# CHINESE GLOBAL INVESTORS GROUP LTD.

(Company Registration No. 196600189D)
(Incorporated in the Republic of Singapore)

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**ACQUISITION OF 318,438,000 ORDINARY SHARES IN PME GROUP LTD – A HONG KONG COMPANY LISTED ON THE HONG KONG STOCK EXCHANGE**

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## 1. INTRODUCTION

The Board of Directors (the "**Board**") of Chinese Global Investors Group Ltd. (the "**Company**") is pleased to announce that the Company's wholly-owned subsidiary, CGI (HK) Limited (**"CGIHK"** or the **"Purchaser"**), has entered into a Sale and Purchase Agreement (the **"Agreement"**) with PME Investments (BVI) Limited (the "**Vendor**") on 26 July 2011 with respect to the acquisition of 318,438,000 ordinary shares (the **"Acquisition"**) from the Vendor in PME Group Limited (**"PME"**), for a total consideration of HK$92,347,020 (approximately S$14,361,900) (the "**Consideration**"), upon the terms and subject to the conditions of the Agreement (hereinafter referred to as the "**Proposed Acquisition**").

## 2. THE AGREEMENT

Pursuant to the Agreement, the Vendor has agreed to sell and/or otherwise transfer, *inter alia,* 318,438,000 ordinary shares in PME (the "**Sale Shares**") to CGIHK. As at the date of this Announcement, the Sale Shares comprised of 7.3 percent of the issued and paid-up capital of PME. CGIHK has agreed to pay the Consideration of HK$92,347,020 (approximately S$14,361,900.47) in three tranches by way of cash, shares in the Company (the "**Shares**") and a promissory note to be issued by the Company.

The Vendor is a company incorporated in the British Virgin Islands with limited liability and is the legal and beneficial owner of 318,438,000 ordinary shares in the capital of PME, a company incorporated in Cayman Islands with limited liability, and the shares of which are listed on the main board of the Stock Exchange of Hong Kong Limited. PME was originally engaged in the manufacture of abrasive products, polishing compounds and wheels; trading of polishing materials and polishing equipment; provision of technical consultancy service; investments in trading equity securities and long-term strategic investment. On 28 April 2011, PME completed the very substantial acquisition of the 50% equity interest in Rizhao Lanshan Wansheng Harbour Company Limited, a sino-foreign joint venture company engaged in terminal and port operations in Lanshan Harbour, Rizhao Port, Shandong Province, the PRC.

## 3. PRINCIPAL TERMS OF THE ACQUISITION

### 3.1 Consideration

The Consideration shall be a sum of Hong Kong Dollars Ninety Two Million Three Hundred Forty Seven and Twenty HK$92,347,020. The Consideration was arrived at after arm's length negotiations between the Parties on a *willing buyer and willing seller* basis. The negotiation of the acquisition started in January 2011 and a framework agreement and the consideration was agreed on 27 January 2011.

### 3.2 Payment of Consideration

The Consideration payable by CGIHK shall be satisfied in the following manner:

(a) HK$23,086,605.00 (equivalent to S$3.8 million) in cash has been paid by the Purchaser to the Vendor on 28 February 2011 after the framework agreement was entered;

(b) a further sum of HK$38,580,000.00, payable by the Purchaser upon completion of the Acquisition ("**Completion**"), shall be settled by issuance of 100,000,000 Shares at S$0.06 per Share (the "**New Shares**") by the Company to the Vendor, which New Shares shall have good and clean title and shall be free from any encumbrance; and

(c) the balance of HK$30,680,415.00, payable by the Purchaser upon Completion, shall be settled by way of issuance of a legally-enforceable promissory note in the sum of S$4,771,430.00 by the Company in favour of the Vendor and with a maturity date of six (6) months from the date of issuance thereof.

The Consideration Shares mentioned above will be allotted and issued pursuant to the share issue mandate granted to the Directors of the Company by the shareholders of the Company at the annual general meeting held on 22 October 2010.

3.3 Conditions Precedent

Completion is conditional upon:

(a) the Singapore Exchange Securities Trading Limited ("**SGX**") granting approval for the listing of and permission to deal in the New Shares at SGX Catalist (and such approval and permission not subsequently revoked prior to completion of the Acquisition);

(b) all necessary consents, confirmations, permits, approvals, licences and authorisations having been obtained from all relevant governmental, regulatory and other authorities, agencies and departments in Hong Kong and Singapore in connection with the Acquisition (if any);

(c) the passing by the shareholders of the Purchaser in general meeting of the necessary resolutions approving the Agreement and other transactions contemplated in or incidental to this Agreement (if so required); and

(d) all warranties in the Agreement remaining true and accurate as at Completion and the Vendor shall have performed or complied, in all material respects, with its covenants and agreements contained herein and required to be performed or complied with by the Vendor at or prior to the Completion Date.

## 4. RATIONALE FOR AND BENEFITS OF THE ACQUISITION

The rationale and benefits for the Company in acquiring the Sale Shares are as follows:

The Company has experience in investing in listed equity securities, and the Board believes that the Proposed Acquisition offers the Company and its subsidiaries (the "**Group**") an opportunity to capture return through fair value gains. The Company believes that the Proposed Acquisition represents a unique and attractive investment into the 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. PME has a 50% equity interest in Rizhao Lanshan, which operates a terminal at the advantageous location of Lanshan Harbour, Rizhao Port in Northeastern China that is positioned to capture the growth in throughput of bulk goods.

The Proposed Acquisition will also create diversification benefits for the Group's present investment portfolio and enable the Group to establish an investment track record through capitalizing on the current economic conditions for the development of the Group's financial services and asset management businesses.

The Vendor accepts 100,000,000 CGI shares issued at $0.06 per share as part of the Consideration and becomes a new shareholder of CGI. The share-based payment represents 41.8% of the total consideration for the purchase of PME shares and the issue price of $0.06 reflects a premium on our weighted average traded price of $0.035 on 5 July 2011 (being the market day when the Shares were last traded prior to the date of the Agreement).

## 5. SOURCE OF FUNDS

The Company will finance the Acquisition by way of cash, new shares and promissory note. The promissory note carries 3% interest per annum and the Company intends to repay the promissory note as and when it is due by realizing part of its investment portfolio through the periodic rebalancing of the portfolio.

## 6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The financial effects of the Acquisition are as set out below. The financial effects are shown for illustrative purposes only and do not necessarily reflect the exact future financial position and performance of the Group. In accordance with Rule 1010(8) of the SGX-ST Listing Manual – Section B: Rules of Catalist ("**Listing Manual**"), the financial effects are calculated using the latest completed financial year of the Company, which is 30 June 2010.

The financial effects of the Acquisition are also illustrated according to calculations using the latest published financial results for the Company for the nine months ended 31 March 2011.

*(For the purpose of calculation, we have assumed an exchange rate of Singapore Dollar to Hong Kong Dollar of S$1.00=HK$6.43 (Source: Bloomberg, 22 July 2011))*

(a) Net Tangible Assets ("**NTA**") per share

Assuming that the Acquisition was completed on 30 June 2010 and 31 March 2011, and that the PME shares was held-for-trading-investment, based on the Group's audited consolidated financial statements for the financial year ended 30 June 2010 and unaudited consolidated financial statements for the nine months ended 31 March 2011, the Proposed Acquisition would have the following *pro forma* impact on the consolidated NTA of the Group:

| **Financial Year ended 30 June 2010 (audited):** | **NTA of the Company (S$)** | **NTA per share (Singapore cents)** |
|---|---|---|
| Before the Proposed Acquisition | 19,836,943 | 3.12 |
| After the Proposed Acquisition | 17,608,372 | 2.40 |

| **Nine months ended 31 March 2011 (unaudited):** | **NTA of the Company (S$)** | **NTA per share (Singapore cents)** |
|---|---|---|
| Before the Proposed Acquisition | 27,991,122 | 3.86 |
| After the Proposed Acquisition | 25,762,551 | 3.12 |

Based on the last traded price of HK$0.245 per PME share on 26 July 2011, the Company would have recognized a fair value loss of approximately S$2.23 million for the financial year ended 30 June 2010 and the nine months ended 31 March 2011, thereby reducing the NTA of the Company by an equivalent amount of S$2.23 million. As part of the Consideration (41.8%) involves the issue of Company's share at $0.06 per share for the purchase of PME shares and the issue price of $0.06 reflects a premium on our weighted average traded price of $0.035 on 5 July 2011, the loss is compensated by the premium between $0.06 and $0.035.

(b) Consolidated earnings per share ("**EPS**")

Assuming that the Acquisition had been completed on 1 July 2009 and 1 July 2010, and based on the Group's audited consolidated financial statements for the financial year ended 30 June 2010 and unaudited consolidated financial statements for the nine months ended 31 March 2011, the Acquisition would have the following *pro forma* impact on the consolidated earnings per share of the Group:-

| Financial Year ended 30 June 2010 (audited): | Net Profit after Tax (S$) | EPS – Basic (Singapore cents)[(2)] |
|---|---|---|
| Before the Proposed Acquisition | (1,897,442) | (0.34) |
| After the Proposed Acquisition | (1,897,422) | (0.29) |

| Nine months ended 31 March 2011 (unaudited): | Net Profit after Tax (S$) | EPS – Basic (Singapore cents)[(2)] |
|---|---|---|
| Before the Proposed Acquisition | (2,898,999) | (0.43) |
| After the Proposed Acquisition | (2,898,999) | (0.38) |

Based on the last traded price of HK$0.245 per PME shares on 26 July 2011, the Company would have recognized a fair value loss of approximately S$2.23 million for the financial year ended 30 June 2010 and the nine months ended 31 March 2011. Notwithstanding that the Proposed Acquisition does not have an impact on our Net Profit after Tax shown above, if the fair value loss is added to our Statement of Comprehensive Income, our total comprehensive expense attributable to owners of the Company would increase from approximately S$1.96 million to S$4.18 million for the financial year ended 30 June 2010, and our total comprehensive income attributable to owners of the Company would decrease from approximately S$2.75 million to S$0.52 million for the nine months ended 31 March 2011.

## 7. DISCLOSEABLE TRANSACTION

Based on the unaudited consolidated financial statements of the Company for the nine months ended 31 March 2011, the relative figures in respect of the Acquisition, as computed on the bases set out in Rules 1006(a) to Rule 1006(d) of the Listing Manual are as follows:

| Rule 1006 | | |
|---|---|---|
| | | Relative Computation (%) |
| (a) | Net asset value of assets to be disposed of, compared with the Company's net asset value | Not Applicable[(1)] |
| (b) | Net loss attributable to the assets to be acquired, compared with the Company's net loss | 34.9[(2)] |
| (c) | Consideration, compared with the Company's market capitalisation[(3)] of S$25,374,213 as at 5 July 2011 (based on the total number of issued shares excluding treasury shares), being the market day when Shares were last traded prior to the date of the Agreement | 56.6 |
| (d) | Number of equity securities[(4)] issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue (100,000,000/724,977,500) | 13.8 |

**Notes:**

(1) Not applicable as the transaction is in respect of an acquisition.

(2) Based on the audited accounts of PME for the financial year ended 31 December 2010, PME incurred a loss before taxation of approximately HK$89.12 million.

(3) Under Rule 1002(5) of the Listing Manual, "market capitalisation" is determined by multiplying the number of shares in issue by the weighted average price of such shares transacted on the market day preceding the date of the Agreement. Based on the volume weighted average closing price per share on 5 July 2011 of $0.035, being the market day on which our

Company shares were last traded prior to the date of the Agreement. There is no transaction on the trading of our Company shares between 6 July 2011 and 22 July 2011, the date of the signing of the Agreement.

As the relative figures as computed on the above bases exceed 5%, but does not exceed 75%, the Acquisition constitutes a "discloseable transaction" within the meaning of Chapter 10 of the Listing Manual, and pursuant to Rule 1010 of the Listing Manual, must be immediately announced after the terms have been agreed.

## 8. INTEREST OF DIRECTORS, CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or controlling shareholders or substantial shareholders of the Company has any interest, directly or indirectly, in the Acquisition.

## 9. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Agreement is available for inspection during normal business hours at the Company's registered office at 3 Shenton Way, #11-10 Shenton House, Singapore 068805 for a period of three months from the date hereof.

BY ORDER OF THE BOARD
Joseph Wai Shing Orr
Chief Executive Officer
28 July 2011

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