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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

**PLACING OF CONVERTIBLE BONDS
UNDER GENERAL MANDATE**

Placing Agent

CINDA INTERNATIONAL CAPITAL LIMITED

PLACING

On 20 August 2010 after trading hours, the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has conditionally agreed, as a placing agent of the Company and on a best effort basis, to procure Placees who are Independent Third Parties to subscribe for the Convertible Bonds to be issued by the Company with an aggregate principal amount of HK\$116,000,000.

The Convertible Bonds bear interest at 15% per annum, maturing on the thirteenth month after the date of issue and are convertible into Conversion Shares at the initial Conversion Price of HK\$0.27 each.

Assuming the maximum amount of the Convertible Bonds of HK\$116,000,000 are issued, the net proceeds from the Placing shall be approximately HK\$114.1 million and are intended to be used as the general working capital of the Group's proposed project in Indonesia as well as future corporate and acquisition exercises. Upon full conversion of the maximum principal amount of the Convertible Bonds of HK\$116,000,000, 429,629,629 Conversion Shares will be issued, representing approximately 19.85% of the issued share capital of the Company as at the date of the Placing Agreement and approximately 16.56% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

THE PLACING AGREEMENT

On 20 August 2010 after trading hours, the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has conditionally agreed, as a placing agent of the Company and on a best effort basis, to procure Placees who are Independent Third Parties to subscribe for the Convertible Bonds to be issued by the Company with an aggregate principal amount of HK\$116,000,000. Details of the Placing Agreement are set out below:

Date of Placing Agreement

20 August 2010

Parties

Issuer: the Company

Placing Agent: Cinda International Capital Limited

To the best of the Director's knowledge, information and belief and having made all reasonable enquiries, the Placing Agent is an Independent Third Party.

Pursuant to the Placing Agreement, the Company has conditionally agreed to issue, and the Placing Agent has conditionally agreed to act as placing agent, on a best effort basis, to procure not less than 6 Placees who are any individual, corporate, institutional or other investors and are Independent Third Parties to subscribe for the Convertible Bonds with an aggregate principal amount of up to HK\$116,000,000. The Placing Agent will receive a placing commission of 1% of the aggregate principal amount of the Convertible Bonds placed by the Placing Agent on behalf of the Company, which was arrived at after arm's length negotiations between the Company and the Placing Agent.

The Board is of the view that the terms of the Placing and the Placing Agreement (including but not limited to the placing commission) are fair and reasonable, on normal commercial terms and in the best interest of the Company and the Shareholders as a whole.

Conditions of the Placing

Completion of the Placing Agreement is conditional upon the satisfaction of the following conditions:-

- (a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Conversion Shares;

- (b) the Company obtaining all consents and approvals from relevant authorities in relation to the Placing, if applicable; and
- (c) the supplemental agreement being entered into between the Company and the Vendors of Winner Top to amend the Sale and Purchase Agreement to the effect that completion of the Acquisition is subject to, inter alia, the passing by the Shareholders in an extraordinary general meeting of a resolution to approve, inter alia, the issue of the Consideration Shares in accordance with the Listing Rules.

In the event that the conditions set out above have not been fulfilled on or before the date falling 30 days from the date of the Placing Agreement (or such later date as the parties under the Placing Agreement may agree in writing), all rights, obligations and liabilities of the Placing Agent and of the Company under the Placing Agreement shall cease and none of them shall have any claims against any of the others in relation to the Placing, save for any antecedent breach thereof.

Completion

Subject to the fulfillment of the conditions precedent above, Completion shall take place within five Business Days after the above conditions have been fulfilled (or such other date as the parties under the Placing Agreement may agree in writing). The subscription monies shall be payable by the Placing Agent upon Completion.

A further announcement will be made by the Company upon completion of the Placing.

Force majeure and termination for the Placing

The Placing Agent may, in its reasonable opinion, after consultation with the Company, terminate the Placing Agreement by notice in writing to the Company at any time prior to 4:00 p.m. on the day before the Completion Date if:

- (a) there is any change in national, international, financial, exchange control, political, economic conditions in Hong Kong which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the Placing; or
- (b) there is any material adverse change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed.

The Placing Agent may at any time prior to the Completion terminate the Placing Agreement by notice in writing to the Company if it has come to the notice of the Placing Agent any breach of undertakings, warranties and representations in any material respect by the Company as set out in the Placing Agreement. The Company may also, in its reasonable opinion, after consultation with the Placing Agent, at any time up to 9:00 a.m. on the Completion Date terminate the Placing Agreement by notice in writing if there is a material breach of the warranties, representations and undertakings given by the Placing Agent in the Placing Agreement.

If the Placing Agreement is so terminated, all liabilities of all parties under the Placing Agreement shall cease and no party shall have any claims against any other party in respect of any matter out of or in connection with the Placing Agreement except for any antecedent breach of any obligation under the Placing Agreement.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The terms of the Convertible Bonds have been negotiated on arm's length basis and the principal terms of which are summarized below:

Principal Amount

Up to HK\$116,000,000

Maturity Date

The date falling on the thirteenth month of the date of issue

Interest

Subject to the terms of the Convertible Bonds, the Convertible Bonds bear interest at the rate of 15% per annum (calculated on a 360-days basis) on the principal amount of the respective Convertible Bonds outstanding from time to time, payable semi-annually in arrear. The first interest payment for the Convertible Bonds shall be made on the date falling six months from the date of issue of the Convertible Bonds and thereafter on the last day of each successive half-yearly period up to the Maturity Date.

Conversion Price

The initial Conversion Price is HK\$0.27 per Conversion Share, which is subject to adjustment upon the occurrence of capitalisation of profits and reserves, rights issue, subdivision of share, consolidation of Shares or reduction of share capital or other changes (including issuance of convertible securities, warrants or options to

subscribe for the Company's securities), to the share capital structure, which adjustments shall be certified in writing by an approved adviser in such manner as it considers that the interests of both the Company and the bondholders are fairly and reasonably reflected.

The initial Conversion Price represents:

- (i) a premium of approximately 15% to the closing price of HK\$0.234 per Share as quoted on the Stock Exchange on 20 August 2010, being the date of the Placing Agreement ;
- (ii) a premium of approximately 13% to the average of the closing price per Share of approximately HK\$0.240 as quoted on the Stock Exchange for the last five trading days up to and including 20 August 2010; and
- (iii) a premium of approximately 11% to the average of the closing price per Share of HK\$0.244 as quoted on the Stock Exchange for the last ten trading days up to and including 20 August 2010.

The initial Conversion Price is determined after arm's length negotiations between the Company and the Placing Agent with reference to the recent market price of the Shares.

Conversion Rights

The bondholders may convert the whole or part (in multiples of HK\$1,000,000) of the principal amount of the Convertible Bonds into the Conversion Shares at the Conversion Price for the period commencing from the date falling on the expiry of twelve months from the date of issue of the Convertible Bonds up to three days before the Maturity Date.

The conversion rights attaching to the Convertible Bonds shall only be exercisable so long as the public float of at least 25% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares can be maintained and it does not trigger a mandatory offer obligation under Rules 26 of the Takeovers Code on the part of bondholder of the Convertible Bonds and any parties acting in concert with it (as defined under the Takeovers Code). The Company shall comply with the public float requirement under the Listing Rules at all times and take appropriate steps/ measures to ensure sufficient public float of the Shares at all times.

Conversion Shares

Upon full conversion of the maximum principal amount of the Convertible Bonds of HK\$116,000,000, 429,629,629 Conversion Shares will fall to be issued, representing approximately 19.85% of the issued share capital of the Company as at the date of the Placing Agreement and approximately 16.56% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Shares will be issued and allotted under the General Mandate. As at the date of this announcement, no Shares have been issued under this General Mandate.

Reference is made to the Announcement, pursuant to which, the Board announced that the Sale and Purchase Agreement was entered into for the Acquisition. The consideration payable by the Company under the Sale and Purchase Agreement includes, inter alia, the issue of Consideration Shares under the General Mandate. The Board wishes to announce that a supplemental agreement will be entered into between the Company and the Vendors of Winner Top to amend certain terms of the Sale and Purchase Agreement in relation to the arrangement of the issue and allotment of the Consideration Shares. The entering into of the supplemental agreement is one of the conditions precedent to Completion and if such a condition could not be satisfied in accordance to the Placing Agreement, the Placing will not proceed.

Further announcement will be made by the Company when the supplemental agreement has been executed.

Repayment by the Company

Unless previously converted or repaid in accordance to the terms of the Convertible Bonds, the Company will repay the outstanding principal amount of the Convertible Bonds on the Maturity Date.

Redemption by the Company

The Convertible Bonds may be redeemed in amounts of HK\$1,000,000 or integral multiples thereof at the option of the Company on any Business Day prior to the Maturity Date by giving not less than 7 Business Day's prior written notice to a bondholder.

Ranking of the Conversion Shares

The Conversion Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Conversion Shares.

Ranking of the Convertible Bonds

The Convertible Bonds constitute general and unsecured obligations of the Company and rank pari passu and ratably without preference among themselves, and with other current and future unsubordinated and unsecured obligations of the Company.

Transferability

The Convertible Bonds may be transferred or assigned in whole or in part by the bondholder(s) to any person or company provided that (i) where such transfer is made to a connected person of the Company, such transfer shall comply with the requirements (if any) of the Stock Exchange and (ii) prior written consent of the Company is obtained.

Voting Rights

The Convertible Bonds do not confer any voting rights at any meetings of the Company.

Listing

No application will be made for a listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

REASONS FOR AND BENEFIT OF THE PLACING AND USE OF PROCEEDS

The gross proceeds and the net proceeds from the Placing will be approximately HK\$116.0 million and HK\$114.1 million respectively. The Board intends to use the proceeds of the Placing as general working capital of the Group's proposed project in Indonesia as well as future corporate and acquisition exercises.

The Board considers that the Placing is conducted in the best interest of the Company in view of the prevailing market conditions and that the recent market sentiment represents a good timing for the Placing. The Board also considered that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company since it will provide the Company with immediate funding. In addition, the Placing gives the opportunity to the Company to broaden its capital base and strengthen its cash position. Accordingly, the Board considers that the Placing is in the best interest of the Shareholders and the Company as a whole.

EFFECT ON SHAREHOLDING STRUCTURE

The table below depicts the shareholding structure of the Company as at the date of this announcement and assuming full conversion of the maximum principal amount of Convertible Bonds of HK\$116,000,000 at the initial Conversion Price of HK\$0.27:

	As at the date of this announcement		Assuming full conversion of the maximum principal amount of the Convertible Bonds	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Ho Wah Genting Berhad (Note)	744,150,000	34.39	744,150,000	28.69
Perbadanan Kemajuan Negeri Perak	135,300,000	6.25	135,300,000	5.22
The Placees	—	—	429,629,629	16.56
Other public Shareholders	<u>1,284,550,000</u>	<u>59.36</u>	<u>1,284,550,000</u>	<u>49.53</u>
Total	<u>2,164,000,000</u>	<u>100.00%</u>	<u>2,593,629,629</u>	<u>100.00%</u>

Note: Ho Wah Genting Berhad is a public limited company incorporated under Malaysian law in Malaysia and listed on the main board of Bursa Malaysia.

Upon full conversion of the Convertible Bonds, the shareholding of the existing controlling shareholder, Ho Wah Genting Berhad, will be diluted and it will no longer be the controlling shareholder of the Company. However, it remains as a substantial shareholder of the Company.

It is not expected that any individual Placee will become a substantial shareholder of the Company (as defined in the Listing Rules) immediately after the Placing. A further announcement will be made by the Company if any of the Placees would become a substantial shareholder of the Company.

FUND RAISING IN THE 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

As announced by the Company on 10 February 2010, the Company completed the placing of 280,000,000 existing Shares and 80,000,000 new Shares to more than six placees, who and whose ultimate beneficial owners are not connected persons of the Company and its connected persons. The net proceeds raised from the aforesaid issue of Shares amounted to approximately HK\$126,100,000 and were intended to be used as a general working capital of the Group and has been fully utilized for this purpose as at the date of this announcement. Details of the aforesaid are contained in the announcements of the Company dated 1 February 2010 and 10 February 2010.

Save as above, the Company has not conducted any fund raising activities in the past twelve months before the date of this announcement.

GENERAL

The Company is an investment holding company and the Group is principally engaged in the mining of dolomite and manufacturing magnesium ingots in the State of Perak, Malaysia.

DEFINITIONS

In this announcement, the following terms have the following meanings:-

“Acquisition”	the acquisition by the Company of the entire issued share capital of Winner Top pursuant to the Sale and Purchase Agreement which has been announced by the Company in the Announcement
“Announcement”	the announcement issued by the Company on 30 July 2010 with respect to the sale and purchase of the entire issued capital of Winner Top
“Board”	the board of Directors
“Business Day”	any day (not being a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are generally open for business

“Bursa Malaysia”	The Stock Exchange of Bursa Malaysia Berhad in Malaysia
“Company”	CVM Minerals Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Placing
“Completion Date”	date of Completion
“connected person(s)”	the meaning ascribed thereto under the Listing Rules
“Consideration Shares”	the 355,555,556 new ordinary shares in the capital of the Company
“Conversion Shares”	those Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds
“Conversion Price”	the conversion price of the Convertible Bonds which is set initially at HK\$0.27 (subject to adjustments)
“Convertible Bonds”	the 15% coupon convertible bonds in the principal amount of not more than HK\$116,000,000 to be issued by the Company in favour of the Placees pursuant to the Placing Agreement
“Directors”	the directors of the Company
“General Mandate”	the general mandate granted to the Directors to issue, allot and deal with 432,800,000 new Shares, being 20% of the total issued share of the Company as at the date of passing the relevant resolution at the annual general meeting held on 19 May 2010
“Group”	the Company and its subsidiaries
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	an independent third party, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, who is not connected with the Company and its connected persons (as defined under the Listing Rules)

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date falling on the expiry of thirteen months from the date of issue of the Convertible Bonds
“Placee(s)”	any person or entity procured by the Placing Agent or its agent(s) to subscribe for any of the Convertible Bonds
“Placing”	the placing of the Convertible Bonds, on a best effort basis, by the Placing Agent pursuant to the Placing Agreement
“Placing Agent”	Cinda International Capital Limited, a licensed corporation to carry out types 1 and 6 regulated activities (dealing in securities and advising on corporate finance) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the conditional placing agreement dated 20 August 2010 entered into between the Company and the Placing Agent in relation to the Placing
“Sale and Purchase Agreement”	the sale and purchaser agreement dated 30 July 2010 between the Company and the Vendors of Winner Top in relation to the sale and purchase of the entire issued share capital of Winner Top
“Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong
“Vendors of Winner Top”	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

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong
“%” per cent

By Order of the Board of
CVM Minerals Limited
Tony Tan
Chairman

Hong Kong, 20 August 2010

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.