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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)

**VERY SUBSTANTIAL ACQUISITION
RELATING TO THE ACQUISITION OF TERMINAL AND PORT OPERATIONS
AND
RESUMPTION OF TRADING**

VERY SUBSTANTIAL ACQUISITION

Further to the announcement of the Company dated 28 September 2010 in relation to the Proposed Restructuring under the Framework Agreement, the Board is pleased to announce that after trading hours on 15 October 2010, Able Winner (an indirect wholly owned subsidiary of the Company) entered into the Agreement with the Vendor, pursuant to which Able Winner conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Share at an aggregate cash consideration of not higher than RMB500,000,000 (approximately HK\$583,500,000), subject to Adjustments. Upon Completion, the Company will indirectly own as to 50% equity interest in the Target Company. The Target Company is principally engaged in the provision of terminal and logistic services including loading and discharging, storage and transfer of iron ore, steel products, timber and other goods and leasing of terminal facilities and equipment in Lanshan Harbour, Rizhao Port, Shandong province of the PRC.

The Target currently owns 26% equity interest in the Target Company. The Target will procure to acquire 24% equity interest in the Target Company from other joint venture partners of the Target Company prior to Completion. The Target being the legal and beneficial owner of 50% of the equity interest in the Target Company is one of the condition precedents of the Agreement.

The Consideration, subject to Adjustments will be satisfied in full by way of cash upon Completion. It is expected that the funding of HK\$583,500,000 will be financed by the proceeds from the Placing as announced by the Company on 11 January 2010 and the Company's internal financial resources. The partial settlement of the Consideration from the Placing constitutes a change of use of proceeds and therefore requires Shareholders' approval.

As the applicable percentage ratios for the Acquisition under the Listing Rules are more than 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As no Shareholder has material interest in the Agreement, no Shareholder will be required to abstain from voting on the resolution(s) approving the Agreement and the transactions contemplated thereunder at the EGM.

The EGM will be convened to consider and, if thought fit, approve, among other things, the Acquisition and the change of the use of proceeds from the Placing. A circular containing, among other things, details of the Acquisition, and a notice to convene the EGM, will be despatched to the Shareholders on or before 20 December 2010 as it is currently expected that it will take about six weeks for the Company and the professional parties to prepare the relevant information for inclusion in the circular including, but not limited to, the accountants' report on the Target Group, the unaudited proforma financial information of the Group as enlarged by the Acquisition.

UNUSUAL SHARE PRICE AND TRADING VOLUME MOVEMENTS

The Board has noted the recent increases in the price and trading volume of the Shares and wishes to state that it is not aware of any reasons for such increases.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading of the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 18 October 2010 pending the release of this announcement. The Company has applied for resumption of trading of the Shares on the Stock Exchange with effect from 9:30 a.m. on 9 November 2010.

Reference is made to the announcement of the Company dated 28 September 2010 in relation to the Proposed Restructuring under the Framework Agreement.

THE AGREEMENT

Date 15 October 2010

Parties

Vendor : Ms. Li Li, an Independent Third Party

Purchaser : Able Winner, an indirect wholly owned subsidiary of the Company

Assets to be acquired

Sale Share: 1 share of HK\$1 each in the issued capital of the Target, being the entire issued share capital of the Target

The Target comprises the assets and liabilities to be acquired by the Company from the Vendor pursuant to the Agreement in respect of the 50% equity interest in the Target Company.

Consideration

The Consideration of not higher than RMB500,000,000 (approximately HK\$583,500,000), which is payable by US dollar, was determined at after arm's length negotiation and is equivalent to a price-earnings ratio of approximately 6.34 times of the unaudited profit after taxation of the Target Company of approximately RMB157.7 million for the year ended 31 December 2009. The Consideration was also determined with reference to (i) the financial performance and asset position of the Target Company as well as its growth potential and business prospect; and (ii) the potential economic growth in the PRC in respect of the port business. In view of the above, the Board considers that the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to the terms of the Agreement, in the event that the valuation set out in the Valuation Report is less than the Consideration or the valuation expected by Able Winner, subject to the parties' agreement, the final Consideration for the Acquisition will be adjusted on dollar-to-dollar basis.

The Consideration, subject to Adjustments, will be satisfied in full by way of cash upon Completion. It is expected that the funding of HK\$583,500,000 will be financed by the proceeds from the Placing as announced by the Company on 11 January 2010 and the Company's internal financial resources. The partial settlement of the Consideration from the Placing constitutes a change of use of proceeds and therefore requires Shareholders' approval.

As mentioned in the circular of the Company dated 26 April 2010, the Company intended to reallocate the proceeds from the Placing to finance the possible investment of the Company to set up the joint venture company with paid up capital of not less than HK\$500 million to invest in a coal company in Shanxi in the PRC (the "Proposed Investment"). However, as the Proposed Investment has not been concluded and will not be proceeded, the Company intended to reallocate the proceeds from the Placing to finance the Acquisition.

Conditions

Completion is subject to fulfillment or, if applicable, waiver of the following conditions:

1. the approval by the Shareholders at the EGM of the Agreement and transactions contemplated thereunder;
2. Able Winner being satisfied in form and substance with the legal opinion in relation to the Agreement and the transactions contemplated thereunder issued by a qualified Hong Kong lawyer;
3. Able Winner being satisfied in form and substance with the legal opinion in relation to the Agreement and the transactions contemplated thereunder issued by a qualified PRC lawyer;
4. the financial statements of the Target Company for the three years ended 31 December 2009 and for the six months ended 30 June 2010 being audited by the Hong Kong certified public accountants and being issued unqualified auditors' opinion; the audited turnover of the Target Company for the year ended 31 December 2009 and for the six months ended 30 June 2010 shall be not less than RMB330 million and RMB190 million respectively and the audited net profit of the Target Company for the year ended 31 December 2009 and for the six months ended 30 June 2010 shall be not less than RMB150 million and RMB85 million respectively;
5. Able Winner having confirmed that it is satisfied with its due diligence results of the assets, liabilities, operations and business of the Target Group prepared by its consultants and agents;
6. the consents, authorisation, permission and approvals for the sale of the Sale Share being obtained;
7. there is no material adverse change in the existing business and operations of the Target Company;
8. prior to Completion, there is no transaction or situation that may lead to material adverse change in the Target Group;
9. any shareholders' loans, directors' loans and third parties' loans of the Target being repaid, if any;
10. any assets and liabilities not related to the investment in the Target Company being disposed by the Target;
11. the Target being the legal and beneficial owner of 50% of the equity interest in the Target Company after completion of the Proposed Restructuring;
12. the PRC Party being the legal and beneficial owner of 50% of the equity interest in the Target Company; and
13. Able Winner and the Vendor being reasonably satisfied with the Valuation Report.

All the above conditions (except conditions 1, 2, 3, 4, 11 and 12) can be waived by Able Winner. If any of the above conditions is not fulfilled or waived on or before 31 December 2010 or such other date as shall be mutually agreed by the parties to the Agreement, the Agreement shall terminate and each party's further rights and obligations will cease immediately without affecting a party's then accrued rights and obligations under the Agreement.

No exceptions and/or adverse events are noted in the draft PRC legal due diligence report. Based on the draft accountants' report, (i) an unqualified audit opinion is expected to be issued by the auditors; and (ii) the turnover and profits of the Target Company have exceeded the agreed level in the Agreement.

Completion

Completion shall take place within five Business Days after each of the conditions set out above has been fulfilled or waived or such other date as shall be agreed between Able Winner and the Vendor.

Pursuant to the Agreement, the Vendor undertakes to procure that, upon or after the Completion, Able Winner will be entitled to nominate and appoint number of directors to the board of directors of the Target Company, which will be 50% of the total number of directors in the board of directors of the Target Company. Upon Completion, the Group will own as to 50% equity interest in the Target Company. It is expected that the Target Company will become a jointly-controlled entity of the Company and the Company will recognize its interest in the Target Company using proportionate consolidation method.

INFORMATION OF THE TARGET AND THE TARGET COMPANY

The Target is an investment holding company incorporated in Hong Kong with limited liability on 26 January 2006. As at the date of this announcement, the Target has been authorized to issue 10,000 ordinary shares of HK\$1 each, of which one share of the Target has been issued and paid, where the Vendor is its sole shareholder. The principal asset of the Target is its holding of 26% equity interest in the Target Company. Other than the shareholding in the Target Company, the Target also has some other investments in the PRC as at the date of this announcement. It is a condition precedent to the Completion that the Target has to dispose all the assets and liabilities not related to the investment in the Target Company.

The Target Company is a sino-foreign equity joint venture established 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 each of the Target and the PRC Party, as to 22% by PRC Company A, as to 21% by PRC Company B and as to 5% by HK Company A. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, all joint venture partners of the Target Company and their respective beneficially owners are Independent Third Parties.

The Target Company is engaged in provision of terminal and logistic services including loading and discharging, storage and transfer of iron ore, steel products, timber and other goods and leasing of terminal facilities and equipment in Lanshan Harbour, Rizhao Port, Shandong province of the PRC. The operation of the Target Company has one berth capable of accommodating two 50,000-tonne vessels equipped with advanced facilities. Major customers of the Target Company include major steel manufacturers in the northern region of the PRC and major iron ore suppliers in India, Canada, Brazil and Australia. The throughput of the Target Company for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 was as follows:

(Tonne'000)	For the year ended 31 December			For the six
	2007	2008	2009	months ended
				30 June 2010
Throughput of the Target Company	15,350	16,190	16,250	10,060

Financial information

Set out below are certain financial information of the Target Company based on its unaudited financial statements for the three years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2010 prepared under HKFRS:

(RMB'000)	For the year ended 31 December			For the six
	2007	2008	2009	months ended 30 June 2010
Income statement summary				
Turnover	283,227	313,073	335,909	197,064
Gross profit	127,743	126,763	176,684	108,004
Profit before taxation	107,817	105,924	157,684	97,889
Profit after taxation	107,817	105,924	157,684	87,040
Balance sheet summary				
Total assets				873,875
Total liabilities				(482,250)
Net assets				391,625

REASONS FOR AND BENEFIT OF THE ACQUISITION

The Group is principally engaged in the manufacture and trading of polishing materials and equipments and investment. As disclosed in the 2009 annual report of the Company, the competition in the polishing materials market in both Hong Kong and Mainland China has remained keen in 2009 and 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 current business model of the Group can be categorized into three business segments which comprises (i) manufacturing of abrasive products, polishing compounds and wheels; (ii) trading of polishing materials and polishing equipment; and (iii) investments in trading equity securities and long term strategic investment.

Reference is made to the announcement of the Company dated 9 December 2009 in relation to the disposal (the "Disposal") of Magic Horizon Investment Limited and its subsidiaries (together, the "Magic Horizon Group") which constitutes a major and connected transaction of the Company. The Magic Horizon Group primarily owns the manufacturing plant and carries out the manufacturing process of the Group. As the Magic Horizon Group to be disposed was engaged in a very specialised industry (i.e. manufacturing and trading of polishing materials), the Company required lengthy time to research for market comparables and the dispatch of the circular was delayed. Upon completion of the Disposal, the Group will maintain the operations of all the three existing business segments which include (i) manufacturing of abrasive products, polishing compounds and wheels (under the subcontracting arrangement); (ii) trading of polishing materials and polishing equipment; and (iii) investments in trading equity securities and long term strategic investment.

Upon Completion, the Group will maintain the operations of all the existing business segments and will expand its business scope and will concurrently be engaged in port operation in Lanshan Harbour, Rizhao Port, Shandong province of the PRC. The Company currently does not deploy related expertise of port operation. It is the Company's intention to retain the existing management of the Target Company for the daily management and operation of the Target Company after the Completion.

The Directors are of the view that the Target Company is to be benefited from:

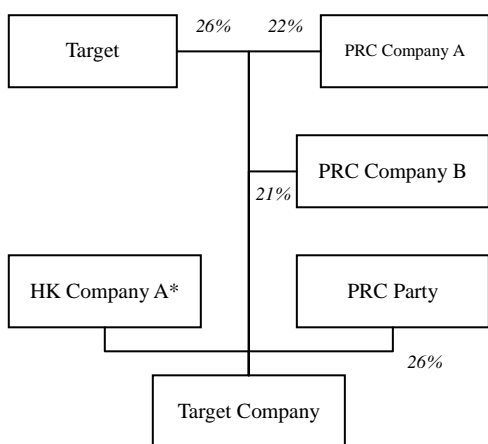
- The sustainable long-term economic growth and increase in fixed assets investments in the PRC, which are expected to drive an increasing demand for steel products and imported ore.
- The advantageous location of Lanshan Port / Rizhao Port in Northeastern China where a number of the PRC's major steel manufacturers, are based and the stable business relationships established by the Target Company with such steel manufacturers.
- The natural deep water advantage with the depth of 13 meters of Lanshan Port / Rizhao Port coupled with its location at southern part of Shandong province, which facilitated the Rizhao Port's development of an iron ore import business.
- Apart from the existing two 50,000-tonnes vessels berths, the sea area usage right of approximately 1,500 acres (1,000,000 sq meters) of which several 100,000 to 300,000-tonnes vessel berths could be built to cope with the increase in business in the future contemplated.

Taking into account (i) the expected sustainable long-term economic development in the PRC; (ii) the advantageous location of Lanshan Port / Rizhao Port in Northeastern China; (iii) the long term good relationship with the existing customers; and (iv) the profitable track record of the Target Company of the unaudited profit after taxation of approximately RMB157.7 million for the year ended 31 December 2009, the Board is of the view that the entering into the Agreement is in line with the business development strategy of the Group and will enable the Group to diversify its business exposure in terminal and port operation. The Board considers that the terms of the Agreement are fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

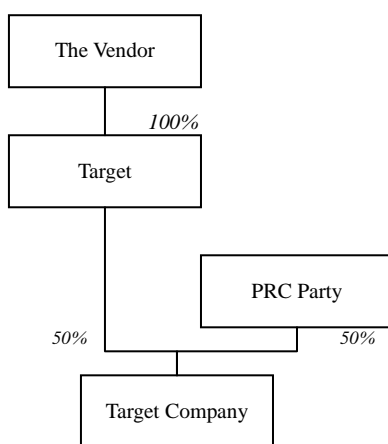
SHAREHOLDING STRUCTURES BEFORE AND AFTER THE PROPOSED RESTRUTURING AND THE ACQUISITION

Set out below are the shareholding structures of the Target and the Target Company (i) immediately prior to the Proposal Restructuring; (ii) upon completion of the Proposed Restructuring but before Completion; and (iii) upon Completion:

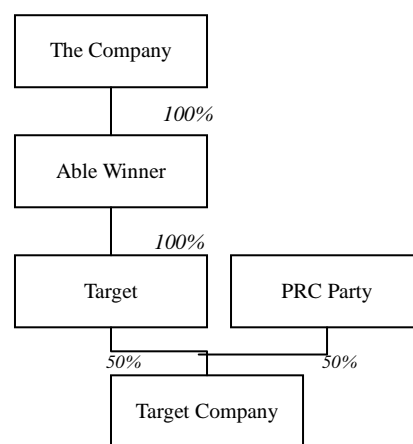
(i) Immediately prior to the Proposed Restructuring



(ii) upon completion of the Proposed Restructuring but before Completion



(iii) upon Completion



* The spouse of the Vendor beneficially owns as to 95% equity interest in HK Company A.

Separate agreements in relation to the acquisition of the 24% equity interest in the Target Company by the Target from other joint venture partners of the Target Company have not been made as at the date of the announcement. The Vendor and/or the Target will negotiate with other joint venture partners and procure to acquire such 24% equity interest in the Target Company prior to Completion.

GENERAL

As the applicable percentage ratios for the Acquisition under the Listing Rules are more than 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As no Shareholder has material interest in the Agreement, no Shareholder will be required to abstain from voting on the resolution(s) approving the Agreement and the transactions contemplated thereunder at the EGM.

The EGM will be convened to consider and, if thought fit, approve, among other things, the Acquisition and the change of the use of proceeds from the Placing. A circular containing, among other things, details of the Acquisition, and a notice to convene the EGM, will be despatched to the Shareholders on or before 20 December 2010 as it is currently expected that it will take about six weeks for the Company and the professional parties to prepare the relevant information for inclusion in the circular including, but not limited to, the accountants' report on the Target Group, the unaudited proforma financial information of the Group as enlarged by the Acquisition.

UNUSUAL SHARE PRICE AND TRADING VOLUME MOVEMENTS

The Board has noted the recent increases in the price and trading volume of the Shares and wishes to state that it is not aware of any reasons for such increases.

Save as disclosed above, the Board confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading of the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 18 October 2010 pending the release of this announcement. The Company has applied for resumption of trading of the Shares on the Stock Exchange with effect from 9:30 a.m. on 9 November 2010.

DEFINITIONS

Unless the context requires otherwise, the following expressions shall have the following meanings in this announcement:

“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 an indirect wholly owned subsidiary of the Company
“Acquisition”	the acquisition of the Sale Share
“Adjustments”	the adjustments which the Consideration may be subjected to as summarized in the paragraph headed “ Consideration” under the section headed “The Agreement”
“Agreement”	the sale and purchase agreement dated 15 October 2010 entered into between the Able Winner and the Vendor in respect of the Acquisition
“associates”	has the meaning ascribed to in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business

“Company”	PME Group Limited (Stock code: 379), 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
“Completion”	completion of the Agreement
“connected person(s)”	has the meaning ascribed to in the Listing Rules
“Consideration”	the consideration for the acquisition of the Sale Share, being RMB500,000,000, subject to the Adjustments
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for approving, inter alia, the Agreement and the transactions contemplated therein
“Enlarged Group”	the Group as enlarged by the Acquisition
“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”	Nobleland International Limited (祥和國際有限公司), a company incorporated in Hong Kong with limited liability and owns as to 5% of the registered capital of the Target Company
“HKFRS”	Hong Kong Financial Reporting Standards, which set out the accounting principles applicable in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	to the best of the Directors’ knowledge, information and belief after making reasonable enquiries, third parties independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of the convertible bonds by the Company pursuant to the placing agreement dated 7 January 2010 (as amended by supplemental placing agreements dated 7 April 2010 and 20 April 2010), details of which are set out in the announcement of the Company dated 11 January 2010 and the circular of the Company dated 26 April 2010
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excludes Hong Kong, Taiwan and Macau Special Administrative Region
“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 owns as to 22% of the registered capital 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 owns as to 21% of the registered capital of the Target Company

“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 owns as to 26% of the registered capital of the Target Company
“Proposed Restructuring”	the proposed shareholding restructuring of the Target Company that each of Able Winner and the PRC Party will own 50% of the registered capital of the Target Company
“Sale Share”	100% of the issued share capital of the Target owned by the Vendor before Completion
“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”	Upmove International Limited (晉瑞國際有限公司), a company incorporated in Hong Kong with limited liability, owns as to 26% of the registered capital of the Target Company and will own as to 50% of the registered capital of the Target Company upon completion of the Proposed Restructuring
“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 established in the PRC
“Target Group”	the Target and the Target Company
“Valuation Report”	the independent business valuation report, which contains the valuation of the Target Company as at 30 June 2010, prepared by the independent valuer
“Vendor”	Ms. Li Li, the seller of the Sale Share
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.
“sq.m.”	square meters

For the purpose of this announcement, all amounts in RMB are translated into HK\$ at an exchange rate of RMB1: HK\$1.167.

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

Hong Kong, 8 November 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*