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PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent
FORTUNE (HK) SECURITIES LIMITED

The Company and the Placing Agent entered into the Placing Agreement on 21 May 2009, whereby the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, a maximum of 159,000,000 Placing Shares to independent investors at a price of HK\$0.35 per Placing Share.

The 159,000,000 Placing Shares represent (i) approximately 9.04% of the existing issued share capital of the Company of 1,758,600,000 Shares; and (ii) approximately 8.29% of the Company's issued share capital of 1,917,600,000 Shares as enlarged by completion of the Placing.

The maximum net proceeds from the Placing of approximately HK\$54.2 million are intended to be used for general working capital of the Group.

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.

Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement.

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

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 11:11 a.m. on 18 May 2009 pending for the release of an announcement in relation to a major transaction of the Company. Trading in the Shares on the Stock Exchange will remain suspended.

THE PLACING AGREEMENT

Date

21 May 2009

Issuer

The Company

Placing Agent

The Placing Agent has conditionally agreed to place a maximum of 159,000,000 Placing Shares on a best effort basis and will receive a placing commission of 2.5% on the gross proceeds of the actual number 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.

Placees

The Placing Agent agreed to place the Placing Shares on a best effort basis to no fewer than six Placees 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/controllers be introduced after the Placing.

Placing Shares

The 159,000,000 Placing Shares with an aggregate nominal value of HK\$1,590,000 represent (i) approximately 9.04% of the existing issued share capital of the Company of 1,758,600,000 Shares; and (ii) approximately 8.29% of the Company's issued share capital of 1,917,600,000 Shares as enlarged by the Placing.

Ranking of the Placing Shares

The Placing Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with the Shares in issue on the date of allotment and issue of the relevant Placing Shares.

Placing Price

The Placing Price of HK\$0.35 represents:

- (i) a discount of approximately 12.50% to the closing price of HK\$0.40 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 19.78% to the average closing price of approximately HK\$0.2922 per Share in the last five consecutive trading days up to and including the Last Trading Day; and

- (iii) a premium of approximately 30.01% to the average closing price of approximately HK\$0.2692 per Share in the last ten consecutive trading days up to and 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% 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. As at the date of this announcement, the Company has issued 160,000,000 Shares by placing on 20 October 2008 under the General Mandate. Therefore, the Company is allowed to further issue a maximum of 159,720,000 Shares under the General Mandate. The Placing Shares will utilise 159,000,000 Shares that are allowed to be allotted and 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 20 August 2009 (or such later date as may be agreed between the Company and the Placing Agent), the Placing Agreement shall terminate and neither the Placing Agent nor the Company 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

Notwithstanding anything contained in the Placing Agreement, if, at any time prior to 10:00 a.m. on the date of completion of the Placing, in the reasonable opinion of the Placing Agent the success of the Placing or the business or financial prospects of the Group would or might be adversely affected by:

- (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) 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 the Placing 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.

In the event that the Placing Agent terminates the Placing Agreement pursuant to the force majeure clause, all obligations of each of the parties under the Placing Agreement shall cease and determine and neither the Company nor the Placing Agent 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 20 August 2009 or such later date as may be agreed between the Company and the Placing Agent.

Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement.

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

Application for Listing

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.

REASONS FOR THE PLACING

The Board considers that the Placing is to the interest of the Company in view of the prevailing market conditions. The recent market sentiment represents a good timing for raising equity capital for the Company. The Placing represents an opportunity to raise additional 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. The Directors consider that the Placing is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The maximum gross proceeds from the Placing are approximately HK\$55.6 million. The maximum net proceeds from the Placing (after deducting the placing commission and related expenses) are approximately HK\$54.2 million which are intended to be used for general working capital of the Group. The net proceed raised per Placing Share is approximately HK\$0.341.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

On 20 October 2008, the Company entered into a placing agreement with the placing agent to place 160,000,000 new Shares of the Company at HK\$0.10 per Share. The net proceeds from the placing of approximately HK\$15.5 million have been used for general working capital of the Group.

Save as disclosed above, the Company has not 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 as at the date of this announcement and immediately before and after completion of Placing (assuming there are no other changes in the issued share capital of the Company) are set out below:

Shareholders	As at the date of this announcement		Upon completion of the Placing	
	Number of Shares	%	Number of Shares	%
PME Investments (BVI) Co., Ltd. and its associates (<i>Note</i>)	461,638,000	26.25	461,638,000	24.07
Public Shareholders:				
Places	-	-	159,000,000	8.29
Others	1,296,962,000	73.75	1,296,962,000	67.64
Total	1,758,600,000	100.00	1,917,600,000	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 authorised share capital of the Company consists of 10,000,000,000 Shares out of which 1,758,600,000 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 manufacturing and trading of polishing materials and equipments and investment.

SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 11:11 a.m. on 18 May 2009 pending for the release of an announcement in relation to a major transaction of the Company. Trading in the Shares on the Stock Exchange will remain suspended.

DEFINITIONS

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

"associate"	has the meaning ascribed to this term under the Listing Rules
"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"	18 May 2009, being the last trading day of the Shares before the date of the Placing Agreement;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Placing"	the placing of the Placing Shares by or on behalf of the Placing Agent to the Placees pursuant to the Placing Agreement;
"Placing Agent"	Fortune (HK) Securities Limited, a licensed corporation carrying on Type 1 and Type 4 regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Placing Agreement"	the conditional placing agreement dated 21 May 2009 entered into between the Company and the Placing Agent in relation to the Placing;

"Placing Price"	HK\$0.35 per Placing Share;
"Placing Shares"	up to an aggregate of 159,000,000 new Shares to be allotted and issued under the Placing;
"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
Tin Ka Pak
Executive Director

Hong Kong, 22 May 2009

As at the date of this announcement, the Board comprises 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 Mr. Leung Yuen Wing, Mr. Soong Kok Meng and Mr. Chow Fu Kit Edward as independent non-executive directors.

** For identification purpose only*