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STRATEGIC RESTRUCTURING COOPERATION FRAMEWORK AGREEMENT

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

The Board wishes to announce that on 25 September 2010, Able Winner, a wholly owned subsidiary of the Company, entered into the Framework Agreement with the PRC Party, pursuant to which Able Winner and the PRC Party intend to undergo a shareholding restructuring on the Target Company.

Shareholders and/or investors should note that the Proposed Restructuring contemplated under the Framework Agreement may or may not proceed. Accordingly, Shareholders are therefore advised to exercise caution when trading in the Shares.

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

THE FRAMEWORK AGREEMENT DATED 25 SEPTEMBER 2010

On 25 September 2010, Able Winner, a wholly owned subsidiary of the Company, entered into the Framework Agreement with the PRC Party, pursuant to which Able Winner and the PRC Party intend to undergo a shareholding restructuring of the Target Company.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the PRC Party and its beneficially owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Information on the Target Company

The Target Company is a sino-foreign equity joint venture incorporated in the PRC on 25 August 2004. The operating period of the Target Company is 50 years from 25 August 2004 to 24 August 2054. The registered capital and the total investment amount of the Target Company were RMB140 million which has been fully paid up and RMB200 million respectively. As at the date of this announcement, the Target Company is beneficially owned as to 26% by the PRC Party, as to 26% by HK Company A, as to 22% by PRC Company A, as to 21% by PRC Company B and as to 5% by HK Company B. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, all shareholders of the Target Company and their respective beneficially owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

The Target Company is principally engaged in loading and unloading, storage, transfer of steel products, timber and other goods at Lanshan Port. The Target Company has two berths in operation, which could berth two 50,000-tonne vessels and approximately 1,500 acres (1,000,000 sq meters) sea area usage right in Lanshan Port, Rizhao City, Shandong Province, the PRC.

Principals terms of the Framework Agreement

The principal terms of the Framework Agreement are, inter alia, as follows:

1. Able Winner and the PRC Party intend to undergo a shareholding restructuring with the existing shareholders of the Target Company. As a result, each of Able Winner and the PRC Party will own 50% of the Target Company upon completion of the Proposed Restructuring;
2. Able Winner and the PRC Party shall confirm the detailed plan for the Proposed Restructuring after further negotiation. Upon such confirmation, Able Winner and/or its wholly owned subsidiaries and the PRC Party and/or its wholly owned subsidiaries shall individually negotiate and finalise the definitive agreement for the Proposed Restructuring with the relevant existing PRC and foreign shareholders of the Target Company;
3. Both parties shall make all reasonable efforts to procure the completion of the Proposed Restructuring, including but not limited to, arrange or procure the other side and/or the shareholders of the Target Company to sign the consents to give up the first right of refusal for acquisition of the sale shares of the Target Company; the formal sale and purchase agreement; the sino-foreign equity joint venture agreement; the amended articles of association; and board minutes for approving the formal sale and purchase agreement and assist the other side to obtain any consent or approval in relation to the Proposed Restructuring and to handle the procedures for the change of registration of the new business licence of the Target Company after obtaining the approval from the relevant regulatory department from 國有資產監督委員會 (State-owned Assets Supervision and Administration Commission);
4. From the date of the Cooperation Agreement, both parties shall conduct their own due diligence on the Target Company and they shall jointly appoint a valuer, which is recognized by 日照港國有資產監督委員會 (Rizhao Port State-owned Assets Supervision and Administration Commission), for the valuation of the assets of the Target Company. Both parties shall individually appoint their own financial adviser, lawyers and other professional advisers to carry out the due diligence exercise. As the PRC Party is an existing shareholder of the Target Company, the PRC Party shall use its best effort to assist Able Winner to carry out the due diligence, including instructing the Target Company to provide the necessary information and documents in relation to the operation, legal and financial of the Target Company as requested by Able Winner and the professional advisers appointed by Able Winner; and
5. Able Winner and the PRC Party agreed that upon completion of the Proposed Restructuring, the board of directors of the Target Company will comprise six directors, of which three directors are to be appointed by the PRC Party and three directors are to be appointed by Able Winner and the chairman will be appointed by the PRC Party and the general manager will be appointed by Able Winner. Both parties shall enter into a sino-foreign equity joint venture agreement and amend the articles of association of the Target Company.

Validity Period

The Framework Agreement shall be valid for six months from the date of the Framework Agreement. If no formal agreement can be concluded and entered into within the six months' period, the Framework Agreement shall be terminated and be of no force and effect.

As at the date of this announcement, no definitive terms have been agreed and no legally binding agreement has been entered into between Able Winner and the PRC Party. Save for the provisions relating to confidentiality, the terms of the Framework Agreement are not legally binding on the parties.

REASONS FOR ENTERING INTO THE FRAMEWORK AGREEMENT

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

As mentioned in the annual report of the Company for the year 2009, the Directors have been actively seeking different business opportunities to diversify its businesses and will grasp every investment and business opportunities as they arise to enhance value for its shareholders. The Directors are of the opinion that the Proposed Restructuring is in line with the corporate strategy of the Group and also provides an opportunity for the Company to broaden its business scope and income sources and diversify into port facilities services.

WARNING

Shareholders and/or investors should note that the Proposed Restructuring contemplated under the Framework Agreement may or may not proceed. Accordingly, Shareholders are therefore advised to exercise caution when trading in the Shares.

DEFINITIONS

“Able Winner”	Able Winner International Limited (興勝國際有限公司), a company incorporated in Hong Kong with limited liability and is a wholly owned subsidiary of the Company
“Board”	the board of Directors
“Company”	PME Group Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Framework Agreement”	the strategic restructuring cooperation framework agreement entered into between Able Winner and the PRC Party on 25 September 2010 in relation to the Proposed Restructuring
“Group”	the Company and its subsidiaries
“HK Company A”	Upmove International Limited (晉瑞國際有限公司), a company incorporated in Hong Kong with limited liability and is a 26% equity interest shareholder of the Target Company
“HK Company B”	Nobleland International Limited (祥和國際有限公司), a company incorporated in Hong Kong with limited liability and is a 5% equity interest shareholder of the Target Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC Party”	日照港股份有限公司(Rizhao Port Company Limited), a stock company incorporated in the PRC and the shares of which are listed on the stock exchange in Shanghai with stock code of 600017 and is a 26% equity interest shareholder of the Target Company

“PRC Company A”	日照德興國際貿易有限公司 (Rizhao Dexing International Company Limited), a company incorporated in the PRC and is a 22% equity interest shareholder of the Target Company
“PRC Company B”	山東省國際信托投資有限公司 (Shandong International Trust Company Limited), a company incorporated in the PRC and is a 21% equity interest shareholder of the Target Company
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excludes Hong Kong, Taiwan and Macau Special Administrative Region
“Proposed Restructuring”	the proposed shareholding restructuring of the Target Company that each of Able Winner and the PRC Party will own 50% of the Target Company
“Share(s)”	existing ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	日照嵐山萬盛港業有限責任公司 (Rizhao Lanshan Wansheng Harbour Company Limited), a sino-foreign joint venture company incorporated in the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 28 September 2010

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*