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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 OF NEW SHARES UNDER GENERAL MANDATE  
AND  
RESUMPTION OF TRADING**

**Placing Agent  
HONG TONG HAI SECURITIES LIMITED**

**Placing of New Shares**

The Company and the Placing Agent entered into the Placing Agreement and a supplemental agreement on 20 October 2008 and 22 October 2008 respectively, whereby the Company has conditionally agreed to place, through the Placing Agent on a fully underwritten basis of 160,000,000 Placing Shares to independent investors at a price of HK\$0.10 per Placing Share.

The 160,000,000 Placing Shares represent (i) approximately 10.00% of the existing issued share capital of the Company of 1,598,600,000 Shares; and (ii) approximately 9.10% of the Company's issued share capital of 1,758,600,000 Shares as enlarged by completion of the Placing.

The net proceeds from the Placing of approximately HK\$15.45 million are intended to be used for general working capital of the Company.

The Placing is conditional upon, among other things, the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares.

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 21 October 2008 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 24 October 2008.

**THE PLACING AGREEMENT**

**Date**

20 October 2008

## **Issuer**

The Company

## **Placing Agent**

The Placing Agent has conditionally agreed to place 160,000,000 Placing Shares on a fully underwritten basis and will receive a placing commission of 3.0% on the gross proceeds of Placing Shares being placed. The placing commission was determined by reference to the range of market norms for commissions for this type of transaction. The Directors (including the independent non-executive Directors) are of the view that the placing commission is fair and reasonable. The Placing Agent and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

## **Placees**

The Placing Agent agreed to place the Placing Shares on a fully underwritten basis to not fewer than six Placees, being individual(s), institutional or other professional investor(s), who and whose ultimate beneficial owners will be independent of and not be connected persons (as defined in the Listing Rules) of the Company and its connected persons (as defined in the Listing Rules). None of the Placees will become a substantial Shareholder (as defined in the Listing Rules) immediately after the Placing nor will any new substantial/controlling shareholders be introduced after the Placing.

## **Placing Shares**

The 160,000,000 Placing Shares with aggregate nominal value of HK\$1,600,000 represent (i) approximately 10.00% of the existing issued share capital of the Company of 1,598,600,000 Shares; and (ii) approximately 9.10% of the Company's issued share capital of 1,758,600,000 Shares as enlarged by the Placing.

## **Ranking of the Placing Shares**

The Placing Shares will rank, upon issue, pari passu in all respects with the Shares in issue on the date of allotment and issue of the relevant Placing Shares.

## **Placing Price**

The Placing Price of HK\$0.10 represents:

- (i) a premium of approximately 14.94% to the closing price of HK\$0.087 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 2.88% to the average closing price per Share of HK\$0.0972 in the last five consecutive trading days immediately prior to the Last Trading Day; and
- (iii) a discount of approximately 5.93% to the average closing price per Share of HK\$0.1063 in the last ten consecutive trading days including the Last Trading Day.

The Placing Price was determined with reference to the prevailing market price of the Share and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors (including the independent non-executive Directors) consider that the terms of the Placing are on normal commercial terms and are fair and reasonable based on the current market

conditions and in the interests of the Company and the Shareholders as a whole.

### **General Mandate**

The Placing Shares will be issued under the General Mandate to allot, issue and deal with Shares granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 17 June 2008 subject to the limit up to 20.0% of the then issued share capital of the Company as at the date of the annual general meeting. Under the General Mandate, the Company is authorized to issue 319,720,000 Shares. Up to the date of this announcement, no new Share has been issued under the General Mandate.

### **Conditions of the Placing**

Completion of the Placing is conditional upon the Stock Exchange granting listing of and permission to deal in the Placing Shares. If the foregoing provision is not fulfilled on or prior to 17 November 2008 (or such later date as may be agreed between the Company and the Placing Agent) the Placing Agreement shall terminate and none of the parties shall have any claim against the other for any costs or losses (save for any prior breaches of the Placing Agreement);

### **Termination and Force Majeure**

**The Placing Agreement may be terminated by the Placing Agent if at any time at or before 10:00 a.m. on the date of completion of the Placing, there occurs:**

- (i) any material breach of any of the representations and warranties set out in the Placing Agreement; or
- (ii) any of the following events:
  - (a) the introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof; or
  - (b) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date hereof and including an event or change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic or other nature, whether or not sui generis with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic or stock market conditions; or
  - (c) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
  - (d) a change or development involving a prospective change in taxation in Hong Kong, the Cayman Islands, the British Virgin Islands or the People's Republic of China or the implementation of exchange controls which shall or might materially and adversely affect the Group (as a whole) or its present or prospective shareholders in their capacity as such; or
  - (e) any change or deterioration in the conditions of local, national or international securities markets occurs,

then and in any such case, the Placing Agent may terminate this Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to 10:00 a.m. on the date of completion of the Placing. And all obligations of each of the parties under the Placing Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing Agreement except for any breach arising prior to such termination.

The Directors are not aware of the occurrence of any of such events as at the date of this announcement.

### **Completion of the Placing**

Completion of the Placing will take place on a date falling within two business days after the fulfillment of the conditions as set out in the Placing Agreement but not later than 19 November 2008 or such later date as may be agreed between the Company and the Placing Agent.

**As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

### **The Advanced Proceeds of the Placing**

The Placing Agent agreed to advance the Advanced Proceeds of HK\$3,800,000 to the Company upon the execution of the Placing Agreement. The Advanced Proceeds will be applied to set off part of the gross proceeds from the Placing upon completion of the Placing. In the event that the Placing Agreement fail to become unconditional on or before 17 November 2008 or the Placing Agent terminates the Placing Agreement pursuant to the clauses of force majeure, the Company shall refund the Advanced Proceeds to the Placing Agent within five Business Days with interest accrued at 2.5% per annum for the period from the date of the Placing Agreement to the date of the repayment of the Advance Proceeds.

## **OTHER INFORMATION ON THE PLACING**

### **Reasons for the Placing**

The Board considers that notwithstanding that the Placing will result in the dilution of the existing shareholding interest of the Shareholders, the Placing represent an opportunity to raise additional capital for the Company to enhance its general working capital base.

The Board considers that the Placing is to the interest of the Company in view of the prevailing market conditions and that the recent market sentiment represents a good timing for raising equity capital of the Company. The Placing represents an opportunity to raise capital for the Company to strengthen the capital base and to explore potential business and take up investment opportunities in the future with readily available funds.

### **Use of proceeds**

The gross proceeds from the Placing will be approximately HK\$16 million. The net proceeds from the Placing of approximately HK\$15.45 million are intended to be used for general working capital of the Company.

The net proceeds raised per Placing Share are approximately HK\$0.097.

## Fund raising activities in the past twelve months

On 10 April 2008, the Company announced that on 8 April 2008 after trading hours, a placing agreement was entered into between the Company and the placing agent in relation to a placement of 319,000,000 warrants, on a best effort basis, at the warrant issue price of HK\$0.01 and the warrant exercise price of HK\$0.50 per warrant. However, on 30 September 2008, the Company announced that the warrant placing agreement was lapsed due to the date for the fulfillment of conditions of the warrant placing agreement was expired on 30 September 2008. Therefore, The Company has not successfully conducted any fund raising activity in the past twelve months before the date of this announcement.

## Effects on shareholding structure

The existing and enlarged shareholding structure of the Company immediately before and after completion of the Placing (assuming there are no other changes in the issued share capital of the Company) are set out below:

	As at the date of this announcement		Upon completion of the Placing	
	Shares	Approximate %	Shares	Approximate %
PME Investments (BVI) Co., Ltd., and its associates (Note)	461,638,000	28.88%	461,638,000	26.25%
Public:				
Places	0	0.00%	160,000,000	9.10%
Other public Shareholders	1,136,962,000	71.12%	1,136,962,000	64.65%
Sub-total	1,136,962,000	71.12%	1,296,962,000	73.75%
Total	1,598,600,000	100.00%	1,758,600,000	100.00%

*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.*

As at the date of this announcement, the existing authorized share capital of the Company consists of 10,000,000,000 Shares out of which 1,598,600,000 Shares are issued and fully paid up.

## GENERAL

The Company, incorporated in the Cayman Islands with limited liability, is an investment holding company and its issued Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the manufacturing of polishing compounds and polishing wheels in Mainland China under its own brand name **Pme** and the trading of various branded industrial abrasive products. Over 90% of the Group's turnover was contributed from the markets in Hong Kong and the Pearl River Delta in Mainland China.

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

## RESUMPTION OF TRADING

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 21 October 2008 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 24 October 2008.

## TERMS USED IN THIS ANNOUNCEMENT

"Advance Proceeds"	the advance proceeds of HK\$3,800,000 advanced by the Placing Agent to the Company upon execution of the Placing Agreement;
"Board"	the board of Directors;
"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
"connected person(s)"	has the meaning given to that term in the Listing Rules;
"Directors"	directors of the Company;
"General Mandate"	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 17 June 2008, among other things, to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the annual general meeting;
"Group"	the Company and its subsidiaries;
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Last Trading Day"	20 October 2008, being the last trading day on which the Shares were suspended from trading on the Stock Exchange pending the release of this announcement;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Placing"	160,000,000 new Shares to be placed pursuant to the Placing Agreement;
"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 placing agreement dated 20 October 2008 entered into between the Company and the Placing Agent in relation to the Placing;
"Placing Price"	HK\$0.10 per Share;
"Placing Shares"	160,000,000 new Shares to be placed pursuant to the terms of the Placing Agreement;
"Placee(s)"	any individual(s), institutional or other professional investor(s) procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent's obligations under the Placing Agreement;
"Share(s)"	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Shares;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"%"	per cent

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

Hong Kong, 23 October 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, Ms. Chan Shui Sheung Ivy and Mr. Tin Ka Pak as executive Directors; and (2) Messrs Leung Yuen Wing, Soong Kok Meng and Chow Fu Kit Edward as independent non-executive Directors.*