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## **DISCLOSEABLE TRANSACTION**

The Board announces that on 14 August 2009, Top Good, a wholly-owned subsidiary of the Company, exercised the right to convert the China Fortune CB1 in the principal amount of HK\$21,000,000 at the conversion price of HK\$0.10 per China Fortune Share.

As the applicable percentage ratios for the CB Conversion are more than 5% but less than 25%, the CB Conversion constitutes a discloseable transaction of the Company pursuant to Rule 14.06(2) of the Listing Rules.

Reference is made to the announcements (the “Announcements”) of the Company dated 24 February 2009 and 6 May 2009 in relation to, among other matters, the subscription of China Fortune CB1 and the subscription of China Fortune CB2.

### **CB CONVERSION**

The Board announces that on 14 August 2009, Top Good, a wholly-owned subsidiary of the Company, exercised the right to convert the China Fortune CB1 in the principal amount of HK\$21,000,000 at the conversion price of HK\$0.10 per China Fortune Share.

As disclosed in the Announcements, on 18 February 2009, Top Good subscribed for the China Fortune CB1 in the principal amount of HK\$11,500,000 from China Fortune. On 4 June 2009, Top Good further subscribed for the China Fortune CB1 from an Independent Third Party in the principal amount of HK\$12,500,000 at the consideration of HK\$20,000,000.

Upon completion of the CB Conversion, the China Fortune CB1 held by Top Good will be converted into 210,000,000 China Fortune Shares. Together with the existing 53,738,000 China Fortune Shares held by Top Good, the Company will be interested in (i) 263,738,000 China Fortune Shares, representing approximately 27.02% of the issued share capital of China Fortune as enlarged by the CB Conversion; (ii) China Fortune CB1 in the principal amount of HK\$3,000,000 with an initial conversion price of HK\$0.10 per China Fortune Share; and (iii) China Fortune CB2 in the principal amount of HK\$32,000,000 with an initial conversion price of HK\$0.16 per China Fortune Share.

*\* For identification purpose only*

## **INFORMATION OF CHINA FORTUNE**

China Fortune is 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. China Fortune, together with its subsidiaries, are principally engaged in securities, futures and insurance brokerage, margin financing, electrical engineering contracting and trading of electrical goods.

As stated in the audited financial statements of China Fortune as at 31 March 2009, China Fortune had audited net assets of HK\$134,701,000. The attributable profit before and after taxation of China Fortune for the year ended 31 March 2009 was approximately HK\$4,726,726 and HK\$4,245,653 respectively. The attributable loss both before and after taxation of China Fortune for the year ended 31 March 2008 was approximately HK\$1,574,455.

## **REASONS FOR AND BENEFITS OF THE CB CONVERSION**

The Group is principally engaged in the manufacturing and trading of polishing materials and equipment and investment.

The average cost per China Fortune Share from the CB Conversion is approximately HK\$0.131, representing a discount of approximately 72.1% to the closing price of HK\$0.47 per China Fortune Share as quoted on the Stock Exchange on 13 August 2009. The Directors are of the view that the current market situation represents a good time for the Group to convert the China Fortune CB1 into China Fortune Shares for possible realization of an investment at a profit.

The Directors consider that the CB Conversion is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **GENERAL**

As the applicable percentage ratios for the CB Conversion are more than 5% but less than 25%, the CB Conversion constitutes a discloseable transaction of the Company pursuant to Rule 14.06(2) of the Listing Rules.

## **DEFINITIONS**

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

“Board”	the board of Directors from time to time
“CB Conversion”	the exercise of the right to convert the China Fortune CB1 in the principal amount of HK\$21,000,000 at the conversion price of HK\$0.10 per China Fortune Share
“China Fortune”	China Fortune 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
“China Fortune CB1”	the convertible bonds issued by China Fortune in the aggregate principal amount of HK\$50,000,000 with an initial conversion price of HK\$0.10 per China Fortune Share due on 17 February 2012

“China Fortune CB2”	the convertible bonds issued by China Fortune in the aggregate principal amount of HK\$32,000,000 with an initial conversion price of HK\$0.16 per China Fortune Share due on 29 June 2012
“China Fortune Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of China Fortune
“Company”	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
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of HK\$0.01 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Top Good”	Top Good Holdings Limited, a wholly-owned subsidiary of the Company, is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“%”	per cent.

By Order of the Board  
**PME Group Limited**  
**Tin Ka Pak**  
*Executive Director*

Hong Kong, 17 August 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.*