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CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF CONVERTIBLE BONDS

ACQUISITION OF CONVERTIBLE BONDS

The Board announces that on 9 February 2015, the Vendor and the Purchaser entered into the Agreement pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, the Convertible Bonds with a principal amount of HK\$6,500,000 convertible into 325,000,000 Conversion Shares at the initial conversion price of HK\$0.02 per Conversion Share (subject to adjustment) for a cash consideration of HK\$65,000,000.

LISTING RULES IMPLICATIONS

The Vendor is wholly-owned by Mr. So Chi Yuk, who is the brother-in-law of Ms. Yeung Sau Han Agnes, being a Director of the Company. The Vendor is thus a deemed connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transaction contemplated under the Agreement is more than 0.1% but less than 5%, the transaction contemplated under the Agreement is subject to the reporting and announcement requirements under Rule 14A.76(2) of the Listing Rules, and is exempt from the circular and shareholders' approval requirement under Chapter 14A of the Listing Rules.

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THE AGREEMENT

Parties to the Agreement

Date: 9 February 2015

Vendor: Sino Coronet Limited

Purchaser: Elegant Basic Investments Limited, a wholly-owned subsidiary of the Company

The Vendor is wholly-owned by Mr. So Chi Yuk, who is the brother-in-law of Ms. Yeung Sau Han Agnes, being a Director and the Chief Executive Officer of the Company. The Vendor is thus a deemed connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Assets acquired

The Convertible Bonds with the principal amount of HK\$6,500,000 were issued by China Eco-Farming Limited (the "Issuer"), bearing a coupon rate of 5% per annum. Set out below are the major terms of the Convertible Bonds:

Principal amount: HK\$6,500,000

Coupon rate: 5% per annum on the outstanding amount, payable annually from the Issue Date (as defined below), and on the day falling on the anniversary of the Issue Date

Conversion price: HK\$0.02 per Conversion Share

Conversion rights: Bondholder may convert the whole or any part (in multiples of HK\$500,000) of the principal amount of the Convertible Bonds during the conversion period till and including the fifth business day before the Maturity Date (as defined below)

Maximum conversion: 325,000,000 Conversion Share (based on the initial conversion price of HK\$0.02)

Anti-dilution adjustments: The conversion price shall from time to time be subject to adjustment in accordance with the followings if, whilst any of the Convertible Bonds remains outstanding, any of the following events or circumstances in relation to the shares of the Issuer shall occur: (i) consolidation and subdivision; (ii) capitalisation of profits or reserves; (iii) capital distribution; (iv) issue of shares by way of rights; (v) issue of other securities by way of rights; (vi) issue of shares other than by way of rights; (vii) issue of shares upon conversion or exchange; (viii) modification of rights of conversion or exchange; and (ix) offers for shares.

Convertible bonds in a principal amount of HK\$34,500,000, of which the Convertible Bonds forms part, were issued by the Issuer on 30 April 2013 (the “Issue Date”) while the entire principal amount was acquired by the Vendor at a cash consideration of HK\$40,000,000 on 2 August 2013 which was completed on 8 January 2014 (i.e. the Convertible Bonds in the principal amount of HK\$6,500,000 was acquired by the Vendor for approximately HK\$7,536,232). The Convertible Bonds will due on 31 December 2016 (the “Maturity Date”).

The Convertible Bonds bear a coupon rate of 5% per annum on the outstanding principal amount of the Convertible Bond calculated from the Issue Date to and including the Maturity Date (the “Interest”). The Interest shall be calculated on the basis of a 365-day year. The Interest shall be payable annually from the Issue Date, and on the day falling on the anniversary of the Issue Date. According to the Agreement, the Company will be entitled to the Interest to be payable on 30 April 2015 on a pro-rata basis based on the date of completion of the Agreement.

The outstanding principal amounts, unless previously converted into Convertible Shares or repaid in accordance with the conditions of the Convertible Bonds, shall either be redeemed by the Issuer on the Maturity Date at a redemption amount equal to 100% of the principal amount or be converted into Convertible Shares at the discretion of the Issuer. As at the date of this announcement, the Vendor has not exercised any conversion rights attaching to the Convertible Bonds.

Consideration

Upon completion, the consideration of HK\$65,000,000 is expected to be settled by cash or any other methods mutually agreed by the Vendor and the Purchaser. The consideration was determined after arm’s length negotiations between the Vendor and the Purchaser and with reference to the prevailing closing price of the share of the Issuer as analysed below.

With reference to (a) the 325,000,000 Conversion Share upon full conversion of the Convertible Bonds at the initial conversion price of HK\$0.02; and (b) the closing price of HK\$0.218 per share of the Issuer as quoted on the Stock Exchange as at the date of the Agreement (whereas the average closing price of the share of the Issuer for the five consecutive trading days immediately preceding the date of the Agreement is HK\$0.2152), the conversion value of the Convertible Bonds is HK\$70,850,000. Accordingly, the consideration of HK\$65,000,000 represents a discount of approximately 8.26% to the conversion value of the Convertible Bonds.

INFORMATION OF THE GROUP

The Group is principally engaged in manufacture and trading of polishing materials and equipment, investment in terminal and logistics services business, and investment in held for trading investments, convertible bonds, available-for-sale investments, derivative financial assets and associates.

INFORMATION OF THE ISSUER

The Issuer, China Eco-Farming Limited, is a company continued into Bermuda with limited liability and its issued shares are listed on GEM (Stock Code: 8166). It is principally engaged in the health care services, trading of ceramic products, property investment and one-stop value chain services.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Issuer is not a connected person of the Company.

Set out below are the audited information of the Issuer for the two years ended 31 December 2012 and 31 December 2013 and the unaudited information for the six months ended 30 June 2014 as extracted from the published annual/interim reports of the Issuer:

	For the year ended 31 December 2012	For the year ended 31 December 2013	For the six months ended 30 June 2014
<i>HK\$'000</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Revenue	20,798	19,194	12,724
Loss before taxation	(21,046)	(25,745)	(13,000)
Loss after taxation	(21,046)	(25,760)	(13,000)
		As at 31 December 2013	As at 30 June 2014
<i>HK\$'000</i>		<i>(audited)</i>	<i>(unaudited)</i>
Net current assets		7,317	115,005
Net assets		10,489	151,074

REASONS FOR THE TRANSACTION

One of the Group's principal businesses is investment in held for trading investments, convertible bonds, available-for-sale investments, derivative financial assets and associates, and the Group has been seeking investment opportunities. Given that the Consideration represents a discount of approximately 8.26% to the conversion value of the Convertible Bonds as discussed above, the Directors consider that the acquisition of the Convertible Bonds represents a suitable investment opportunities, that the transaction contemplated under the Agreement is in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

The Vendor is wholly-owned by Mr. So Chi Yuk, who is the brother-in-law of Ms. Yeung Sau Han Agnes, being a Director of the Company. The Vendor is thus a deemed connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transaction contemplated under the Agreement is more than 0.1% but less than 5%, the transaction contemplated under the Agreement is subject to the reporting and announcement requirements under Rule 14A.76(2) of the Listing Rules, and is exempt from the circular and shareholders' approval requirement under Chapter 14A of the Listing Rules.

In the event that the Company exercise any conversion rights attached to the Convertible Bonds, it will have to comply with the applicable notifiable transaction requirements under Chapter 14 of the Listing Rules for the acquisition of an interest in the Issuer. Assuming that the Company exercise all the conversion rights attached to the Convertible Bonds in full, as at the date of this announcement, none of the applicable percentage ratios in relation to such conversion of the Convertible Bonds is more than 5% and therefore, such conversion of the Convertible Bonds would be exempt from the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

APPROVAL OF THE BOARD

The Agreement was approved by the board of directors. Ms. Yeung Sau Han Agnes was absent from voting on the relevant resolutions of the Board approving the transaction.

The Directors (including the independent non-executive Directors) consider that the terms of the Agreement and the transaction contemplated thereunder are normal commercial terms and fair and reasonable and the transactions contemplated under the Agreement in the interests of the Company and its shareholders as a whole.

DEFINITIONS

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

“Agreement”	the agreement dated 9 February 2015 entered into between the Vendor and the Purchaser in relation to the acquisition of the Convertible Bonds in the principal amount of HK\$6,500,000
“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 Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Convertible Bonds”	the convertible bonds in the principal amount of HK\$6,500,000 issued by the Issuer
“Convertible Shares”	new shares of the Issuer to be allotted and issued by the Issuer upon conversion of the Convertible Bonds in accordance with the terms of the Convertible Bonds
“Director(s)”	director(s) of the 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
“Purchaser”	Elegant Basic Investments Limited, a company incorporated in the British Virgin Islands and is a wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Sino Coronet Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. So Chi Yuk
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	Per cent

By Order of the Board
PME Group Limited
Lai Ka Fai
Executive Director

Hong Kong, 9 February 2015

As at the date of this announcement, the Board comprises (1) Mr. Wong Lik Ping, Ms. Yeung Sau Han Agnes, Mr. Lai Ka Fai, Mr. Shi Chong and Mr. Feng Gang as Executive Directors; (2) Mr. Cheng Kwok Woo as Non-Executive Director, and (3) Mr. Goh Choo Hwee, Mr. Ho Hin Yip and Mr. U Keng Tin as Independent Non-Executive Directors.

* *For identification purpose only*