)	(0.02)	(0.09)
Shares					
Weighted average number of ordinary shares on issue during the year/period used in the basic loss per share calculation	156,630	7,518,714	31,000,000	31,000,000	31,000,000

Note: There were no dilutive potential ordinary shares during the three years ended 31st December, 2005, 2006 and 2007 and the five months ended 31st May, 2007 and 2008 and, therefore, diluted loss per share is not presented.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

Comparison for the five months ended 31st May, 2008 and 31st May, 2007

Turnover: During the five months ended 31st May, 2008, we continued the construction of the Perak Magnesium Smelter which commenced in September 2007. We also engaged professional parties in Malaysia and Hong Kong in preparation of the Share Offer. Our Group including CVM will not be engaged in any revenue generating activities until the completion of the construction of the Perak Magnesium Smelter in or about March 2009.

Administrative expenses: A breakdown of administrative expenses for the two periods ended 31st May, 2008 is shown below:

	2007	**2008**
	HK$	*HK$*
	(unaudited)	
Staff costs	316,129	837,986
Travelling expenses	9,409	364,748
Depreciation and amortisation	83,766	110,279
Office rental	78,878	85,000
Professional fee	55,350	589,456
Office expenses	35,565	98,477
Advertisement and promotion	—	349,893
Royalty fee	—	182,142
Consulting fee	—	59,743
Others	87,565	154,885
	666,662	2,832,609

Our administrative expenses increased by HK$2,165,947, or approximately 325%, from HK$666,662 for the period ended 31st May, 2007 to HK$2,832,609 for the period ended 31st May, 2008. This was mainly due to the increase in staff costs, travelling expenses, professional fee advertisement and promotion, royalty fee, and consulting fee by HK$521,857, HK$355,339, HK$534,106, HK$349,893, HK$182,142 and HK$59,743 respectively. The increases in staff costs and travel costs were mainly due to the increase in headcount from 5 in May 2007 to 12 in May 2008 as a result of increasing business activities and more business trips to PRC and Hong Kong by our staff for the purpose of the CVM Project and the Listing in 2008. The increase in the professional fees was mainly due to the fees provided for Deloitte's tax services on applying tax incentive scheme. The royalty fee of HK$182,142 was paid by CVM to HPC in respect of the minimum monthly payment of RM15,000 (equivalent to approximately HK$33,898), which is equivalent to 50% of the minimum monthly payment of RM30,000 (equivalent to approximately HK$67,797) originally stated in the Mining Agreement, for the dolomite mined and extracted by us from the Dolomite Land for the five months ended 31st May, 2008.

Pursuant to two letters dated 10th December, 2007 and 12th September, 2008 issued by HPC to CVM, HPC agreed to CVM's proposal to reduce the minimum monthly payment from RM30,000 (equivalent to approximately HK$67,797) to RM15,000 (equivalent to approximately HK$33,898) until the full operation of the mining and extraction of dolomite in or about March 2009.

Finance costs: Our finance costs increased by HK$7,757 or approximately 95% from HK$8,133 for the period ended 31st May, 2007 to HK$15,890 for the period ended 31st May, 2008. This was mainly due to the interests on hire purchases of additional motor vehicles used by our staff for business purpose.

Comparison for the years ended 31st December, 2007 and 31st December, 2006

Turnover: During the year ended 31st December, 2007, we finalised the preparatory works for the construction of the Perak Magnesium Smelter which commenced in September 2007. We also engaged professional parties in Malaysia and Hong Kong in preparation of the Share Offer. Our Group including CVM will not be engaged in any revenue generating activities until the completion of the construction of the Perak Magnesium Smelter in or about March 2009.

Other net loss: During the year ended 31st December, 2007, we incurred other net loss of HK$74,394 (same period in 2006: HK$Nil) relating to the sale of a motor vehicle.

*Administrative ex*penses: A breakdown of administrative expenses for the two years ended 31st December, 2007 is shown below:

	2006	**2007**
	HK$	*HK$*
Staff costs	595,259	1,052,611
Travelling expenses	426,269	543,502
Depreciation and amortisation	144,485	221,466
Office rental	28,605	190,666
Professional fee	28,249	170,372
Office expenses	68,927	135,439
Others	259,242	269,279
	1,551,036	2,583,335

Our administrative expenses increased by HK$1,032,299, or approximately 67%, from HK$1,551,036 for the year ended 31st December, 2006 to HK$2,583,335 for the year ended 31st December, 2007. This was mainly due to the increase in staff costs, travelling expenses, office rental and professional fees by HK$457,352, HK$117,233, HK$162,061 and HK$142,123 respectively. The increase in staff costs and travel costs were mainly due to the increase in headcount from 4 in 2006 to 9 in 2007 as a result of increasing business activities and more business trips to the PRC for the purpose of the CVM Project and to Hong Kong by our staff for the purpose of the Listing in 2007. The increase in office rental was due to the fact that no rental was paid by us to HWGB from April 2006 to December 2006, as part of the then intercompany rental arrangements, while the full year rental was paid for the year ended 31st December, 2007. The increase in the professional fees was mainly due to an amount of approximately HK$114,000 paid for corporate advisory services.

Finance costs: Our finance costs increased by HK$11,398 or approximately 88% from HK$12,953 for the year ended 31st December, 2006 to HK$24,351 for the year ended 31st December, 2007. This was mainly due to the interest payments on hire purchases of additional motor vehicles used by our staff for business purpose.

Comparison for the years ended 31st December, 2006 and 31st December, 2005

Turnover: During the twelve months ended 31st December, 2006, we entered into the Mining Agreement with HPC and successfully obtained the Mining Right, negotiated and secured the Old CVM Project Finance Loan for the purpose of undertaking the CVM Project, engaged other professional parties to take part in the CVM Project and concentrated our efforts on business development of CVM. The construction of the Perak Magnesium Smelter commenced in September 2007 and is expected to complete in or about March 2009. Accordingly we will not be engaged in any revenue generating activities until the completion of the construction of the Perak Magnesium Smelter.

Other operating income: Our other income decreased by HK$7,792, or 100%, from HK$7,792 for the year ended 31st December, 2005 to nil for the year ended 31st December, 2006 due to one off insurance claim received in 2005.

Administrative expenses: A breakdown of administrative expenses for the two years ended 31st December, 2006 is shown below:

	2005	**2006**
	HK$	*HK$*
Staff costs	224,086	595,259
Travelling expenses	94,561	426,269
Depreciation and amortisation	11,869	144,485
Office rental	40,665	28,605
Professional fee	84,465	28,249
Office expenses	51,006	68,927
Others	119,612	259,242
	626,264	1,551,036

Our administrative expenses increased by HK$924,772, or approximately 148%, from HK$626,264 for the year ended 31st December, 2005 to HK$1,551,036 for the year ended 31st December, 2006. This was mainly due to the increase in staff costs, travelling expenses and depreciation by HK$371,173, HK$331,708 and HK$132,616 respectively. The increase in staff costs and travel expenses were mainly due to the increase in headcount from 3 in 2005 to 4 in 2006 and more business activities and business trips of our staff to the PRC for the purpose of the CVM Project. The decrease in office rental was due to the fact that no rental was paid by us to HWGB from April 2006 to December 2006, as part of the then intercompany rental arrangements, while the full year rental was paid by us to a third party, Yee Heng Moh Sdn. Bhd., for the year ended 31st December, 2005.

Finance costs: Our finance costs increased by HK$12,953, from nil for the year ended 31st December, 2005 to HK$12,953 for the year ended 31st December, 2006. The increase was primarily due to the interests on hire purchase of a motor vehicle used by our staff for business purposes.

FINANCING OF THE CVM PROJECT

In order to finance the development of the CVM Project, CVM obtained the Old CVM Project Finance Loan from BPMB on 20th September, 2006 and the secondary finance from KFHMB on 3rd July, 2008. On 22nd September, 2008, the New CVM Project Finance Loan was obtained from Bank Rakyat to replace the Old CVM Project Finance Loan. According to the Old Facility Agreement, the Old CVM Project Finance Loan comprised a bank guarantee facility, convertible into a term loan facility, of RM115 million (equivalent to approximately HK$259.9 million) ("tranche 1"), and a term loan facility of RM27 million (equivalent to approximately HK$61 million) ("tranche 2").

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

In addition, on 3rd July, 2008, CVM obtained secondary finance facilities totalling RM115.6 million (equivalent to approximately HK$261.2 million) from KFHMB. The secondary finance facilities are secured by, amongst other things, a corporate guarantee by the Company in favour of KFHMB.

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

To ensure that we have the means to finance the construction of the Perak Magnesium Smelter, on 22nd September, 2008, CVM and Bank Rakyat entered into the New Facility Agreement under which CVM secured the New CVM Project Finance Loan from Bank Rakyat for a total amount of RM147 million (equivalent to approximately HK$332.2 million), comprising a bank guarantee facility of RM115 million (equivalent to approximately HK$259.9 million), convertible into a term financing facility of up to RM117,776,560 (equivalent to approximately HK$266.2 million) ("facility A"), and a term financing facility of RM32 million (equivalent to approximately HK$72.3 million) ("facility B"). The secondary finance facilities provided by KFHMB remain in place and are secured by, amongst other things, a corporate guarantee by the Company. The secondary finance facilities provided by KFHMB were previously also secured by a bank guarantee dated 16th June, 2008 by BPMB, which was replaced by the bank guarantee dated 26th September, 2008 under facility A by Bank Rakyat, of which KFHMB is the beneficiary.

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

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

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

Since 16th June, 2008 when BPMB granted KFHMB the bank guarantee under tranche 1 of the Old CVM Project Finance Loan and up to the Latest Practicable Date, we had drawn down approximately RM26.6 million (equivalent to approximately HK$60.1 million) under the secondary finance provided by KFHMB. We will continue to draw down monies under the secondary finance of KFHMB until the completion of the Perak Magnesium Smelter in or about March 2009 when the bank guarantee issued by Bank Rakyat to KFHMB is converted into the term loan financing facility under facility A.

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

Pursuant to the terms of the New Facility Agreement, we are subject to financial covenants by virtue of the FSCR. We are required to ensure that the FSCR shall not be less than 1.5 times at all times throughout the tenure of the New CVM Project Finance Loan beginning 12 months after the operational commencement of the Perak Magnesium Smelter. We also need to ensure that in the event that the Company wishes to declare dividends, the FSCR (before and after declaration of dividends) on a consolidated group basis shall not be less than 1.5 times on the first year and not less than 2.0 times from the second year of the commencement of operations of the Perak Magnesium Smelter onwards. The FSCR may restrain our ability to repay our outstanding loan and distribute dividends to our Shareholders.

In addition, pursuant to the New Facility Agreement, Bank Rakyat reserves the right to review, recall, cancel or change the terms and conditions of the New Facility Agreement as and when it deems necessary at its absolute discretion. Pursuant to the master facilities agreement, KFHMB may also at any time at its absolute discretion, vary and, or add the terms of the agreement, including but not limited to the profit rate, additional charges, compensation charges, and other charges stated in there, and the amount or form of the facilities granted or to cancel one or more facilities or to create two or more from the secondary facilities.

Major terms of the Old CVM Project Finance Loan, the secondary finance of KFHMB and the New CVM Project Finance Loan are summarised in the section "Business — Financing of the CVM Project" in this prospectus. Please also refer to the section headed "Risk Factors" in this Prospectus for the risk factors relating to our reliance on the New CVM Project Finance Loan and the secondary finance of KFHMB and the impact of the financial covenants on our ability to repay our outstanding loan and distribute dividends.

Financial Covenants

The New Facility Agreement contains restrictive clauses including, but not limited to, financial covenants requiring us to maintain the FSCR, as follows:

i. CVM shall ensure that this shall not be less than 1.50 times at all times throughout the tenure of the New CVM Project Finance Loan beginning 12 months after the operational commencement of the Perak Magnesium Smelter.

ii. Should CVM decide to declare any dividends, CVM shall ensure that the FSCR (pre and post dividends) on a consolidated group basis shall not be less than 1.50 times on the first year and not less than 2.0 times from the second year of the commencement of operations of the Perak Magnesium Smelter (before and after declaration of dividends) onwards.

iii. Should the FSCR (pre and post dividends) on a consolidated group basis exceed 5.0 times, CVM shall use the available cash flow for early principal repayment of at least 6 months over and above the monthly instalments.

iv. In the event the FSCR does not meet the specified requirement, CVM shall get Bank Rakyat's prior consent before declaring any dividends.

The FSCR may restrain our ability to repay the outstanding loan facilities and distribute dividends to our Shareholders. Please also refer to the sections (1) “Risk Factors — Reliance on the New CVM Project Finance Loan and the secondary finance of KFHMB” and (2) “Risk Factors — The financial covenants under the New CVM Project Finance Loan may affect our ability to repay the outstanding loan and distribute dividends” in this prospectus for, respectively, (1) the relevant risk factor relating to our reliance on the New CVM Project Finance Loan and the secondary finance of KFHMB and (2) the risk factor relating to the impact of the financial covenants on our ability to repay the outstanding loan and distribute dividends.

EXPLORATION RIGHTS

Pursuant to the Mining Agreement, CVM was granted the Mining Right at no initial cost, a commercial decision mutually agreed upon between the parties to the Mining Agreement. Expenditures of HK$1,874,299, HK$773,068, HK$449,019 and HK$nil have been incurred on exploration activity and capitalised as exploration and evaluation assets for the three years ended 31st December, 2007 and the five months ended 31st May, 2008 respectively. The amounts of exploration expenditure for the Track Record Period mainly represented the accumulated capital expenditure we spent on the feasibilities studies conducted by us in identifying the reserves in the Dolomite Hills as well as the dolomite testing and reserve estimation (including professional fees paid to UKM). As at 31st May, 2008, the accumulated cost of exploration and evaluation assets as disclosed in note 10 of the Accountant’s Report set out in Appendix I to this prospectus was HK$3.9 million which was significantly lower than the capital expenditure of HK$153.5 million we have already incurred on the construction of the Perak Magnesium Smelter (separately we have incurred approximately HK$1.2 million on motor vehicles and furniture and fittings out of the total capital expenditure of approximately HK$158.6 million on the CVM Project as at 31st May, 2008).

The lower proportion of our exploration and evaluation costs over our total estimated capital expenditure compared to that of our capital expenditure on the Perak Magnesium Smelter is due to (i) no material initial cost of acquiring the Mining Right as the Dolomite Hills were introduced to us by SEDC, which saved us from incurring significant sampling and testing costs; (ii) the experience of our PRC Director (Mr. Gao Qi Fu) and senior managers (Mr. Zhou Wu and Mr. Wen Guo Qiang) in helping us identify the Dolomite Hills, which, coupled with the SAMI feasibility study report, saved us unnecessary costs in exploring and testing other dolomite hills in Malaysia; (iii) the knowledge of our Directors in Malaysia, Mr. Chong Wee Chong and Mr. Lim Ooi Hong, in project development and their familiarity with the local regulatory bodies and financial institutions, which also contributed to the low exploration and evaluation costs; and (iv) the relatively smaller size of the Dolomite Land as compared to sizes and scales of mining sites in other mineral projects (such as oil and gold). As we have already identified the Dolomite Hills, as at the Latest Practicable Date, we had not engaged in other exploration activities and incurred further exploration and evaluation costs. This also resulted in the small amount of exploration and evaluation costs incurred by us up to the Latest Practicable Date.

Pursuant to terms of the Mining Agreement, CVM is required to pay a minimum amount of royalties of RM30,000 (equivalent to approximately HK$67,797) per month to HPC for the duration of the Mining Agreement. Other costs incurred by the Group up to the Latest Practicable Date in relation to the Mining Right included legal fees and travel and accommodation expenses incurred by our staff.

FINANCIAL RESOURCES AND LIQUIDITY

Financial Resources

During the Track Record Period and up to 30th September, 2008, our primary source of working capital and long-term funding have been cash flows from financing activities.

Financing consisted principally of long-term secured loans from banks and the issuance of equity. Our Directors confirm that we did not experience any liquidity problems during the Track Record Period.

As at 31st May, 2008 and 30th September, 2008, we had audited bank and cash balances of HK$576,593 and unaudited bank and cash balances of HK$713,693 respectively. The bank and cash balances are required to finance our working capital requirements, as well as part of our expected capital expenditure for our continuing growth and expansion plans. Specific considerations in determining CVM's appropriate cash position include our working capital requirements, capital expenditure requirements and CVM's liquidity ratios. We aim to maintain a certain level of excess cash to meet unexpected circumstances and to be able to take advantage of potential business expansion opportunities as they arise.

Working Capital

Up to 31st May, 2008, we had incurred approximately HK$158.6 million on the CVM Project, which comprised costs of property, plant and equipment of approximately HK$154.7 million and exploration and evaluation costs of approximately HK$3.9 million. The total planned future capital expenditure on the Smelter Land as at 31st May, 2008 was approximately HK$292.0 million. Our total estimated capital cost for the CVM Project as at 31st May, 2008 was therefore approximately HK$450.6 million. Please refer to notes 9, 10 and 20(a) to the Accountants' Report set out in Appendix I to this prospectus for further details. Please also refer to the paragraph headed "Historical and Planned Future Capital Expenditure" in this "Financial Information" section for a more detailed breakdown of capital expenditure incurred for the purpose of the CVM Project.

Up to 30th September, 2008, the balance of our historical capital expenditure on the CVM Project increased to approximately HK$207.9 million and our total planned future capital expenditure on the Smelter Land was approximately HK$242.7 million, of which approximately HK$232.9 million has been contracted for. Our total estimated capital cost for the CVM Project as at 30th September, 2008 remained at approximately HK$450.6 million.

Our estimated initial cash flow requirements for the period from 1st October, 2008 to 31st December, 2010, taking into account, amongst other things, our future planned capital expenditure of HK$242.7 million as at 30th September, 2008, the repayment of our bank facilities, the payment for professional expenses in relation to the Share Offer, cost of sales and administrative, selling and distribution expenses, as illustrated in the table below, are approximately HK$1,108.3 million. We will continue to draw down money from the New CVM Project Finance Loan and the secondary finance of KFHMB and apply the proceeds from the Share

Offer to the CVM Project and our daily operations until the Perak Magnesium Smelter is in full operation. As the construction of the Perak Magnesium Smelter is expected to be completed in or about March 2009, the CVM Project is not expected to generate any operating cash inflow for the year ending 31st December, 2008. We will begin to finance our operations with our internally generated resources from the financial year ending 31st December, 2009 onwards and, if required, additional debt or equity financing. We expect that after the commencement of operations of the Perak Magnesium Smelter, our Group will generate cash flow from the sale of magnesium ingots and clinker (as a by-product) and incur cash outflow for sales, marketing and administrative activities, repayment of the principals and interests of the New CVM Project Finance Loan as well as payment of dividends (if any). As we have already identified the Dolomite Hills, we do not expect to incur further sums for the purpose of exploiting reserves on a commercial scale until the first production line of the Perak Magnesium Smelter is expected to be at full capacity in the fourth quarter of 2009.

Taking into account, amongst other things, our total historical and future planned capital expenditure of approximately HK$450.6 million as at 30th September, 2008 and the estimated funds required for supporting our operations between 1st October, 2008 and the date of completion of the construction of the Perak Magnesium Smelter in or about March 2009, the working capital required to bring us into a position to earn revenue is approximately HK$462.2 million.

Our Directors are of the view that our Group's existing credit lines including the bank facilities pursuant to the New CVM Project Finance Loan, together with our bank and cash balances, the estimated proceeds from the Share Offer and cash flow from operating activities including receipts from sale of magnesium ingots (on the basis that the average market price of magnesium will remain at around US$3,200 per tonne throughout the period) will be sufficient to finance our Group's working capital for our present requirements, and for the period ending 24 months from the date of this prospectus in the absence of any unforeseeable circumstances.

On the basis, amongst other things, that the Perak Magnesium Smelter will be completed in or about March 2009 and we will only be engaged in the production of magnesium ingots and clinker, as a by product, utilising the first production line with an estimated annual production capacity of 15,000 tonnes for the period from April 2009 to December 2010, based on our estimates, our cash receipts and cash payments during the period from 1st October, 2008 to 31st December, 2010 are as follows:

	Approximate amount
Cash and cash equivalent balance as at 30th September, 2008	HK$713,762
Estimated cash receipts from 1st October, 2008 to 31st December, 2010 *(notes 1 and 2)*	HK$1,195.1 million
Estimated cash payments from 1st October, 2008 to 31st December, 2010 *(note 3)*	HK$1,108.3 million

Notes:

1. Estimated major cash receipts for the period include proceeds from the New CVM Project Finance Loan of approximately HK$279 million in 2009 and the short term loan of US$5 million (equivalent to approximately HK$39 million) from DBS Bank Ltd., receipt from sales of approximately HK$734 million, gross proceeds from the Listing of approximately HK$133 million (based on the Offer Price of HK$1.18 per Share and assuming the Over-allotment Option is not exercised) and staff training grant by MIDA of approximately HK$3 million.

2. In respect of the estimated receipt from sales of magnesium ingots from April 2009 to December 2010, it is assumed, amongst other things, that the magnesium ingots will be sold at a constant selling price of USD3,520 (equivalent to approximately HK$27,456) per tonne, which represents a base price of approximately US$3,200 per tonne multiplied by 110%, from April 2009 to December 2010. According to the off-take agreements entered into between our prospective customers and us, the price of the magnesium ingots to be charged by us will be 110% of the base price determined by the Metal Bulletin Index for Chinese magnesium of Mg99.90 and Mg99.95 in each calendar month during the term of each off-take agreement. In addition, the Perak Magnesium Smelter will run at 70% capacity in the second quarter of 2009, 95% capacity in the third quarter of 2009 and at full capacity thereon until December 2010 and the production output is fully taken up by prospective customers. It is also assumed that the sale of clinker accounts for approximately 7% of the total sales during the period.

3. Estimated major cash payments for the period represented future planned capital of approximately HK$242.7 million as at 30th September, 2008, repayment of the New Project Finance Loan and the short term loan of US$5 million (equivalent to approximately HK$39 million) from DBS Bank Ltd. (including interests), payment for professional expenses in relation to the Share Offer, cost of sales and administrative, selling and distribution expenses.

Save for the repayment of the New CVM Project Finance Loan to Bank Rakyat and the secondary finance to KFHMB and the payment of the minimum amount of royalties of RM30,000 (equivalent to approximately HK$67,797) per month to HPC for the duration of the Mining Agreement upon the commencement of operations of the Perak Magnesium Smelter, it is expected that we will not have any material commitments after the 24-month period from the date of this prospectus in relation to the first production line of the Perak Magnesium Smelter.

Net Current Liabilities

Trade Receivables

The turnover in average trade receivables days in the Track Record Period was nil as the Company has yet to commence revenue earning operations for the three financial years ended 31st December, 2007 and the five months ended 31st May, 2008.

Other Receivables

The balance of other receivables increased from HK$6,256,001 as at 31st December, 2007 to HK$15,192,615 as at 31st May, 2008, primarily due to the prepayment for Listing expenses.

A breakdown of other receivables for the three years ended 31st December, 2007 and the five months ended 31st May, 2008 is shown below:

	As at 31st December,			Five months ended 31st May,
	2005	2006	2007	2008
	HK$	*HK$*	*HK$*	*HK$*
Prepayment of Listing expenses (i)	—	—	5,589,432	14,697,254
Deposits (ii)	21,541	8,057	71,842	81,566
Amount due from a related party (iii)	—	—	—	222,151
Others (iv)	—	3,644	594,727	191,644
	21,541	11,701	6,256,001	15,192,615

Notes:

(i) Prepayment of Listing expenses mainly represented payments to the professional parties in contemplation of the Listing.

(ii) Deposits mainly represented the refundable rental and utilities deposit of CVM.

(iii) Amount due from a related party mainly represented incorporation fee and salary to directors and senior management due from the Company.

(iv) Others mainly represented receivables from HPC dolomite measurement at HK$179,451.

Trade Payables

The turnover in average trade payable days in the Track Record Period was nil as the Company has yet to commence revenue earning operations during the three financial years ended 31st December, 2007 and the five months ended 31st May, 2008.

Other Payables

Other payables increased significantly during the Track Record Period mainly due to the increase in advances from HWGB from HK$4,194,631 as at 31st December, 2006 to HK$20,884,293 as at 31st December, 2007, which has been settled in full by CVM through a short term bank loan facility amounting to US$5 million (equivalent to HK$39 million) from DBS Bank Ltd., Labuan Branch obtained by CVM prior to Listing. This short term bank loan facility is not subject to any security by CVM and is repayable on the expiry of six month period from the date of first drawdown.

A breakdown of other payables for the three years ended 31st December, 2007 and the five months ended 31st May, 2008 is shown below:

	As at 31st December,			As at 31st May,
	2005	**2006**	**2007**	**2008**
	HK$	*HK$*	*HK$*	*HK$*
Accrued listing expenses (i)	—	—	1,537,307	6,008,705
Other staff cost accruals & other creditors (ii)	21,320	3,127,168	148,860	575,786
Former corporate shareholder (iii)	2,634,504	1,302,543	—	—
Amounts due to related parties (iv)	—	4,636,171	20,884,293	36,133,526
	2,655,824	9,065,882	22,570,460	42,718,017

Notes:

(i) For the year ended 31st December, 2007 and the five months ended 31st May, 2008, accrued listing expenses mainly represented payment to the professional parties in Malaysia and Hong Kong.

(ii) For the year ended 31st December, 2005, the balance represented various accrued administrative expenses such as utilities and telephone charges. For the year ended 31st December, 2006, the balance mainly represented interest free advances of HK$3,101,819 from HBL Asia Sdn. Bhd. in which Lim Ooi Hong was the director, which amount was subsequently settled. On 30th October, 2006, Lim Ooi Hong resigned from the board of directors of HBL Asia Sdn. Bhd. For the year ended 31st December, 2007, the balance represented accrued staff costs for December 2007. For the year ended 31st May, 2008, the balance represented fees payable for Deloitte's tax services of approximately HK$574,234.

(iii) For the year ended 31st December, 2005, the balance represented interest free advances from the then shareholders Prestasi Yakin Jaya Sdn. Bhd. of HK$1,424,119 and Vantage Holdings Sdn. Bhd. at HK$1,210,385. For the year ended 31st December, 2006, the balance represented interest free advances from Vantage Holdings Sdn. Bhd. of HK$1,302,543. These advances were subsequently settled.

(iv) For the year ended 31st December, 2006, the balance represented interest free advances from HWGB of HK$4,194,631 and from Ho Wah Genting Trading Sdn. Bhd. of HK$441,540. The advances from Ho Wah Genting Trading Sdn. Bhd. were subsequently settled. For the year ended 31st December, 2007, the balance represented interest free advances from HWGB of HK$20,884,293. For the year ended 31st May, 2008, balance mainly represented interest fee advances from HWGB of HK$36,130,784. This amount will be fully settled by CVM prior to the Listing.

Breakdown of Current Assets and Current Liabilities

As CVM was in the development stage and did not earn any revenue, losses were recorded from the administrative expenses incurred. A substantial amount of costs was also incurred on the exploration and evaluation of mining assets prior to the execution of the Mining Agreement and the construction of Perak Magnesium Smelter. All these costs were deferred and capitalised as non-current assets while part of the cost was financed by shareholders and their related companies and accounted for as current liabilities. Accordingly, the Group had net current liabilities throughout the Track Record Period. This is more fully explained by the following breakdown of current assets and current liabilities of our Group during the Track Record Period and as at 30th September, 2008:

	As at 31st December,			As at 31st May,	As at 30th September,
	2005	**2006**	**2007**	**2008**	**2008**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	(audited)	*(audited)*	*(audited)*	*(audited)*	*(unaudited)*
Current Assets					
Deposits	21,541	8,057	71,842	81,566	85,612
Other debtors	—	3,644	594,727	413,795	842,787
Prepayment of Listing Expenses	—	—	5,589,432	14,697,254	16,844,701
Other receivables	21,541	11,701	6,256,001	15,192,615	17,773,100
Cash and cash equivalents	894	1,516,781	482,332	576,593	713,693
	22,435	1,528,482	6,738,333	15,769,208	18,486,793
Current Liabilities					
IPO creditor	—	—	1,359,530	6,008,705	5,422,068
Project creditor	—	—	177,777	—	158,177
Other staff cost accruals & other creditors	21,320	3,127,168	148,860	575,786	1,656,559
Former corporate shareholder	2,634,504	1,302,543	—	—	—
Amount due to related parties	—	4,636,171	20,884,293	36,133,526	36,835,437
Other payables	2,655,824	9,065,882	22,570,460	42,718,017	44,072,241
Obligation under finance lease	—	34,018	81,011	84,716	80,928
	2,655,824	9,099,900	22,651,471	42,802,733	44,153,169
Net current liabilities	2,633,389	7,571,418	15,913,138	27,033,525	25,666,376

INDEBTEDNESS

As at 31st December, 2005, 2006 and 2007 and as at 31st May, 2008 and as at 30th September, 2008, we had the following outstanding indebtedness:

	As at 31st December,			As at 31st May,	As at 30th September,
	2005	2006	2007	2008	2008
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Secured short term borrowings:					
Obligations under finance leases	—	34,018	81,011	84,716	80,928
Subtotal	—	34,018	81,011	84,716	80,928
Secured long term borrowings:					
Bank loans	—	6,631,738	52,117,314	64,254,095	107,912,524
Obligations under finance lease	—	144,384	714,075	693,423	622,790
Subtotal	—	6,776,122	52,831,389	64,947,518	108,535,314
Total indebtedness	—	6,810,140	52,912,400	65,032,234	108,616,242
Unutilized banking facilities	—	325,026,289	282,115,300	277,916,209	260,190,667

The following sets forth a summary information about the effective interest rate of our indebtedness as at 31st December, 2005, 2006 and 2007 and as at 31st May, 2008 and as at 30th September, 2008:

	As at 31st December,			As at 31st May,	As at 30th September,
	2005	2006	2007	2008	2008
Bank loans	—	8.6%	8.6%	8.6%	8.25%-8.75%
Obligations under finance lease	—	5.5%	2.4%-2.5%	2.4%-2.5%	2.4%-2.5%

Save for a short-term bank loan facility amounting to US$5 million (equivalent to HK$39 million) from DBS Bank Ltd., Labuan Branch obtained by CVM prior to the Listing to settle amount owing by CVM to HWGB, there has been no material adverse change in our indebtedness since 30th September, 2008.

Gearing

Our gearing ratio, which is the ratio of total debts (including current and non-current borrowings and finance lease obligations) to total assets, as at 31st December, 2005, 2006 and 2007, 31st May, 2008 and 30th September, 2008 was nil, 8.3%, 36.9%, 37.3% and 51.0% respectively.

Our gearing ratio rose gradually over the Track Record Period. This was mainly due to the increase in bank borrowings during the period. We expect our gearing level to increase as the New CVM Project Finance Loan and the secondary finance of KFHMB are further utilised to finance the CVM Project. Please refer to the sections (1) "Risk Factors — Reliance on the New CVM Project Finance Loan and the secondary finance of KFHMB" and (2) "Business — Financing of the CVM Project" in this prospectus for, respectively, (1) the relevant risk factors relating to our reliance on the New CVM Project Finance Loan and the secondary finance of KFHMB and (2) major terms of the New CVM Project Finance Loan and the secondary finance of KFHMB.

SECURITIES AND GUARANTEES

As at 30th September, 2008, we have granted 2 corporate guarantees of RM149.8 million (equivalent to approximately HK$338.5 million) and RM115.6 million (equivalent to approximately HK$261.2 million) respectively in favour of Bank Rakyat and KFHMB respectively to secure CVM's payment obligations under the New CVM Project Finance Loan and the banking facilities under the secondary finance, respectively.

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

CONTINGENT LIABILITIES

We may be subject to new environmental laws and regulations that may impose contingencies upon us in the future. Such laws and regulations may impose significant costs, expenses and liabilities in the future. Please refer to the section headed "Risk Factors" in this prospectus.

Except as disclosed above and save for the corporate guarantees granted in favour of Bank Rakyat and KFHMB to secure CVM's payment obligations under the New CVM Project Finance Loan and the banking facilities under the secondary finance, we did not have any other material contingent liabilities outstanding as of 30th September, 2008.

HISTORICAL AND PLANNED FUTURE CAPITAL EXPENDITURE

During the Track Record Period, we have entered into contracts and commitments in relation to our exploration activities over the Dolomite Land and the construction of the Perak Magnesium Smelter. The estimated capital cost for the CVM Project as at 31st May, 2008 was approximately HK$450.6 million, which was equivalent to the sum of (i) the accumulated cost of fixed assets of approximately HK$154.7 million as at 31st May, 2008, (ii) the accumulated cost of exploration and evaluation assets of approximately HK$3.9 million as at 31st May, 2008 and (iii) total capital commitments of approximately HK$292.0 million outstanding as at 31st May, 2008, as disclosed in notes 9, 10 and 20(a) of the Accountants' Report set out in Appendix I to this prospectus respectively. The following table sets forth our total capital expenditure for the years or periods indicated:

Historical Capital Expenditure

	As at 31st December,			As at 31st May,	As at 30th September,
	2005	**2006**	**2007**	**2008**	**2008**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Smelter Land					
Purchase of Smelter Land	—	12,580,413	13,444,594	13,731,208	14,166,558
Environmental assessment fees	—	346,265	495,461	620,699	645,326
Soil improvement, fencing and other non-EPC infrastructure works in the Smelter Land	—	44,154	41,091,860	51,081,933	51,725,237
EPC works	—	63,767,824	74,176,223	79,729,544	116,681,586
Processing, administrative and legal fees in relation to the financing of the CVM Project	—	—	2,402,236	8,296,895	19,508,659
Other costs	—	34,771	37,160	37,952	37,952
	—	76,773,427	131,647,534	153,498,231	202,765,318
Dolomite Land					
Feasibilities studies	2,184,438	3,156,239	3,540,374	3,615,848	3,615,848
Dolomite testing and reserve estimation	—	—	299,402	305,785	305,785
	2,184,438	3,156,239	3,839,776	3,921,633	3,921,633
Motor Vehicles	—	234,140	931,307	951,162	951,162
Furniture and fittings	118,562	152,069	201,399	215,594	241,724
Total capital expenditure	2,303,000	80,315,875	136,620,016	158,586,620	207,879,837

The Group's planned future capital expenditure mainly include:

	Outstanding (estimated) as at 31st May, 2008	30th September, 2008
	HK$	*HK$*
Smelter Land		
Environmental assessment fees	42,651	24,819
Soil improvement, fencing and other non-EPC infrastructure works in the Smelter Land	1,662,288	1,018,983
EPC works	268,799,244	231,847,202
Other costs	21,513,778	9,833,740
Total	292,017,961	242,724,744

Other costs included in the planned future capital expenditure include capitalised legal and interest expenses associated with the Old CVM Project Finance Loan, the New CVM Project Finance Loan and the secondary finance of KFHMB, payments for pre commission testing and insurance premium.

As illustrated above, the total amount of historical capital expenditure incurred and planned future capital expenditure to be incurred by us on the Dolomite Hills as at the 31st May, 2008 was approximately HK$3.9 million which was equivalent to the accumulated cost of exploration and evaluation assets as at 31st May, 2008 as disclosed in note 10 of the Accountants' Report set out in Appendix I to this prospectus. As at 30th September, 2008, the balance of capital expenditure incurred or to be incurred on the Dolomite Hills remained at approximately HK$3.9 million.

On the other hand, the total amount of historical capital expenditure incurred and planned future capital expenditure to be incurred by us on the Perak Magnesium Smelter as at 31st May, 2008 was approximately HK$445.5 million which was equivalent to the sum of (i) the accumulated cost of construction in progress of approximately HK$139.8 million as at 31st May, 2008; (ii) the accumulated cost of interests in leasehold land held for own use under operating leases (i.e. the Smelter Land) of approximately HK$13.7 million as at 31st May, 2008; and (iii) total capital commitments of approximately HK$292.0 million outstanding as at 31st May, 2008, as disclosed in notes 9 and 20(a) of the Accountants' Report set out in Appendix I to this prospectus. As at 30th September, 2008, the balance of capital expenditure incurred or to be incurred on the Perak Magnesium Smelter, remained at approximately HK$445.5 million.

As at 31st May, 2008, our total historical and planned future capital expenditure on the CVM Project was approximately HK$450.6 million (including the capital expenditure on motor vehicles and furniture and fittings of approximately HK$1.2 million as at 31st May, 2008), of which HK$429.1 million has been contracted for, and HK$21.5 million has not been contracted for. As at 30th September, 2008, our total historical and planned future capital expenditure on the CVM Project remained at approximately HK$450.6 million. Of our total planned future capital expenditure on the Smelter Land of approximately HK$242.7 million, HK$232.9 million has been contracted for. Of the remaining balance of HK$9.8 million not contracted for, the Directors are of the view that reasonable and appropriate steps have been taken to ensure that all contingency and foreseeable capital expenditure in relation to the construction of the first production line of the Perak Magnesium Smelter has been provided for.

The Group expects to fund these expenditures with cash flow from the New CVM Project Finance Loan, the secondary finance of KFHMB and the net proceeds from the Share Offer.

The EPC Contractor has confirmed, despite a generally pessimistic economic outlook, that the capital expenditure in relation to the EPC works has not increased up to 31st October, 2008.

SUMMARISED CASH FLOW

The following table summarises the Group's cash flows during the years indicated:

	Year ended 31st December,			Five months ended 31st May,	
	2005	**2006**	**2007**	**2007**	**2008**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Net cash (outflow)/inflow from operating activities	1,675,280	345,974	(11,741,003)	(2,898,390)	(6,686,841)
Net cash outflow from investing activities	(1,992,994)	(74,514,698)	(48,149,960)	(11,150,046)	(19,203,672)
Net cash inflow from financing activities	205,380	75,623,546	58,761,984	12,746,139	25,979,677

CASH FLOWS FROM OPERATING ACTIVITIES

Our net cash used in operating activities for the five months ended 31st May, 2008 was HK$6,686,841. This was due to operating loss before changes in working capital of HK$2,722,330, increase in other receivables of approximately HK$8.9 million and increase in other payables of HK$4.9 million.

Our net cash used in operating activities for the year ended 31st December, 2007 was HK$11,741,003. This was due to operating loss before changes in working capital of HK$2,361,869, increase in other receivables of HK$5,992,969 and a decrease in other payables of HK$3,386,165.

Our net cash used in operating activities for the five months ended 31st May, 2007 was HK$2,898,390. This was due to operating loss before changes in working capital of HK$582,896, increase in other receivables of approximately HK$1.8 million and decrease in other payables of HK$0.5 million.

Our net cash generated from operating activities for the year ended 31st December, 2006 was HK$345,974. This represents approximately HK$2 million net advance from related parties to compensate the operating loss before changes in working capital of HK$1,406,551. There is also a decrease in other receivables of HK$11,018.

Our net cash generated from operating activities for the year ended 31st December, 2005 was HK$1,675,280. This represents approximately HK$2.3 million net advance from related parties to compensate the operating loss before changes in working capital of HK$606,603. There is also an increase in other receivables of HK$17,868.

CASH FLOWS FROM INVESTING ACTIVITIES

The Group's net cash outflow from investing activities was HK$1,992,994, HK$74,514,698, HK$48,149,960, HK$11,150,046 and HK$19,203,672 for the three years ended 31st December, 2007 and the five months ended 31st May, 2007 and 2008, respectively.

Our Group's net cash outflow from investing activities primarily reflected expenditure incurred for the purchase of property, plant and equipment for the purpose of carrying out exploration activities over the Dolomite Land and for the construction of the Perak Magnesium Smelter. Such expenditure amounted to HK$118,695, HK$73,741,630, HK$47,755,897, HK$10,990,217 and HK$19,203,672 for the three years ended 31st December, 2007 and the five months ended 31st May, 2007 and 2008, respectively.

CASH FLOWS FROM FINANCING ACTIVITIES

Our Group's net cash inflow from financing activities was HK$205,380, HK$75,623,546, HK$58,761,984, HK$12,746,139 and HK$25,979,677 for the three years ended 31st December, 2007 and the five months ended 31st May, 2007 and 2008, respectively.

The net cash inflow provided by financing activities in the five months ended 31st May, 2008 comprised advances from HWGB of HK$14,917,453 and proceeds from the Old CVM Project Finance Loan of HK$11,112,277.

The net cash inflow provided by financing activities in the year ended 31st December, 2007 comprised advances from HWGB of HK$15,779,242 and proceeds from the Old CVM Project Finance Loan of HK$43,321,570.

The net cash inflow provided by financing activities in the five months ended 31st May, 2007 comprised advances from HWGB of HK$531,954 and proceeds from the Old CVM Project Finance Loan of HK$12,236,255.

The net cash inflow provided by financing activities in the year ended 31st December, 2006 comprised mainly the proceeds of share issues of HK$65,265,250, the proceeds from the Old CVM Project Finance Loan of HK$6,364,881 and advances from HWGB of HK$4,025,842.

The net cash inflow provided by financing activities in the year ended 31st December, 2005 comprised proceeds of share issues of HK$205,380.

RECENTLY ISSUED ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants has issued certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective or available for early adoption for the current accounting period of our Group and the Company. For the purposes of preparing the audited financial information, we have not applied any new and revised HKFRSs that are not yet effective for the Track Record Period, except for HKFRS 6, "Exploration for and evaluation of mineral resources" that has been early adopted on 1st January, 2005. The adoption of these new and revised HKFRSs has no significant impact on our audited combined financial statements for the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1st January, 2008 are set out in note 24 to the Accountants' Report set out in Appendix I to this prospectus.

DISCLOSURE UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, and to their best knowledge, there had been no other matters which would cause our Group to make a disclosure under Rule 13.13 to Rule 13.19 of the Listing Rules.

QUARTERLY FINANCIAL REPORTING

In order to keep our Shareholders and potential investors abreast of the development of the CVM Project, including the construction progress of the Perak Magnesium Smelter, and our financial situation and in line with the publication of quarterly financial results (which include our results accounted for on an equity accounting basis) by HWGB, our ultimate controlling shareholder which is listed on Bursa Malaysia, we will voluntarily publish our unaudited quarterly results by way of announcements after the Listing.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group is based on the audited combined net assets of the Group as at 31st May, 2008, as shown in the accountants' report, the text of which is set out in Appendix I to this prospectus and adjusted as follows:

	Audited combined net tangible assets of the Group as at 31st May, 2008	**Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted net tangible assets**	**Unaudited pro forma adjusted net tangible assets per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
		(Note 1)		*(Note 2)*
Based on the Offer Price of HK$1.18 per Share	66,368	92,345	158,713	0.35

Notes:

(1) The estimated net proceeds from the Share Offer are based on the Offer Price of HK$1.18 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may be allotted and issued upon exercise of the Over-allotment Option.

(2) The unaudited pro forma adjusted net tangible asset value per Share is arrived at after adjustment for the estimated net proceeds from the Share Offer as described in note (1) and on the basis of a total of 451,000,000 Shares that were in issue and outstanding during the entire year, adjusted as if the Share Offer had occurred at 31st May, 2008, which takes no account any Shares which may be allotted and issued upon exercise of the Over-allotment Option, or which may be allotted and issued or repurchased by the Company pursuant to the mandates as set out in the paragraph headed "Resolutions of the Shareholders" in Appendix VII to this prospectus.

(3) Details of valuation of the Group's properties interest as at 31st August, 2008 are set out in Appendix III to this prospectus. The Group will not incorporate the revaluation surplus or deficit in its financial statements for the year ending 31st December, 2008. It is the Group's accounting policy to state its interest in leasehold land held for own use under operating lease and property, plant and equipment at cost less accumulated depreciation/amortization and any impairment loss in accordance with relevant Hong Kong Financial Reporting Standards, rather than at revalued amounts. The impairment reviews performed by the Company as at 31st August, 2008 did not indicate the need to recognize any impairment loss for its interest in leasehold land held for own use and property, plant and equipment. With reference to the valuation of the Group's property interests as set out in Appendix III to this prospectus, there was a revaluation surplus of the Group's properties of approximately HK$12.9 million. If the revaluation surplus was incorporated in the Group's financial statements for the year ending 31st December, 2008, an additional depreciation of approximately HK$131,000 per annum would be incurred.

DIVIDEND POLICY

It is the current intention of our Directors to distribute as dividends for each year of not less than 50% of our distributable profit for periods subsequent to the Share Offer and the commencement of profitable operations of the Perak Magnesium Smelter. However, there is no assurance as to whether the dividend distributions will occur as intended, the amount of the dividend payments or the timing of such payments. Cash dividends on our Shares, if any, will be paid in HK dollars. Our Directors expect that in the future, subject to our financial performance and compliance with the financial covenants under the New CVM Project Finance Loan, we will declare and pay two dividends in each financial year.

DISTRIBUTABLE RESERVES

As at 31st May, 2008, the Group had reserves of approximately HK$696,324. The Company was incorporated on 9th November, 2007 and has not carried out any business since the date of its incorporation. Accordingly, there was no reserve available for distribution to shareholders at 31st December, 2005, 2006, 2007 and five months ended 31st May, 2008.

PROPERTY INTERESTS

A. The Smelter Land Agreement

Pursuant to the Smelter Land Agreement, we acquired the Smelter Land from SEDC, an existing Shareholder of the Company for a consideration of RM5,662,800 (or equivalent to HK$12.8 million), which is based on the then market rate of approximately RM2 (equivalent to approximately HK$4.5) per square feet, for the purpose of setting up the Perak Magnesium Smelter.

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

B. Tenancy Agreement between HWGB and CVM

On 10th August, 2007, CVM entered into a tenancy agreement with HWGB pursuant to which HWGB agreed to lease the premises at 2nd floor of Nos. 35, 37 and 39 and 3rd floor of No. 39, Jalan Maharajalela, 50150 Kuala Lumpur, Malaysia as the office premises of our Group.

The term of the tenancy is for a period of 2 years commencing on 1st January, 2007 and ending on 31st December, 2008 for a monthly rent of RM7,000 (equivalent to approximately HK$15,819) per month with an option to renew the tenancy for a further term of 1 year.

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.

It is confirmed that HWGB is the legal and beneficial owner of the above premises.

Further details of our property interests are set out in Appendix III to this prospectus.

C. Valuation of properties

Grant Sherman Appraisal Limited, an independent property valuer, has valued our property interests as at 31st August, 2008. The text of the letter, summary of valuation and the valuation certificates are set out in Appendix III to this prospectus.

The statement below shows the reconciliation of the interest in leasehold land held for own use under operating lease from the audited combined financial statements as at 31st May, 2008 to the valuation as at 31st August, 2008 set out in Appendix III to this prospectus.

	HK$
Net book value as at 31st May, 2008 in construction in progress and interest in leasehold land held for own use under operating lease as at 31st May, 2008 set out in Appendix I to this prospectus	153,180,323
Less: Construction in progress excluded from valuation	(50,021,533)
Net book value of construction in progress under valuation and interest in leasehold land held for own use under operating lease as at 31st May, 2008	103,158,790
Add: Addition for the three months ended 31st August, 2008	44,879,677
Less: Amortization of lease prepayments for the three months ended 31st August, 2008	(33,385)
Exchange differences	(4,473,897)
Net book value as at 31st August, 2008	143,531,185
Valuation surplus	12,892,779
Valuation of properties as at 31st August, 2008 subject to valuation as set out in Appendix III to this prospectus *(Note)*	156,423,964

Note: RM68,000,000 translated at an exchange rate of HK$1 : RM0.4347 at 31st August, 2008.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material change in the financial or trading position of our Group since 31st May, 2008 (being the date to which our latest combined financial information is made up).

DISCLAIMER

Save as otherwise disclosed herein and apart from intra-group liabilities, we did not have any mortgages, charges, debentures or other loan capital or bank overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees outstanding as at 30th September, 2008.

Our Directors, save as otherwise disclosed herein, have confirmed that there have been no material changes in the commitments and contingent liabilities of our Group since 30th September, 2008 and there have been no material changes in the indebtedness of our Group since 30th September, 2008.