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**PME GROUP LIMITED**

**必美宜集團有限公司\***

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 379)

**PROPOSED ISSUE OF UNLISTED WARRANTS  
AND  
RESUMPTION OF TRADING**

**Placing Agent**



**KINGSTON SECURITIES LIMITED**

**PLACING OF WARRANTS**

The Company entered into the Placing Agreement with the Placing Agent on 12 April 2007 pursuant to which the Company appointed the Placing Agent as sole and exclusive placing agent to procure not fewer than six Placees to subscribe for 220,000,000 Warrants, on a fully underwritten basis, at the issue price of HK\$0.046 per Warrant.

The Warrants entitle the Placees to subscribe for the Subscription Shares at an initial Subscription Price of HK\$0.25 per Subscription Share for a period of 12 months commencing from the date of issue of the Warrants. Each Warrant carries the right to subscribe for one Subscription Share. The Subscription Shares will be issued under the Specific Mandate to be sought at the EGM.

Completion is subject to the fulfillment of the conditions stated in the section headed "Conditions of the Placing" in this announcement.

It is expected the net proceeds of approximately HK\$9.67 million will be raised by the Placing and the same will be utilised by the Group as general working capital.

Assuming the full exercise of the subscription rights attaching to the Warrants, it is expected approximately HK\$55 million will be raised which will be utilised by the Group for additional general working capital.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

Pursuant to the Placing Agreement, in the event that the Subscription Shares to be issued upon exercise of the Warrants, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issued share capital of the Company at the time the Warrants are issued, the Placing Agreement will be terminated and the parties shall be released from all obligations thereunder. Since the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

A circular containing further details of the Placing Agreement and the notice of EGM will be despatched to the Shareholders as soon as practicable.

### **IMPLICATIONS UNDER THE LISTING RULES**

With reference to the Company's announcement dated 2 April 2007, the Company has on 2 April 2007 entered into a placing agreement with a placing agent in respect of the New Shares Placing. All the conditions under the New Shares Placing have been fulfilled and the completion of the New Share Placing is expected to be on or about 18 April 2007. Upon completion of the New Shares Placing, the issued share capital of the Company will be increased from 958,000,000 Shares to 1,149,600,000 Shares (assuming no further Shares will be issued or repurchased by the Company before completion of the New Shares Placing).

Pursuant to Rule 15.02(1) of the Listing Rules, the Subscription Shares to be issued upon exercise of the Warrants must not, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issued equity capital of the Company at the time the Warrants are issued. The Subscription Shares to be issued upon full exercise of the subscription rights attaching to the Warrants will represent approximately 19.14% of the issued share capital of the Company upon completion of the New Shares Placing. Accordingly, the issue of the Warrants will be in compliance with Rule 15.02(1) of the Listing Rules.

### **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 12 April 2007 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 16 April 2007.

### **THE PLACING AGREEMENT**

Date: 12 April 2007

Parties: (i) Issuer: the Company  
(ii) Placing agent: Kingston Securities Limited

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

The Placing Agent will receive a commission equal to 2.5% of the Issue Price multiplied by the aggregate number of units of the Warrants actually placed by the Placing Agent.

## **Implications under the Listing Rules**

With reference to the Company's announcement dated 2 April 2007, the Company has on 2 April 2007 entered into a placing agreement with a placing agent in respect of the New Shares Placing. All the conditions under the New Shares Placing have been fulfilled and the completion of the New Share Placing is expected to be on or about 18 April 2007. Upon completion of the New Shares Placing, the issued share capital of the Company will be increased from 958,000,000 Shares to 1,149,600,000 Shares (assuming no further Shares will be issued or repurchased by the Company before completion of the New Shares Placing).

Pursuant to Rule 15.02(1) of the Listing Rules, the Subscription Shares to be issued upon exercise of the Warrants must not, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issued equity capital of the Company at the time the Warrants are issued. The Subscription Shares to be issued upon full exercise of the subscription rights attaching to the Warrants will represent approximately 19.14% of the issued share capital of the Company upon completion of the New Shares Placing. Accordingly, the issue of the Warrants will be in compliance with Rule 15.02(1) of the Listing Rules.

## **Information on the Warrants**

A total number of 220,000,000 Warrants is proposed to be issued. Upon full exercise of the subscription rights attaching to the Warrants, a total of 220,000,000 Subscription Shares, representing (i) approximately 22.96% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 19.14% of the issued share capital of the Company as enlarged by the allotment and issue of the Shares under the New Shares Placing; and (iii) approximately 16.06% of the issued share capital of the Company as enlarged by the allotment and issue of the Shares under the New Shares Placing and the Subscription Shares upon the full exercise of the subscription rights attaching to the Warrants, will be issued. It is expected that there will be no new substantial Shareholders resulting from the immediate exercise of the subscription rights attaching to the Warrants by the holders in full upon the issue of the Warrants.

The Warrants will be issued to the Placees upon Completion in registered form and constituted by the Instrument. The Warrants will rank *pari passu* in all respects among themselves.

Each Warrant carries the right to subscribe for one Subscription Share at the Subscription Price (subject to adjustment) and is issued at the Issue Price.

The subscription rights attaching to the Warrants can be exercised at any time during a period of 12 months commencing from the date of issue of the Warrants. The Subscription Shares, when fully paid and allotted, will rank *pari passu* in all respects with the then Shares in issue on the date of allotment and issue of the relevant Subscription Shares (other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the date of receipt by the Company of the relevant exercise notice).

## **The Placees**

The Placing Agent will procure not less than six Placees to subscribe for the Warrants on a fully underwritten basis. The Placees shall be independent institutional or private investors and each of them will be an Independent Third Party.

## **Issue Price and Subscription Price**

The Issue Price is HK\$0.046 per Warrant payable in cash.

The Subscription Price is HK\$0.25 per Subscription Share, subject to adjustment details of which are set out in the Instrument.

The Subscription Price represents (i) a discount of approximately 26.47% to the closing price of HK\$0.34 per Share as quoted on the Stock Exchange on 11 April 2007, being the trading date immediately prior to the date of the Placing Agreement; (ii) a discount of approximately 13.73% to the average of the closing prices of HK\$0.2898 per Share as quoted on the Stock Exchange from 30 March 2007 to 11 April 2007 being the last five trading days immediately prior to the date of the Placing Agreement; and (iii) a premium of approximately 12.97% over the average of the closing prices of HK\$0.2213 per Share as quoted on the Stock Exchange from 23 March 2007 to 11 April 2007 being the last ten trading days immediately prior to the date of the Placing Agreement.

The aggregate of the Issue Price and the Subscription Price of HK\$0.296 represents (i) a discount of approximately 12.94% to the closing price of HK\$0.34 per Share as quoted on the Stock Exchange on 11 April 2007, being the trading date immediately prior to the date of the Placing Agreement; (ii) a premium of approximately 2.14% over the average of the closing prices of HK\$0.2898 per Share as quoted on the Stock Exchange from 30 March 2007 to 11 April 2007 being the last five trading days immediately prior to the date of the Placing Agreement; and (iii) a premium of approximately 33.76% over the average of the closing prices of HK\$0.2213 per Share as quoted on the Stock Exchange from 23 March 2007 to 11 April 2007 being the last ten trading days immediately prior to the date of the Placing Agreement.

The Board considers that both the Subscription Price and the Issue Price, having taken into account the recent trading prices of the Shares and an exercise period of 12 months, which are determined after arm's length negotiations between the Company and the Placing Agent, are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

## **Minimum subscription**

Subscription for the Warrants must be for a minimum of 10,000,000 Warrants or integral multiples thereof.

## **Transferability**

The Warrants are transferable in integral multiples of 10,000,000 Warrants subject to the consent of the Company whose consent shall not be unreasonably refused or withheld.

The Company undertakes to comply with the Listing Rules and to make necessary announcement, where appropriate, if and when the Placees makes any transfer of the Warrants to other parties requiring disclosure.

## **Conditions of the Placing**

Completion shall be subject to and conditional upon the following:

- (a) (if required) the listing committee of the Stock Exchange shall have approved the issue of the Warrants either unconditionally or subject to conditions to which neither the Company nor the Placees shall reasonably object and the satisfaction of such conditions;

- (b) the listing committee of the Stock Exchange shall have granted (either unconditionally or subject to conditions to which neither the Company nor the Placees shall reasonably object) the listing of, and permission to deal in, the Subscription Shares which fall to be allotted and issued upon the exercise of the subscription rights attached to the Warrants;
- (c) the Shareholders approving the Placing Agreement and the issue of the Subscription Shares contemplated thereunder at the EGM; and
- (d) no event having occurred or occurring which would constitute an event of default or a potential event of default (as mentioned in the Instrument) had the Warrants been issued.

If the above conditions are not fulfilled on or before 5:00 p.m. on 15 June 2007 (or such later date as may be agreed between the Company and the Placing Agent), the Placing Agreement will lapse and become null and void and the parties shall be released from all obligations thereunder.

Pursuant to the Placing Agreement, in the event that the Subscription Shares to be issued upon exercise of the Warrants, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issued share capital of the Company at the time the Warrants are issued, the Placing Agreement will be terminated and the parties shall be released from all obligations thereunder. Since the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

### **Completion**

Completion will take place on the fourth Business Day after the fulfillment of the conditions referred to in the above section headed "Conditions of the Placing" in this announcement.

### **Rights for the holders of the Warrants**

The holder of the Warrants will not have any right to attend or vote at any meeting of the Company by virtue of them being the holders of the Warrants. The holder of the Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

### **Mandate to issue the Subscription Shares**

The Subscription Shares will be allotted and issued under the Specific Mandate to be sought at the EGM.

### **Application for listing**

The Company will apply to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares which fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

## **REASONS FOR THE PLACING**

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

The Directors concluded that the Placing would be a good opportunity to raise further capital for the Company in that it will not have an immediate dilution effect on the shareholding of the existing Shareholders and about HK\$9.67 million will be raised immediately upon completion of the Placing. The Directors has considered the immediate funds to be raised is not essential to financing the operations of the Group, which the Group currently has sufficient working capital to carry on its principal activities. However, the Directors are of the view that the Placing would provide the Group with an excellent opportunity to raise further substantial funds in the event the Placees exercise their subscription rights attaching to the Warrants at any time during a period of 12 months commencing from the date of issue of the Warrants. If and when the Warrants are exercised, further funds of about HK\$55 million will also be raised.

In view of the above, the Directors consider that the proposed issue of the unlisted Warrants is an appropriate method of raising further funds for the Company in the circumstances and that the terms of the Placing Agreement which have been arrived at after arm's length negotiations between the Company and the Placing Agent are fair and reasonable and the Placing Agreement is in the interest of the Company and the Shareholders as a whole.

## **USE OF PROCEEDS**

It is expected the net proceeds of approximately HK\$9.67 million (with a net issue price of approximately HK\$0.044 per Warrant) will be raised by the Placing and the same will be utilised by the Group as general working capital.

Assuming the full exercise of the subscription rights attaching to the Warrants, it is expected approximately HK\$55 million will be raised which will be utilised by the Group for additional general working capital.

## **FUND RAISING DURING THE PAST TWELVE MONTHS**

Save for the New Shares Placing for raising about HK\$32.13 million for general working capital purpose, there has been no fund raising by the Company during the past twelve months preceding the date of the Placing Agreement. All the conditions under the New Shares Placing have been fulfilled and the completion of the New Share Placing is expected to take place on or about 18 April 2007.



## CHANGES OF SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 958,000,000 Shares in issue. The shareholding structure of the Company before and after the full exercise of the subscription rights attaching to the Warrants (assuming full subscription of the Warrants) are as follows:

Shareholder	At the date of this announcement		Immediately after completion of the New Shares Placing but before exercise of the subscription rights attaching to the Warrants		Immediately after completion of the New Shares Placing and full exercise of the subscription rights attaching to the Warrants (assuming full subscription of the Warrants)	
	No. of Shares	Approximate percentage	No. of Shares	Approximate percentage	No. of Shares	Approximate percentage
PME Investments (BVI) Co. Ltd. and its associates ( <i>Note</i> )	481,638,000	50.28%	481,638,000	41.90%	481,638,000	35.17%
Public Shareholders:						
1. The Placees	–	–	–	–	220,000,000	16.06%
2. The placees under the New Shares Placing	–	–	191,600,000	16.67%	191,600,000	13.99%
3. Other public Shareholders	476,362,000	49.72%	476,362,000	41.43%	476,362,000	34.78%
Total	<u>958,000,000</u>	<u>100%</u>	<u>1,149,600,000</u>	<u>100%</u>	<u>1,369,600,000</u>	<u>100%</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.

## OTHER

As at the date of this announcement, save for the Warrants, the Company has no other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

A circular containing further details of the Placing Agreement and the notice of EGM will be despatched to the Shareholders as soon as practicable.

## RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 12 April 2007 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 16 April 2007.

## DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“Board”	the board of Directors
“Business Day”	any day (not being a Saturday) on which licensed banks in Hong Kong are generally open for business
“Company”	PME Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Placing in accordance with the terms and conditions of the Placing Agreement
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to approve, among others, the Placing Agreement and the Specific Mandate
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	the counterparty and its ultimate beneficial owners being third parties independent of the Company and connected persons (as defined under the Listing Rules) of the Company
“Instrument”	the deed poll constituting the Warrants to be executed by the Company on Completion
“Issue Price”	HK\$0.046 per unit of Warrant to be issued pursuant to the Placing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Shares Placing”	the placing of 191,600,000 new Shares at HK\$0.172 per Share pursuant to the placing agreement entered into between the Company and Get Nice Investment Limited dated 2 April 2007, further details of which are contained in the announcement of the Company dated 2 April 2007
“Placee(s)”	any person or entity whom the Placing Agent have procured to subscribe for the Warrants
“Placing”	a private placing of the Warrants to selected independent institutional and/or private investors pursuant to the Placing Agreement



“Placing Agent”	Kingston Securities Limited
“Placing Agreement”	the conditional placing agreement dated 12 April 2007 entered into between the Company and the Placing Agent in relation to the Placing
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of HK\$0.01 each in the capital of the Company
“Specific Mandate”	the specific mandate for the issue of the Subscription Shares to be granted to the Directors by the Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the initial subscription price of HK\$0.25 per Subscription Share (subject to adjustment) at which holder of the Warrants may subscribe for the Subscription Shares
“Subscription Shares”	new Shares which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the Warrants
“Warrants”	a total number of 220,000,000 unlisted warrants to be issued by the Company at the Issue Price, in registered form, in units of HK\$0.046 each of subscription rights entitling the holder thereof to subscribe for one Subscription Share at the Subscription Price at any time during a period of 12 months commencing from the date of issue of the Warrants, subject to the terms and conditions set out in the Instrument
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board  
**PME Group Limited**  
**Cheng Kwok Woo**  
*Chairman*

Hong Kong, 13 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 the International Herald Tribune”