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## **CVM Minerals Limited**

**南亞礦業有限公司**

*(incorporated in Hong Kong with limited liability)*

**Stock Code: 705**

### **DISCLOSEABLE TRANSACTION**

### **ACQUISITION OF INTEREST IN MINING CONCESSIONS IN ACEH, INDONESIA**

The board of Directors announces that on 30 July, 2010, the Company entered into the conditional Sale and Purchase Agreement whereby the Vendors agreed to sell and the Company agreed to purchase the entire issued share capital of Winner Top, a private investment holding company incorporated in the British Virgin Islands, for an aggregate consideration of HK\$120,000,000 to be satisfied:

- (i) as to HK\$96,000,000, by the allotment and issue to the Vendors of the Consideration Shares, to be treated as paid up as to HK\$0.27 per Consideration Share, equating to the average closing price of a share in the Company over the 5 Business Days up to and including the date of the Sale and Purchase Agreement; and
- (ii) as to HK\$24,000,000 in cash to be paid within 5 Business Days after the Completion Date.

Completion is conditional upon, amongst other things, the Vendors procuring the Reorganisation, as a result of which Winner Top will have a 51% interest in Platinum Goldhill, which will, in turn, have a 95% interest in each of Mega Fiume and Rimbaka Mining. Mega Fiume and Rimbaka Mining hold certain mining concessions in respect of coal, manganese and iron ore in Aceh, Indonesia. The other 5% interest in each of Mega Fiume and Rimbaka Mining is, in each case, owned by an independent third party, not connected with the Company.

The other 49% interest in Platinum Goldhill is owned by two independent third parties, not connected with the Company. 44% of Platinum Goldhill is owned by Max Million, a British Virgin Islands company controlled by Mr. Lok Beng Huah, one of the Vendors, and 5% of Platinum Goldhill is owned by Premium Legend, a Malaysian company controlled by Mr. Wong Shen Hou.

Under the Listing Rules, the Sale and Purchase Agreement will constitute a discloseable transaction for the Company since the applicable Percentage Ratios exceed 5% but do not exceed 25%.

## **INTRODUCTION**

The board of Directors announces that on 30 July, 2010, the Company entered into the conditional Sale and Purchase Agreement whereby the Vendors agreed to sell and the Company agreed to purchase the entire issued share capital of Winner Top, a private investment holding company incorporated in the British Virgin Islands, for an aggregate consideration of HK\$120,000,000 to be satisfied:

- (i) as to HK\$96,000,000, by the allotment and issue to the Vendors of the Consideration Shares, to be treated as paid up as to HK\$0.27 per Consideration Share, equating to the average closing price of a share in the Company over the 5 Business Days up to and including the date of the Sale and Purchase Agreement; and
- (ii) as to HK\$24,000,000 in cash to be paid within 5 Business Days after the Completion Date.

## **THE SALE AND PURCHASE AGREEMENT**

### **Date**

30 July, 2010

## **Parties**

1. the Company; and
2. the Vendors

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendors and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

## **Subject matter**

The Vendors agreed to sell and the Company agreed to purchase the entire issued share capital of Winner Top, a private investment holding company incorporated in the British Virgin Islands that will, on completion of the Reorganisation, hold indirect interests in certain mining concessions in Aceh, Indonesia as described further below.

## **Consideration**

The consideration for the entire issued share capital of Winner Top amounting to HK\$120,000,000 is to be satisfied:

- (i) as to HK\$96,000,000, by the allotment and issue to the Vendors of the Consideration Shares, to be treated as paid up as to HK\$0.27 per Consideration Share, equating to the average closing price of a share in the Company over the 5 Business Days up to and including the date of the Sale and Purchase Agreement; and
- (ii) as to HK\$24,000,000 in cash to be paid within 5 Business Days after the Completion Date.

The consideration was negotiated by the parties on an arm's length basis based on the estimated potential of the mining concessions analysed by reference to, an independent geologist's preliminary report, the current pricing of the minerals concerned and taking into account that Mega Fiume and Rimbaka Mining are both at early stages of exploration. The issue price of the Consideration Shares was also arrived at after arm's length negotiations, based on the recent market price of the shares of the Company.

The Consideration Shares to be allotted and issued to the Vendors represent (i) approximately 16.43% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 14.11% of the issued share capital of the Company (as enlarged by the Consideration Shares).

The Consideration Shares which will be issued pursuant to a general mandate granted at the annual general meeting of the Company on 19 May, 2010, upon allotment, will rank pari passu in all respects with the existing shares of the Company in issue and be entitled to dividends and other rights carried by the shares. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange.

The issue price of HK\$0.27 per Consideration Share represents the closing market price on 29 July, 2010 (being the last trading day preceding the date of this announcement) and also represents the average closing market price for the 10 trading days ended on 29 July, 2010.

The Company has undertaken one fund raising exercise within the past 12 months, raising net proceeds of approximately HK\$126 million (gross proceeds of HK\$129.6 million) through a combined top-up placing and new placing, completed on 10 February, 2010, which involved the aggregate issue of 360,000,000 new shares at HK\$0.36 per share. To date, the funds continue to be held for working capital purposes, with the prospect of part of it being used to fund some or all of the cash consideration payable under the Sale and Purchase Agreement.

## EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming no share will be issued and/or repurchased by the Company from the date of this announcement up to Completion; the shareholding structure of the Company as at the date of this announcement and upon the allotment and issue of the Consideration Shares are as follows:-

	As at the date of this announcement		Immediately after the allotment and issue of the Consideration Shares	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Substantial shareholders				
Ho Wah Genting Berhad	744,150,000	34.39	744,150,000	29.54
Perbadanan Kemajuan Negeri Perak	135,300,000	6.25	135,300,000	5.37
Vendors (Consideration Shares)				
Lok Beng Huah	N/A	N/A	212,764,445	8.45
Kok Yen Keong @ Kwai Yen Keong	N/A	N/A	106,666,667	4.23
Loo Chooi Ting	N/A	N/A	36,124,444	1.43
Other public shareholders	<u>1,284,550,000</u>	<u>59.36</u>	<u>1,284,550,000</u>	<u>50.98</u>
	<u>2,164,000,000</u>	<u>100.00</u>	<u>2,519,555,556</u>	<u>100.00</u>

## **Completion and Conditions Precedent**

Completion will take place on the Completion Date and completion is conditional upon the following conditions being satisfied or waived pursuant to the terms of the Sale and Purchase Agreement on or before the Long Stop Date:

- (i) the Company being fully satisfied, in its absolute discretion, with the results of its due diligence exercise to be carried out on Winner Top and those companies which, as a result of the Reorganisation, will become its subsidiaries (and on the Reorganisation);
- (ii) the Sale and Purchase Agreement and all transactions and matters contemplated by or relating to the Sale and Purchase Agreement being approved by the shareholders of the Company in general meeting in accordance with the requirements of the Listing Rules, if necessary;
- (iii) the Stock Exchange granting the listing of and permission to deal in the Consideration Shares;
- (iv) completion of the Reorganisation on terms satisfactory to the Company;
- (v) all necessary consents, authorisations, permits or other approvals of any kind which may be required of any governmental or other competent regulatory authorities in Hong Kong, Indonesia, Malaysia or elsewhere, for the consummation of the transactions contemplated by the Sale and Purchase Agreement (including the Reorganisation), or are, in the reasonable opinion of the Company, necessary or desirable for Completion, having been obtained;
- (vi) the delivery of a Malaysian legal opinion to the Company in relation to Platinum Goldhill;
- (vii) the delivery of an Indonesian legal opinion to the Company in relation to Mega Fiume and Rimbaka Mining;
- (viii) the entering into of a shareholders' agreement between the Company, Max Million and Premium Legend in relation to Platinum Goldhill;
- (ix) the delivery of audited accounts and other financial information in relation to Winner Top, Platinum Goldhill, Mega Fiume and Rimbaka Mining;
- (x) there shall not have occurred any material adverse change in the business, operations, assets, position (financial, trading or otherwise), profits or prospects of any of Winner Top and those companies which, as a result of the Reorganisation, will become its subsidiaries, or any event or circumstance that may result in such a material adverse change;

- (xi) the delivery to the Company of a letter of undertaking and indemnity from the current shareholders of Mega Fiume and Rimbaka Mining stating that all payment obligations and liabilities that have occurred and/or have arisen up to (and including) the Completion Date shall be jointly and severally borne by such current shareholders and an indemnification to Platinum Goldhill for any losses or costs suffered;
- (xii) the upgrading of the respective mining concessions held by each of Mega Fiume and Rimbaka Mining into Mining Business Licences (or Izin Usaha Pertambangan) permitting mineral and coal mining at the respective cities in Aceh, Indonesia; and
- (xiii) the warranties given by Vendors remaining true and accurate and not misleading at Completion as if repeated at Completion and at all times between the date of the Sale and Purchase Agreement and Completion.

In the event that not all the conditions have been fulfilled or waived pursuant to the terms of the Sale and Purchase Agreement (as the case may be) by the Long Stop Date, the Sale and Purchase Agreement shall terminate and cease to have any effect, save as regards any antecedent breaches.

#### **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The principal business activities of the Group include the mining of dolomite and the manufacturing of magnesium ingots in the State of Perak, Malaysia.

The Directors believe that, to diversify the dolomite and magnesium business, it is in the interests of the Group to explore other minerals-related business investment opportunities. The Directors consider that the entering into of the Sale and Purchase Agreement will enable the Group to expand into the coal, manganese and iron ore industry in Indonesia, and represents a good investment opportunity for the Group and is in the best interests of the Company and its shareholders as a whole.

The Directors consider that the Sale and Purchase Agreement is entered into upon normal commercial terms following arm's length negotiations amongst the Company and the Vendors. The Directors believe that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the shareholders as a whole. The cash payment, of HK\$24,000,000, payable by the Company as part of the consideration, is currently expected to be funded from the Company's internal resources or bank borrowings to be determined by the board at the relevant time.

#### **INFORMATION ON WINNER TOP**

Winner Top is a private investment holding company incorporated in the British Virgin Islands. Winner Top has been established to hold the interest in Platinum Goldhill.

As described above, Completion is conditional upon, amongst other things, the Vendors procuring the Reorganisation, as a result of which Winner Top will have a 51% interest in Platinum Goldhill, a Malaysian company, which will, in turn, have a 95% interest in each of Mega Fiume and Rimbaka Mining. Mega Fiume and Rimbaka Mining hold certain mining concessions in respect of coal, manganese and iron ore in Aceh, Indonesia. The other 5% interest in each of Mega Fiume and Rimbaka Mining is, in each case, owned by an independent third party, not connected with the Company.

The other 49% interest in Platinum Goldhill is owned by two independent third parties, not connected with the Company. 44% of Platinum Goldhill is owned by Max Million, a British Virgin Islands company controlled by Mr. Lok Beng Huah, one of the Vendors, and 5% of Platinum Goldhill is owned by Premium Legend, a Malaysian company controlled by Mr. Wong Shen Hou.

The mining concessions held by Mega Fiume are for (i) coal exploration in the area of 10,000 hectares in Beutong and Kuala Subdistrict, Nagan Raya Regency, Nanggroe Aceh Darussalam Province (currently, Aceh Province), Indonesia, valid until 7 October, 2010; and (ii) manganese exploration in the area of 3,754 hectares in Bakongan Subdistrict, South Aceh Regency, Nanggroe Aceh Darussalam Province (currently, Aceh Province), Indonesia, valid until 6 November, 2011. For the above mining concessions, Mega Fiume is required, amongst others, to pay the dead rent (iuran tetap) and exploration fee (iuran eksplorasi).

The mining concessions held by Rimbaka Mining are for (i) coal exploration in the area of 9,825 hectares in Kuala Subdistrict, Nagan Raya Regency, Nanggroe Aceh Darussalam Province (currently, Aceh Province), Indonesia, valid until 5 March, 2011; and (ii) iron ore exploration in the area of 1,500 hectares in Pananggalan Subdistrict, Subulussalam City, Nanggroe Aceh Darussalam Province (currently, Aceh Province), Indonesia, valid until 15 December, 2011. For the above mining concessions, Rimbaka Mining is required, amongst others, to pay the dead rent (iuran tetap) and exploration fee (iuran eksplorasi).

As mentioned earlier, Completion is conditional upon, amongst other things, the upgrading of the respective mining concessions held by each of Mega Fiume and Rimbaka Mining into Mining Business Licences (or Izin Usaha Pertambangan). The Company has received advice from its Indonesian legal advisers that the validity period of the Mining Business Licenses relating to exploration (being upgraded from the mining concessions) may be extended for 2 times, each time for 1 year. Further, the holder of a Mining Business License relating to exploration is, as a matter of current Indonesian mining law, guaranteed to obtain a Production Operation Mining Business License as a continuation of its mining activities, which may be valid for up to 20 years and may be extended for 2 times, each time for 10 years.



The unaudited proforma book value of the Winner Top Group's total assets as at 30 June, 2010 was approximately HK\$2.5 million.

In keeping with the fact that Mega Fiume and Rimbaka Mining are each early stage exploration companies with no revenues, the aggregate unaudited accumulated losses for the years ending 31 December, 2008 and 31 December, 2009 were approximately RPH488.9 million (HK\$0.4 million) and RPH572.9 million (HK\$0.5 million), respectively.

On completion, the Winner Top Group will be accounted as subsidiaries of the Company and the result of the Winner Top Group will be consolidated into the accounts of the Company.

## **LISTING RULES IMPLICATIONS**

Under the Listing Rules, the Sale and Purchase Agreement will constitute a discloseable transaction for the Company since the applicable Percentage Ratios exceed 5% but do not exceed 25%.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Business Day(s)”	a day (excluding a Saturday or Sunday) on which banks in Hong Kong are open for business;
“Company”	CVM Minerals Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on The Stock Exchange of Hong Kong Limited;
“Completion”	completion of the transaction in accordance with the terms of the Sale and Purchase Agreement;
“Completion Date”	5 Business Days after fulfillment (or, as applicable, waiver) of the last to occur of certain conditions set out in the Sale and Purchase Agreement;
“Consideration Share(s)”	the 355,555,556 new ordinary shares of HK\$0.025 each in the capital of the Company;
“CVMSB”	Commerce Venture Magnesium Sdn. Bhd., a company incorporated under the laws of Malaysia and a wholly owned subsidiary of the Company;



“Directors”	the directors of the Company;
“Group”	the Company and CVMSB;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	31 January, 2011 or such other extended date to be mutually agreed between the Company and the Vendors;
“Max Million”	Max Million Holdings Ltd., a company incorporated under the laws of the British Virgin Islands and, on completion of the Reorganisation, the owner of a 44% interest in Platinum Goldhill;
“Mega Fiume”	PT. Mega Fiume Internasional, a company incorporated under the laws of Indonesia and, on completion of the Reorganisation, a 95%-owned subsidiary of Platinum Goldhill;
“Mining Business Licenses” or “Izin Usaha Pertambangan”	a mining business license that must be obtained to conduct mining business in Indonesia, pursuant to Law No. 4 of 2009 on mineral and coal mining;
“Percentage Ratios”	percentage ratios as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction;
“Platinum Goldhill”	Platinum Goldhill Sdn. Bhd., a company incorporated under the laws of Malaysia and, on completion of the Reorganisation, a 51%-owned subsidiary of Winner Top;
“PRC”	The People’s Republic of China;
“Premium Legend”	Premium Legend Sdn. Bhd., a company incorporated under the laws of Malaysia and, on completion of the Reorganisation, the owner of a 5% interest in Platinum Goldhill;

“Production Operation Mining Business License”	a license that is granted once having completed the implementation of the Mining Business License relating to exploration for the purposes of undertaking the production operation stage activity;
“Reorganisation”	the reorganisation of the Winner Top Group to be effected as one of the conditions precedent of the Sale and Purchase Agreement;
“Rimbaka Mining”	PT. Rimbaka Mining Makmur, a company incorporated under the laws of Indonesia and, on completion of the Reorganisation, a 95%-owned subsidiary of Platinum Goldhill;
“RPH”	Rupiah, the lawful currency of Indonesia;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 30 July, 2010 between the Company and the Vendors in relation to the sale and purchase of the entire issued shares capital of Winner Top;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendors”	Lok Beng Huah, Kok Yen Keong (also known as Kwai Yen Keong) and Loo Chooi Ting;
“Winner Top”	Winner Top International Limited, a company incorporated under the laws of the British Virgin Islands; and
“Winner Top Group”	Winner Top and its subsidiaries from time to time.

By order of the Board  
**CVM Minerals Limited**  
**Tony Tan**  
*Chairman*

Hong Kong, 30 July, 2010

*Unless the context requires otherwise, the conversion of RPH into HK\$ is based on the exchange rate of HK\$1.00 = RPH1,155.77. Such conversion should not be construed as a representation that the amount in question has been, could have been or could be converted at any particular rate at all.*

*As at the date of this announcement, our Executive Directors are Mr. Chong Wee Chong, Mr. Gao Qi Fu and Mr. Lim Ooi Hong, and our Independent Non-executive Directors are Mr. Tony Tan, Ms. Wong Choi Kay, Mr. Chong Lee Chang and Mr. Lam Cheung Shu.*