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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)

**PRIVATE PLACING OF NON-LISTED WARRANTS  
AND  
RESUMPTION OF TRADING**

**PLACING OF WARRANTS**

The Directors are pleased to announce that on 8 April 2008 after trading hours, the Placing Agreement was entered into between the Company and the Placing Agent whereby the Company appointed the Placing Agent as sole and exclusive placing agent to procure not fewer than six Placees to subscribe for up to 319,000,000 Warrants, on a best effort basis, at the Warrant Issue Price of HK\$0.01 per Warrant.

The Warrants entitle the Placees to subscribe for a maximum of 319,000,000 New Shares at an initial Warrant Exercise Price of HK\$0.50 per New Share for a period of 18 months commencing from the date of issue of the Warrants. Each Warrant carries the right to subscribe for one New Share.

Completion of the Placing agreement is subject to the fulfillment of the conditions stated in the section headed “Conditions of the Warrant Placing” in this announcement.

It is intended that the net proceeds from the Warrant Placing of approximately HK\$3.1 million will be applied as general working capital of the Group and any additional proceeds from the issue of the New Shares upon the exercise of the subscription rights attaching to the Warrants in future up to a maximum amount of approximately HK\$159.5 million will be applied as general working capital and as funds for future development of the Group.

The New Shares to be allotted and issued upon the exercise of the subscription rights attaching to the Warrants will be issued under the General Mandate.

Assuming the full exercise of the subscription rights attaching to the Warrants, the total funds,

including the funds raised by the Warrant Placing, to be raised is approximately HK\$162 million, net of, among other fees, legal fees, printing expenses and the fees for the application of listing of the New Shares.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New 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.

## **GENERAL**

Further announcement will be made by the Company once the number of Warrants placed by the Placing Agent is confirmed.

## **RESUMPTION OF TRADING**

Trading in Shares on the Stock Exchange has been suspended from 9:30 a.m. on 9 April 2008. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on 11 April 2008.

## **PLACING AGREEMENT**

**Date:** 8 April 2008

**Parties:** (i) Issuer : the Company

(ii) Placing Agent : Hong Tong Hai Securities Limited

### **Information on the Placing Agent**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Placing Agent and its ultimate beneficial owners is an Independent Third Party. The Placing Agent will receive a commission equal to 2.5% of the Warrant Issue Price multiplied by the aggregate number of units of the Warrants actually placed by the Placing Agent.

### **Warrant Issue Price and Warrant Exercise Price**

The Warrant Issue Price is HK\$0.01 per Warrant payable in cash.

The Warrant Exercise Price is HK\$0.50 per New Share, subject to normal adjustments for subdivision or consolidation of shares, rights issue, reduction of capital or capitalisation issue.

The Warrant Exercise Price represents:

- (i) a discount of approximately 15.25 % to the closing price of HK\$0.59 per Share as quoted on the Stock Exchange on 8 April 2008, being the last trading day immediately prior to the entering into of the Placing Agreement and suspension of the trading of the Shares on 9 April 2008 ;
- (ii) a discount of approximately 12.59% to the average of the closing prices of HK\$0.572 per Share as quoted on the Stock Exchange for the last five trading days up to and including 8 April 2008; and
- (iii) a premium of approximately 145% over the unaudited net asset value per Share attributable to the Shareholders of HK\$0.204 (based on the unaudited net asset value of HK\$326,312,000 as at 30 June 2007 over the existing issued share capital of 1,598,600,000 Shares as at the date of this announcement).

The aggregate of the Warrant Issue Price and the Warrant Exercise Price represents:

- (i) a discount of approximately 13.56 % to the closing price of HK\$0.59 per Share as quoted on the Stock Exchange on 8 April 2008, being the last trading day immediately prior to the entering into of the Placing Agreement and suspension of the trading of the Shares on 9 April 2008;
- (ii) a discount of approximately 10.84% to the average of the closing prices of HK\$0.572 per Share as quoted on the Stock Exchange for the last five trading days up to and including 8 April 2008; and
- (iii) a premium of approximately 150% over the unaudited net asset value per Share attributable to the Shareholders of HK\$0.204 (based on the unaudited net asset value of HK\$326,312,000 as at 30 June 2007 over the existing issued share capital of 1,598,600,000 Shares as at the date of this announcement).

The Board considers that both the Warrant Issue Price and the Warrant Exercise Price and the aggregate of which are fair and reasonable, which are determined after arm's length negotiations between the Company and the Placing Agent. It is expected that the net price of each New Share to be issued upon the exercise of the rights under the Warrants, after deducting necessary related expenses, will be approximately HK\$0.507 per New Share.

## **The Placees**

The Placing Agent will procure not less than six Placees to subscribe for an aggregate of up to 319,000,000 Warrants on a best effort basis. The Placees shall be independent institutional or private investors and each of them and their respective ultimate beneficial owners will be an Independent Third Party prior to and immediately after Completion. Immediately upon the exercise of the subscription rights attaching to the Warrants, it is expected that none of the Placees will become a substantial Shareholder.

## **Transferability**

The Warrants are transferable in integral multiples of 1,000,000 Warrants. In the event of a transfer of the Warrants to a connected person (as defined under the Listing Rules) of the Company, prior approval from the Stock Exchange, if applicable, and the Company will be required. The Company undertakes to comply with the relevant Listing Rules and to make necessary announcement(s), where appropriate, if and when the Placees make any transfer of the Warrants to other parties requiring disclosure.

## **Completion Date**

Completion of the Placing Agreement will take place on the third Business Day after the fulfillment of the conditions referred to in the section headed “Conditions of the Warrant Placing” below.

## **Information of the Warrants**

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

Each Warrant carries the right to subscribe for one (1) New Share at the Warrant Exercise Price and is issued at the Warrant Issue Price.

The subscription rights attaching to the Warrants may be exercised at any time during a period of 18 months commencing from the date of issue of the Warrants. The New Shares, when fully paid and allotted, will rank pari passu in all respects with the then existing issued Shares of the Company.

A total of 319,000,000 Warrants are proposed to be issued. Upon full exercise of the subscription rights attaching to the Warrants, a total of 319,000,000 New Shares will be issued, representing (i) approximately 19.95% of the issued share capital of the Company of 1,598,600,000 Shares as at the date of this announcement; and (ii) approximately 16.64% of the issued share capital of the Company as enlarged by the allotment and issue of the New Shares from the full exercise of the subscription rights attaching to the Warrants. The aggregate nominal value of the New Shares is HK\$3,190,000.

## **Conditions of the Warrant Placing**

Completion of the Placing Agreement shall be subject to and conditional upon, among other things, 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 Placing Agent 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 New Shares to be allotted and issued upon the exercise in full of the subscription rights attaching to the Warrants;
- (c) no event having occurred or occurring which would constitute an event of default or a potential event of default (both terms as defined in the instrument creating the Warrants) had the Warrants been issued.

If the conditions of the Placing Agreement are not fulfilled at or before 5:00 p.m. on 30 June 2008 (or such later time and date as may be agreed between the Company and the Placing Agent in writing), the Placing Agreement will terminate and cease to have any effect and none of the parties shall have any claim against the other save for any antecedent breaches of the provisions thereof.

## **Voting 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 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.

## **Rights of the holders of the Warrants on the liquidation of the Company**

If the Company is wound up during the subscription period of the Warrants, all subscription rights attaching to the Warrants which have not been exercised shall lapse, save for in the event of a voluntary winding-up, the holders of the Warrants shall be entitled within six weeks after the passing of such a resolution approving the winding-up to exercise the subscription rights attaching to the Warrants in accordance with the terms and conditions of the Warrants.

## **Mandate to issue the New Shares**

The New Shares will be allotted and issued under the General Mandate.

## **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 New 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.

## **REASONS FOR THE WARRANT PLACING**

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

The Board has considered other alternative fund raising methods such as debt financing, rights issue or open offers but the Board believes that the Warrant Placing is more appropriate means of fund raising for the Company. The Warrant Placing is not interest bearing and after considering different methods to raise further capital for the Group, the Board considers that the Warrant Placing represents the lowest cost method to increase the capital base of the Company. The Company was given to understand that the Warrant Placing has less underwriting risk when compared to an open offer and a rights issue so far as the Placing Agent is concerned and after arm's length negotiation between the Placing Agent and the Company, the Warrant Placing is considered to be the most appropriate way for the current fund raising of the Company. Given the recent fluctuations in the stock market, the Directors consider that it is prudent for the Group to conduct the Warrant Placing to have sufficient fund for its future diversification and/or expansion of business. Given there is a period of 18 months to exercise the Warrants, the Warrant Placing does not have any immediate dilution effect on the shareholding of the existing Shareholders. In addition to the net proceeds that will be raised upon Completion, further capital will be raised upon the exercise of the subscription rights attaching to the Warrants by the holder of such Warrants during the subscription period without incurring any additional underwriting commission to the Company.

In view of the interest of the Placees in investing in the Group and the immediate inflow of approximately HK\$3.1 million, coupled with the potential inflow of further capital up to a maximum of approximately HK\$159.5 million upon the exercise of the subscription rights attaching to the Warrants, the Directors are of the view that the Warrant Placing provides a good opportunity to strengthen the Company's financial position and in the event the Placees fully exercise their subscription rights under the Placing Agreement, funds received may cater for future needs for its operation and development. In view of the above, the Board considers that the Warrant Placing are justified and on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

The Board considers that the terms of the Warrant Placing including the Warrant Issue Price and the Warrant Exercise Price have been arrived at after arm's length negotiations between the Company and the Placing Agent and are fair and reasonable and in the interests of the Company and the Shareholders as a whole given the aggregate of the Warrant Issue Price and the Warrant Exercise Price of HK\$0.51 represents 150% premium over the unaudited net asset value per Share attributable to the Shareholders of HK\$0.204 (based on the unaudited net asset value of HK\$326,312,000 as at 30 June 2007 over the existing issued share capital of 1,598,600,000 Shares as at the date of this announcement).

It is intended that the net proceeds from the Warrant Placing of approximately HK\$3.1 million will be applied as general working capital of the Group and any additional proceeds of up to approximately HK\$159.5 million from the issue of the New Shares upon the exercise of the subscription rights attaching to the Warrants in future will be applied as general working capital and as funds for future development of the Group. As at the date of this announcement, the Company has not identified any specific investment plans. Since the exercise of the subscription rights attaching to the Warrants is at the discretion of the holder of the Warrants, the Company is not able to ascertain the exact additional proceeds which may be raised from the issue of the New Shares as at the date of this announcement.

Assuming the full exercise of the subscription rights attaching to the Warrants, the total funds, including the funds raised by the Warrant Placing, to be raised is approximately HK\$162 million, net of, among other fees, legal fees, printing expenses and the fees for the application of listing of the New Shares.

There will be no change to the composition of the Board and the principal business engaged by the Group as a result of or in connection with the Warrant Placing.

#### **EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD**

The followings are the summary of the fund raising activities of the Company during the past 12 months immediately preceding the date of this announcement:

<b>Date of Announcement</b>	<b>Event</b>	<b>Net Proceed</b>	<b>General Mandate used</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
13 April 2007	Placing of unlisted warrants	HK\$9.67 million		General working capital	General working capital
6 July 2007	Placing of new shares	HK\$563 million	99.6%	General working capital	General working capital

## CHANGES OF SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 1,598,600,000 Shares in issue. The shareholding structure of the Company i) as at the date of this announcement; and ii) immediately after the full exercise of the subscription rights attaching to the Warrants are as follows:

	As at the date of this announcement		Immediately after the full exercise of the subscription rights attaching to Warrants	
	No. of Shares	Approximate %	No. of Shares	Approximate %
PME Investments (BVI) Co., Ltd. and its associates ( <i>Note</i> )	461,638,000	28.88%	461,638,000	24.07%
Public Shareholders:				
1. The Placees	-		319,000,000	16.64%
2. Other public Shareholders	<u>1,136,962,000</u>	<u>71.12%</u>	<u>1,136,962,000</u>	<u>59.29%</u>
Total	<u>1,598,600,000</u>	<u>100.00%</u>	<u>1,917,600,000</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. In addition, 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.

## IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 15.02(1) of the Listing Rules, the New Shares to be issued on exercise of the Warrants must not, when aggregated with all other equity securities 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. Options granted under share option schemes which comply with Chapter 17 of the Listing Rules are excluded for the purpose of such limit. As at the date of this announcement, there are no securities with subscription rights outstanding and not yet exercised. Assuming full exercise of the subscription rights attaching to the Warrants, 319,000,000 New Shares, representing (i) 19.95% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.64% of the issued share capital of the Company as enlarged by the



allotment and issue of all of the New Shares, assuming no Shares are further issued or repurchased. Accordingly, the issue of the Warrants is in compliance with Rule 15.02(1) of the Listing Rules.

Further announcement will be made by the Company once the number of Warrants placed by the Placing Agent is confirmed.

## **RESUMPTION OF TRADING**

Trading in Shares on the Stock Exchange has been suspended from 9:30 a.m. on 9 April 2008. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on 11 April 2008.

## **DEFINITIONS**

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

“Board”	the board of Directors
“Business Day”	any day (not being a Saturday, Sunday and a public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	PME GROUP LIMITED, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the Warrant Placing in accordance with the terms and conditions of the Placing Agreement
“Directors”	the directors of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the extraordinary general meeting held on 18 September 2007 to allot and issue the New Shares which may be issued on exercise of the Warrants
“Hong Kong”	the Hong Kong Special Administrative Region of the

PRC

“Independent Third Party”	a party which is not connected persons (as defined under the Listing Rules) of the Company and is independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share(s)”	a maximum of 319,000,000 new Shares which may fall to be allotted and issued upon the exercise of the subscription rights attached to the Warrants
“Placee(s)”	any person or entity whom the Placing Agent have procured to subscribe for the Warrants
“Placing Agent”	Hong Tong Hai Securities Limited, a licensed corporation carrying on type 1 regulated activity (Dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	The conditional subscription agreement dated 8 April 2008 and entered into between the Company and the Placing Agent in relation to the Warrant Placing
“PRC”	the People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Warrant(s)”	319,000,000 non-listed warrants to be issued by the Company at the Warrant Issue Price, each entitles the

holder thereof to subscribe for one New Share at the Warrant Exercise Price of HK\$0.50 (subject to adjustment) at any time during a period of 18 months commencing from the date of issue of the Warrants

“Warrant Exercise Price” an initial exercise price of HK\$0.50 per New Share (subject to adjustment) at which holder of the Warrants may subscribe for the New Shares

“Warrant Placing” A private placing of the Warrants at the Warrant Issue Price pursuant to the Placing Agreement

“Warrant Issue Price” HK\$0.01 per unit of Warrant to be issued pursuant to the Warrant Placing

“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, 10 April 2008

\* *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.*