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## **DISCLOSEABLE TRANSACTION**

The Board announces that on 17 December 2007, the Purchaser entered into the Sale and Purchase Agreement with the Vendor and the Guarantor in relation to the acquisition of the Sale Shares by the Purchaser from the Vendor for the Consideration.

The Consideration has been wholly satisfied by the Purchaser in cash at the time of the entering into the Sale and Purchase Agreement as refundable Deposit.

The Acquisition is subject to the satisfaction of the conditions as set out in the paragraph headed "Conditions" below.

The Acquisition constitutes a discloseable transaction on the part of the Company under Rule 14.06 of the Listing Rules. A circular containing, among other matters, further details of the Acquisition, will be despatched to the Shareholders as soon as practicable and in compliance with the Listing Rules.

## **SALE AND PURCHASE AGREEMENT**

**Date:** 17 December 2007

**Parties:** (1) the Vendor;  
(2) the Purchaser; and  
(3) the Guarantor.

The Vendor is incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holdings. The entire issued share capital of the Vendor is wholly and beneficially owned by Sino Trine Enterprise Limited, which in turn, is wholly and beneficially owned by the Guarantor.

The Guarantor is a merchant and the ultimate beneficial owner of the Vendor.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owner is an Independent Third Party. Each of the Vendor and its ultimate beneficial owner did not hold any Shares or other securities in the Company as at the date of this announcement.

The Purchaser, a wholly owned subsidiary of the Company, is incorporated in the British Virgin Islands and is principally engaged in investment holdings.

**Assets to be acquired:**

Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to acquire the Sale Shares comprising an aggregate of 71,000,000 China Railway Shares of HK\$0.001 each in the share capital of China Railway, representing about 14.51% of the entire issued share capital of China Railway as at the date of the Sale and Purchase Agreement and approximately 74.74% of the entire shareholding interests held by the Vendor in China Railway. Immediately prior to the entering into of the Sale and Purchase Agreement, the Vendor beneficially owns an aggregate of 95,000,000 China Railway Shares. Immediately after Completion, the Vendor will continue to hold an aggregate of 24,000,000 China Railway Shares.

China Railway is incorporated in Bermuda with limited liability and the issued China Railway Shares (including the Sale Shares) are listed on GEM.

Under the Sale and Purchase Agreement, the Purchaser is not subject to any restriction on further sale of the Sale Shares.

**Consideration:**

The Consideration for the Acquisition is HK\$284,000,000, which has been satisfied by the Purchaser in cash at the time of the entering into of the Sale and Purchase Agreement as refundable Deposit. The Deposit will be used to settle the Consideration upon Completion.

In the event that Completion does not take place in accordance with the Sale and Purchase Agreement as a result of the sole default of the Purchaser, the Vendor shall forfeit 30% of the Deposit and further refund the remaining 70% of the Deposit with any other amount paid by the Purchaser to the Vendor under the Sale and Purchase Agreement to the Purchaser and in full and final settlement of any liabilities of the Purchaser towards the Vendor and whereupon neither party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies.

In the event that Completion does not take place in accordance with the Sale and Purchase Agreement as a result of the sole default of the Vendor, the Vendor shall pay the Purchaser in cash an amount equivalent to 30% of the Deposit and further refund the whole Deposit with any other amount paid by the Purchaser to the Vendor under the Sale and Purchase Agreement to the Purchaser and in full and final settlement of any liabilities of the Vendor towards the Purchaser and whereupon neither party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies.

In any other event that Completion does not take place in accordance with the Sale and Purchase Agreement (including but not limited to the conditions cannot be fulfilled), the Vendor shall refund the Deposit with any other amount paid by the Purchaser to the Vendor under this Agreement to the Purchaser and in full and final settlement of any liabilities of the parties thereto and whereupon neither party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies.

The Vendor has deposited with an independent escrow agent, which is an Independent Third Party, the original share certificate(s) of the 71,000,000 Sale Shares together with blank instrument(s) of transfer for the transfer of the Sale Shares duly executed by the Vendor upon and subject to such terms and conditions of an escrow letter agreed between the parties thereto. The share certificate(s) of the Sale Shares will only be released back to the Vendor upon the full refund of the Deposit. The share

certificate(s) of the Sale Shares will be released to the Purchaser upon Completion.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the closing price of China Railway Shares as quoted on the Stock Exchange. In view that the consideration payable for each Sale Share represents a discount to the recent trading prices of China Railway Shares, the Directors consider that the terms of the Consideration are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **The Sale Shares:**

The consideration payable for each Sale Share is equivalent to HK\$4.00 per Sale Share, representing:

- (a) a discount of approximately 7.62% to the closing price of HK\$4.33 per China Railway Share as quoted on the Stock Exchange on 17 December 2007, being the last trading day of the Shares immediately before the entering into of the Sale and Purchase Agreement; and
- (b) a discount of approximately 11.11% to the average of the closing prices of HK\$4.5 per China Railway Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 17 December 2007, being the last trading day of the Shares immediately before the entering into of the Sale and Purchase Agreement.

Based on the closing price of HK\$4.33 per China Railway Share as quoted on the Stock Exchange on 17 December 2007, being the last trading day of the Shares immediately before the entering into of the Sale and Purchase Agreement, the market capitalisation of the Sale Shares amounts to approximately HK\$307,430,000.

The Sale Shares represent approximately 14.51% of the existing issued share capital of China Railway and approximately 74.74% of the entire shareholding interests held by the Vendor in China Railway. Immediately following Completion, the Company will become a substantial shareholder of China Railway based on the existing issued share capital of China Railway.

### **Conditions:**

Completion of the Sale and Purchase Agreement is conditional upon the satisfaction of the following:

- (a) the warranties given by the Vendor under the Sale and Purchase Agreement in relation to, among other matters, the ownership of the Sale Shares, remaining true, accurate and complete in all material respects;
- (b) all necessary consents and approvals required to be obtained on the part of the Vendor and the Guarantor in respect of the Sale and Purchase Agreement and the transactions contemplated hereby having been obtained; and
- (c) if necessary, the passing by the Shareholders at a general meeting of the necessary resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereby.

Save for conditions (b) and (c), which are incapable of being waived, the Purchaser may at any time waive in writing the condition (a) set out above. If the conditions are not fulfilled (or as the case may be, waived by the Purchaser) on or before 4:00 p.m. on 29 February 2008 (or such later date as the parties to the Sale and Purchase Agreement may agree), the Sale and Purchase Agreement shall cease and determine and thereafter neither party to the Sale and Purchase Agreement shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms

hereof. The Purchaser does not have any current intention to waive the condition (a).

### **Completion:**

Completion is expected to take place on the next Business Day after the fulfillment (or waiver) of the conditions (or such other date as the parties to the Sale and Purchase Agreement may agree) mentioned above.

Upon Completion, the Company will be interested in approximately 14.51% of the issued share capital of China Railway and become a substantial shareholder (as defined in the Listing Rules) of China Railway. The Company will treat the Sale Shares as long term investment. Although it is not provided in the Sale and Purchase Agreement, subject to the approval of the board and the shareholders of China Railway in accordance with its relevant constitutional documents, the Company may nominate persons to the board of directors of China Railway to reflect its interests in China Railway.

### **INFORMATION ON CHINA RAILWAY**

China Railway is a company incorporated in Bermuda with limited liability which together with its subsidiaries engaged principally in the design, development and sale of value-added telecommunication products and computer telephony products focusing on business applications and logistic transportation. China Railway's telecommunications products target telecommunications carriers and services providers while its computer telephony products are marketed mostly to corporate customers in different industries. China Railway is a company listed on the GEM of the Stock Exchange.

Reference is also made to the announcement and the circular of China Railway dated 22 March 2007 and 25 May 2007 respectively, in which China Railway announced that it would tap into the field of the logistic transportation in the PRC through the acquisition of Eternity Profit Investments Limited. Upon completion of the acquisition, China Railway intends to enter into logistic business that involves purchases of cargo trains and management and operation of railway transportation and related logistics business in the PRC. As disclosed in the 2007 first quarterly report of China Railway, in view of the ongoing reforms and consolidation in the IT and telecom industry, China Railway has decided to gradually exit the market to focus on the existing business in the field of logistics transportation.

As disclosed in the audited consolidated financial statements of China Railway, the turnover, net loss before taxation and net loss after taxation for the financial year ended 31 December 2005 were approximately HK\$20,982,000, HK\$1,764,000 and HK\$1,764,000 respectively. As disclosed in the audited consolidated financial statements of China Railway, the turnover, net loss before taxation and net loss after taxation for the year ended 31 December 2006 was approximately HK\$11,880,000, HK\$3,611,000 and HK\$3,611,000 respectively.

The audited consolidated total assets and net assets of China Railway as at 31 December 2006 were approximately HK\$19,526,000 and HK\$15,984,000 respectively.

### **REASONS FOR THE ACQUISITION**

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

As the economy in the PRC has undergone a continuous growth over the past few years, the Directors believe that there are great potentials in various areas of business in the PRC, including the logistic

transportation business in the PRC. In this regard, the Directors are of the opinion that there are huge growth potentials in the logistic business of China Railway in the PRC.

The Group intends to hold the Sale Shares as long term investment. As the China Railway Shares are listed on the GEM of the Stock Exchange, the Group is able to realise the investments in the Sale Shares in the open market, which represents an efficient mean for the realisation of the investments in the Sale Shares.

The Directors consider that the value of investments in a company lies in its future potential growth, which in turn depends on the future prospects and potential of the underlying company. Given that it is an unprecedented opportunity for China Railway, a non-PRC party, to enter into the railway transportation and logistic business in the PRC, China Railway has demonstrated its growing potential with the successful fund raising exercises in which various institutional investors have invested for more than HK\$1 billion in China Railway since the beginning of this year. Based on above, the Directors believed there the upside potential for the investment in China Railway will be promising.

Although the Company will only hold approximately 14.51% of shareholdings in China Railway immediately upon completion of the Acquisition, the Directors consider that the value of the Sale Shares will steadily grow in parallel with the development of the railway logistic transport business of China Railway in future.

In view of the growing potential of China Railway, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATION**

The Acquisition constitutes a discloseable transaction on the part of the Company under Rule 14.06 of the Listing Rules.

## **GENERAL**

A circular containing, among other matters, further details of the Acquisition will be despatched to the Shareholders as soon as reasonable practicable and in compliance with the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

<b>“Acquisition”</b>	the acquisition by the Purchaser of the Sale Shares subject to and upon the terms and conditions of the Sale and Purchase Agreement
<b>“Board”</b>	the board of Directors from time to time
<b>“Business Day”</b>	a day (other than a Saturday, a Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
<b>“China Railway”</b>	China Railway Logistics Limited, a company incorporated in Bermuda and the issue China Railway Shares are listed on GEM

<b>“China Railway Shares”</b>	ordinary shares of HK\$0.001 each in the share capital of China Railway
<b>“Company”</b>	PME Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
<b>“Completion”</b>	completion of the sale and purchase of the Sale Shares in accordance with the Sale and Purchase Agreement
<b>“Consideration”</b>	the aggregate consideration of HK\$284,000,000 for the Acquisition
<b>“Deposit”</b>	the refundable deposit of HK\$284,000,000 paid by the Purchaser to the Vendor (or its nominee) upon entering into of the Sale and Purchase Agreement
<b>“Directors”</b>	directors of the Company
<b>“GEM”</b>	the Growth Enterprise Market of the Stock Exchange
<b>“Group”</b>	the Company and its subsidiaries
<b>“Guarantor”</b>	Mr. Chan Foo Wing, the ultimate beneficial owner of the Vendor
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Independent Third Party”</b>	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
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“PRC”</b>	the People’s Republic of China
<b>“Purchaser”</b>	Sunbright Asia Limited, being the purchaser named in the Sale and Purchase Agreement, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
<b>“Sale and Purchase Agreement”</b>	the sale and purchase agreement dated 17 December 2007 and entered into between the Vendor, the Purchaser and Guarantor for the sale and purchase of the Sale Shares
<b>“Sale Shares”</b>	71,000,000 issued China Railway Shares, representing approximately 14.51% of the entire issued share capital of China Railway, which are fully paid up or credited as fully paid and are beneficially owned by the Vendor
<b>“Shareholders”</b>	holders of the Shares
<b>“Shares”</b>	ordinary shares of HK\$0.01 each in the capital of the Company
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited

“Vendor”	Shellybeach Investments Limited, a company incorporated in the British Virgin Islands with limited liability and the entire issued share capital of which is wholly and beneficially owned by Sino Trine Enterprise Limited, which in turn, is wholly and beneficially owned by the Guarantor
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“%”	per cent.

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

Hong Kong, 18 December 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. Yeung Sau Han Agnes and Ms. Chan Shui Sheung Ivy as executive Directors; and (2) Messrs Leung Yuen Wing, Soong Kok Meng and Chow Fu Kit Edward as independent non-executive Directors.*