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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)

Placing Agent



建銀國際金融有限公司

CCB International Capital Limited

(1) PLACING OF NEW SHARES UNDER GENERAL MANDATE

AND

(2) UNUSUAL PRICE AND VOLUME MOVEMENT

AND

(3) RESUMPTION OF TRADING

THE PLACING

On 5 July 2007 the Company entered into the Placing Agreement with the Placing Agent to procure subscribers, on a best effort basis, to subscribe for 229,000,000 new Shares at a price of HK\$2.49 per Share. The Placing Shares represent approximately 16.72% of the Company's existing issued share capital and approximately 14.33% of its issued share capital as enlarged by the Placing.

The Placing Price represents (i) a discount of approximately 19.68% to the closing price of the Shares of HK\$3.10 quoted on the Stock Exchange on 5 July 2007, being the date of the Placing Agreement; (ii) a premium of approximately 62.11% to the average closing price of the Shares of HK\$1.536 quoted on the Stock Exchange for the five consecutive trading days up to and including 5 July 2007; and (iii) a premium of approximately 105.28% to the average closing price of the Shares of HK\$1.213 quoted on the Stock Exchange for the ten consecutive trading days up to and including 5 July 2007.

The gross proceeds from the Placing will be HK\$570.21 million. The Company plans to use the entire net proceeds from the Placing (after deducting the Placing commission and other expenses relating to the Placing) of approximately HK\$563 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, all of the Placing Shares and the Company obtaining all consents and approvals from the relevant authorities in respect of the transactions contemplated under the Placing Agreement, if applicable.

THE ACQUISITION

On 5 July 2007, the Purchaser acquired 100 shares of Best Time, representing 100% of its issued

share capital, from the Vendor at the total consideration of HK\$100.

UNUSUAL PRICE AND VOLUME MOVEMENT

The Board has noted the recent increases in price and trading volume of the Shares and wishes to state that the Company is not aware of any reasons for such increases.

Save for the Placing and Acquisition, the Board confirms that there is no negotiation or agreement relating to any intended acquisitions or realisations 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 nature.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 6 July 2007 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 9 July 2007.

PLACING AGREEMENT DATED 5 JULY 2007

Issuer:

The Company

Placing Agent and Placees:

CCB International Capital Limited as the Placing Agent does not own any Shares as at the date of this announcement and is independent of and not connected with the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates.

The Placing Shares will be placed, on a best effort basis, to not less than six Placees, being individuals, institutional or other professional investors, and who and whose ultimate beneficial owners will be independent from and not connected with any of the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates. It is expected that none of the Placees will become substantial shareholder of the Company immediately following Completion.

Number of Placing Shares:

229,000,000 new Shares representing approximately 16.72% of the Company's existing issued share capital and approximately 14.33% of its issued share capital as enlarged by the Placing.

Placing Price:

The Placing Price of HK\$2.49 per Share was agreed after arm's length negotiations between the Company and the Placing Agent. The Placing Price represents (i) a discount of approximately 19.68% to the closing price of the Shares of HK\$3.10 quoted on the Stock Exchange on 5 July 2007, being the date of the Placing Agreement; (ii) a premium of approximately 62.11% to the average closing price of the Shares of HK\$1.536 quoted on the Stock Exchange for the five consecutive trading days up to and including 5 July 2007; and (iii) a premium of approximately 105.28% to the average closing price of the Shares of HK\$1.213 quoted on the Stock Exchange for the ten consecutive trading days up to and including 5 July 2007.

The net placing price for the Placing is approximately HK\$2.46 per Share. The Directors consider that the Placing Price is fair and reasonable and the Placing is in the interest of the Company and its shareholders as a whole.

Placing commission payable to the Placing Agent:

The Placing Agent is entitled to receive a Placing commission of 0.88% on the gross proceeds from the Placing calculated as 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 5 June 2007. As at the date of this announcement, no Shares have been issued and allotted pursuant to this general mandate. The Placing will utilise approximately 99.6% of the 229,920,000 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, including the right to rank in full for all distributions thereafter declared, paid or made by the Company from Completion.

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 and the Company obtaining all consents and approvals from the relevant authorities in respect of the transactions contemplated under the Placing Agreement, if applicable.

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

Completion:

Completion shall take place at not later than the second Business Day after the fulfillment of the conditions of the Placing (or such later date as may be agreed between the parties to the Placing Agreement in writing), and in any event not later than the date which is three weeks from the publication of this announcement and the related resumption of trading of the Shares (or such later date as may be agreed between the parties to the Placing Agreement in writing), failing which the Placing shall cease and terminate.

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. As the Company will diversify into the multi-media advertising business as detailed in the paragraph headed "Acquisition" below, the Directors considered the Placing provided the Company with the resources that may be required for the development of such business. In view of the present market environment, the Directors are of the view that the Placing can raise necessary funds for the future development of the Company without increasing the gearing ratio of the Company. Notwithstanding that there will be a dilution effect to the existing Shareholders after the completion of the two fund raising exercises in the past 12 months and the Placing, the net asset value per Share will be increased from approximately \$0.25 per Share before to approximately \$0.56 per Share assuming completion of the Placing. To this end, the Directors considered that the Placing is in the

interests of the Company and the Shareholders as a whole.

The gross proceeds from the Placing will be HK\$570.21 million. The Company plans to use the entire net proceeds from the Placing (after deducting the Placing commission and other expenses relating to the Placing) of approximately HK\$563 million for general working capital of the Group.

FUND RAISING DURING THE PAST 12 MONTHS

During the past twelve months prior to the date of this announcement:

1. The Company placed 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 raising about HK\$32.13 million for general working capital purpose.
2. The Company placed 220,000,000 unlisted warrants at HK\$0.046 per warrant pursuant to the placing agreement entered into between the Company and Kingston Securities Company Limited dated 12 April 2007 raising about HK\$9.67 million for general working capital purpose. All warrants have been exercised resulting approximately HK\$55 million being raised which will be utilised by the Group for additional general working capital.

Approximately \$9 million of the fund raised in the previous exercises have been applied as the general working capital of the Company and the balance remained in the Company unutilised. The unutilised amount is retained in bank for further general working capital.

SHAREHOLDING STRUCTURE

Shareholders	Immediately before Completion		Immediately after Completion	
	Number of Shares	%	Number of Shares	%
PME Investments (BVI) Co. Ltd. and its associates (Note)	461,638,000	33.71	461,638,000	28.88
Public Shareholders:				
- the Places	-	-	229,000,000	14.33
- others	907,962,000	66.29	907,962,000	56.79
Total	<u>1,369,600,000</u>	<u>100.00</u>	<u>1,598,600,000</u>	<u>100.00</u>

Note:

PME Investments (BVI) Co, Ltd. is a company incorporated in the British Virgin Islands and the entire issued share capital of which is beneficially owned as to one-third by each of Mr. Cheng Kwok Woo, Mr. Cheng Kwong Cheong and Ms. Cheng Wai Ying, all being executive Directors. Each of Mr. Cheng Kwok Woo and Mr. Cheng Kwong Cheong personally holds 54,400,000 Shares, and Ms Cheng Wai Ying personally holds 34,400,000 Shares.

THE ACQUISITION

The Board is pleased to announce that on 5 July 2007, the Purchaser acquired 100 issued shares of Best Time, representing 100% of its issued share capital, from the Vendor at a nominal consideration of HK\$100 which was satisfied by the Purchaser in cash. The consideration of HK\$100 represents the paid up value of the 100 issued shares of Best Time. The terms and structure

of the Acquisition was arrived after arm's length negotiation between Vendor and Purchaser.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, Best Time and its ultimate beneficial owners are third parties independent of and not connected with the Directors, chief executive, or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Vendor is a third party independent of and not connected with the vendor ("VSA Vendor") of the very substantial acquisition of the Company announced on 4 July 2007, the beneficial owner and associates of the VSA Vendor.

The disclosure of the Acquisition is made pursuant to Rule 13.09 of the Listing Rules.

Information on Best Time

On 3 April 2007, Best Time entered into a co-operation agreement ("Co-op Agreement") with China Railway, an associate of the Ministry of Railway, PRC for the development and application of multi-media entertainment and advertising business in the railway stations as managed by China Railway in PRC and provision of such services to other passenger trains and wagons. China Railway held the operation and management rights ("Rights") of all media related business ("Business") in the railway stations managed by China Railway which include application of satellite, wireless broadband, cable network broadcast, television advertising and billboard advertising for a period of 10 years. Best Time and China Railway will form a joint venture for the operation of the Business. China Railway shall contribute the Rights to the new joint venture and Best Time shall be responsible for the administration, financial management, provision of technical support, maintenance service and other operation of the Business.

Best Time was incorporated in Hong Kong on 2 September 2006 and does not carry any business save as the entering into the Co-op Agreement. As at 29 June 2007, the unaudited net deficit of Best Time was HK\$92,499. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, China Railway is held as to 51% by Guangdong China Railway Television Media Limited and as to 49% by Pacific Telecom and Networks Limited. Guangdong China Railway Television Media Limited and Pacific Telecom and Networks Limited and their respective beneficial owners and associates are third parties independent of and not connected with the Directors, chief executive, or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates.,

Reasons for the Acquisition

The Directors have been actively identifying appropriate investment opportunities for the Group and are of the view that the Acquisition represents a good opportunity for the Group to make equity investment in relation to the PRC railway media and advertising business with nominal consideration. Upon completion of the Acquisition, the Group will participate in the development of the business of Best Time. The Directors believe that the terms of the Acquisition are fair and reasonable and in the interests of the Shareholders as a whole.

Concurrent with the Acquisition, the Company, subject to the Board's approval, is in the process of identifying and recruiting other suitable experienced professional to join the management team of the Company to develop and operate the business mentioned in the Co-op Agreement.

UNUSUAL PRICE AND VOLUME MOVEMENT

The Board has noted the recent increases in price and trading volume of the Shares and wishes to

state that the Company is not aware of any reasons for such increases.

Save for the Placing and Acquisition, the Board confirms that there is no negotiation or agreement relating to any intended acquisitions or realisations 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 nature.

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DEFINITIONS

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

“Acquisition”	The acquisition of the entire issued share capital of Best Time by the Purchaser at the total consideration of HK\$100
“associate(s)”	has the meaning ascribed in the Listing Rules
“Best Time”	Best Time Far East Limited, a limited company incorporated in Hong Kong and wholly owned by the Vendor
“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday) on which banks generally open for business in Hong Kong
“China Railway”	China Railway Investments Group (Hong Kong) Limited, a company incorporated 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
“Completion”	completion of the Placing
“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) whom the Placing Agent or its agent(s) has procured to subscribe any of the Placing Shares
“Placing”	placing of the Placing Shares at the Placing Price pursuant to the Placing

Agreement

“Placing Agent”	CCB International Capital 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 5 July 2007 in relation to the Placing
“Placing Price”	HK\$2.49 per Placing Share
“Placing Shares”	229,000,000 new Shares to be placed under the Placing
“Purchaser”	Peaknice Investment Limited, a wholly owned subsidiary of the Company
“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
“Vendor”	Mr. Tan Hong Wen, a third party independent of and not connected with the Company and the Directors, chief executive, or substantial shareholders of the Company or its subsidiaries, or any of their respective associates
“HK\$”	Hong Kong dollars
“%”	per cent.

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

Hong Kong, 6 July 2007

** For identification purpose only*

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, Ms. Chan Yim Fan, Ms. Yeung Sau Han Agnes and Ms. Chan Shui Sheung Ivy 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.