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**(1) PLACING OF NEW SHARES UNDER GENERAL MANDATE
(2) UNUSUAL PRICE AND VOLUME MOVEMENT
AND
(3) RESUMPTION OF TRADING**

Financial Adviser



THE PLACING

The Company has on 2 April 2007 entered into the Placing Agreement with the Placing Agent to procure subscribers, on a fully underwritten basis, to subscribe for 191,600,000 new Shares at a price of HK\$0.172 per Share. The Placing Shares represent 20% of the Company's existing issued share capital and approximately 16.67% of its issued share capital as enlarged by the Placing.

The Placing Price represents (i) a discount of approximately 19.63% to the closing price of the Shares of HK\$0.214 quoted on the Stock Exchange on 30 March 2007, being the last trading day before the date of the Placing Agreement; (ii) a premium of approximately 2.38% to the average closing price of the Shares of HK\$0.168 quoted on the Stock Exchange for the five consecutive trading days up to and including 30 March 2007; and (iii) a premium of approximately 12.42% to the average closing price of the Shares of HK\$0.153 quoted on the Stock Exchange for the ten consecutive trading days up to and including 30 March 2007.

The gross proceeds from the Placing will be approximately HK\$32.95 million. The Company plans to use the entire net proceeds from the Placing of approximately HK\$32.13 million for the general working capital of the Group.

The Placing is conditional upon the Stock Exchange granting listing of and permission to deal in the Placing Shares.

UNUSUAL PRICE AND VOLUME MOVEMENT

The Board has noted the recent increases in price and trading volume of the Shares and wishes to announce that save for the Placing, the Board is not aware of any reason for the recent increases in price and trading volume of the Shares nor any negotiations or agreements relating to intended acquisitions or realizations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules which is or may be of a price sensitive.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 2:30 p.m. on 30 March 2007 pending for the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 3 April 2007.

PLACING AGREEMENT DATED 2 APRIL 2007

Issuer:

The Company

Placing Agent and Placees:

Get Nice Investment Limited is the Placing Agent, who does not own any Shares as at the date of this announcement and is not a connected person (as defined in the Listing Rules) of the Company and is independent from and not connected with the Company and its connected persons (as defined in Listing Rules).

The Placing Shares will be placed to not less than six Placees, being individuals, institutional or other professional investors, and who and whose ultimate beneficial owners will not be connected persons (as defined in the Listing Rules) of the Company and will be independent from and not connected with the Company and its connected persons (as defined in Listing Rules). It is expected that none of the Placees will become substantial shareholder of the Company immediately after the Placing.

Number of Placing Shares:

191,600,000 new Shares representing 20% of the Company's existing issued share capital and approximately 16.67% of its issued share capital as enlarged by the Placing.

Placing Price:

The Placing Price of HK\$0.172 per Share was agreed after arm's length negotiations between the Company and the Placing Agent. Such price represents (i) a discount of approximately 19.63% to the closing price of the Shares of HK\$0.214 quoted on the Stock Exchange on 30 March 2007, being the last trading day before the date of the Placing Agreement; (ii) a premium of approximately 2.38% to the average closing price of the Shares of HK\$0.168 quoted on the Stock Exchange for the five consecutive trading days up to and including 30 March 2007; and (iii) a premium of approximately 12.42% to the average closing price of the Shares of HK\$0.153 quoted on the Stock Exchange for the ten consecutive trading days up to and including 30 March 2007.

The net placing price for the Placing is approximately HK\$0.168 per Share.

The Directors consider that the Placing Price is fair and reasonable and in the interest of the Company and its shareholders as a whole.

Underwriting commission payable to the Placing Agent:

The Placing is fully underwritten by the Placing Agent with underwriting commission calculated as 2% of the amount equal to the Placing Price multiplied by the number of the Placing Shares.

General Mandate:

The Placing Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the Company's annual general meeting held on 29 May 2006. As at the date of this announcement, no Shares have been issued and allotted pursuant to such general mandate. The Placing will utilize 100% of the 191,600,000 Shares that are allowed to be issued and allotted pursuant to this general mandate.

Ranking of Placing Shares:

The Placing Shares will rank pari passu in all respects among themselves and with the existing issued Shares.

Condition of the Placing:

The Placing is conditional upon the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, all of the Placing Shares.

The condition must be fulfilled on or before 20 April 2007 (or such other date as agreed by the parties), failing which the Placing shall cease and terminate.

Application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Placing Shares.

Completion:

The Placing shall complete at not later than the second Business Day after the fulfillment of the condition of the Placing (or such later date as may be agreed between the parties to the Placing Agreement in writing).

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in manufacturing and trading of polishing materials and equipment.

Taking into account the lower costs and shorter time involved in the Placing when compared with other means of equity fund raising exercises such as rights issue or open offer, the Directors believe that the Placing is the most appropriate method. Moreover, the Directors expect that the Placing will enhance the capital base of the Company, thereby broadening the Company's shareholders base. Accordingly, they consider that the Placing is in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the Placing will be approximately HK\$32.95 million. The Company plans to use the entire net proceeds from the Placing (after deducting the underwriting commission and other expenses relating to the Placing) of approximately HK\$32.13 million for general working capital of the Group.

FUND RAISING DURING THE PAST 12 MONTHS

The Group had not conducted any fund raising exercises during the past twelve months prior to the date of this announcement.

SHAREHOLDING STRUCTURE

Shareholder	Immediately before completion of the Placing		Immediately after completion of the Placing	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
PME Investments (BVI) Co. Ltd. and its associates (<i>Note</i>)	481,638,000	50.28	481,638,000	41.90
Public Shareholders:				
– The Placees	–	–	191,600,000	16.67
– Others	476,362,000	49.72	476,362,000	41.43
Total	<u>958,000,000</u>	<u>100.00</u>	<u>1,149,600,000</u>	<u>100.00</u>

Note: PME Investments (BVI) Co., Ltd. (“PME Investments”), a company incorporated in the British Virgin Islands, is the beneficial owner of 318,438,000 Shares. The entire issued share capital of PME Investments is beneficially owned as to one-third by each of Mr. Cheng Kwok Woo, Mr. Cheng Kwong Cheong and Ms. Cheng Wai Ying, all are Directors. In addition, each of Mr. Cheng Kwok Woo, Mr. Cheng Kwong Cheong and Ms. Cheng Wai Ying personally holds 54,400,000 Shares.

UNUSUAL PRICE AND VOLUME MOVEMENT

The Board has noted the recent increases in price and trading volume of the Shares and wishes to announce that save for the Placing, the Board is not aware of any reason for the recent increases in price and trading volume of the Shares nor any negotiations or agreements relating to intended acquisitions or realizations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules which is or may be of a price sensitive.

RESUMPTION OF TRADING

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DEFINITIONS

In the announcement, the following expressions have the meanings set out below unless the context otherwise requires.

“associate(s)”	has the meaning ascribed in the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday) on which banks generally open for business in Hong Kong
“Company”	PME Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placees”	any individual(s), institutional or other professional investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	placing of the Placing Shares at the Placing Price pursuant to the Placing Agreement
“Placing Agent”	Get Nice Investment Limited, a deemed licensed corporation within the meaning of the SFO
“Placing Agreement”	a conditional placing agreement entered into between the Company and the Placing Agent dated 2 April 2007 in relation to the Placing
“Placing Price”	HK\$0.172 per Placing Share
“Placing Shares”	191,600,000 new Shares to be placed under the Placing
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars
“%”	per cent.

By order of the Board
PME GROUP LIMITED
Cheng Kwok Woo
Chairman

Hong Kong, 2 April 2007

As at the date of this announcement, the Board comprises (1) Mr. Cheng Kwok Woo, Mr. Cheng Kwong Cheong, Ms. Cheng Wai Ying, Mr. Chow Yin Kwang and Ms. Chan Yim Fan as executive Directors; (2) Mr. Zheng Jin Hong as non-executive Director; and (3) Messrs Anthony Francis Martin Conway, Leung Yuen Wing and Lam Hon Ming Edward as independent non-executive Directors.

* *For identification purpose only*

“Please also refer to the published version of this announcement in International Herald Tribune”