

**PME GROUP LTD:  
THIS IS A REAL MOMMA-AND-PAPA SHOP**

Improvements in the margins of profit, derived, to a great extent, from trading activities in the People's Republic of China (PRC), caused the Bottom Line of PME Group Ltd to swell to record levels in the 2001 Financial Year, ended December 31, 2000.

The 2001 Net Profits Attributable to Shareholders of about \$HK26 million were obtained on a declining Turnover, which dropped from the 2000 figure of about \$HK123.36 million to the 2001 figure of about \$HK119.06 million.

Since PME Group is not the only company, producing polishing compounds and polishing wheels, either in the PRC or anywhere else, one may ask the question: For what reason did its customers permit PME Group to charge such a relatively high margin of profit for goods that are produced, exclusively, in the PRC?

Be that as it may, PME Group, which went public on the Main Board of The Stock Exchange of Hongkong Ltd on October 31, 2002, as a 10-year-old company, engaged in a 'bread-and-butter' enterprise, is doing quite nicely, all things considered, in view of the downturn in business, internationally.

The following table is lifted from Page 109 of the Prospectus of the Company:

	Financial Year ended December 31			Three Months to March 31
	1999	2000	2001	2002
	All Figures are Denominated in \$HK'000 (except where otherwise indicated)			
Turnover	122,451	123,363	119,064	18,015
Cost of Sales	(73,286)	(70,092)	(61,259)	(8,597)
Gross Profit	49,165	53,271	57,805	9,418
<b>Gross Profit Margin*</b>	<b>40.15 percent</b>	<b>43.18 percent</b>	<b>48.55 percent</b>	<b>52.28 percent</b>
Other Operating Income	2,096	1,067	2,064	161
Selling and Distribution Costs	(4,187)	(4,217)	(3,180)	(448)
Administrative Expenses	(25,249)	(24,961)	(23,585)	(5,564)
Revaluation/(Decrease) Increase in Leasehold Land and Buildings	(694)	585	(183)	(39)
Profit from Operations	21,131	25,745	32,921	2,528
Financing Costs	(1,738)	(2,960)	(2,258)	(632)
Share of Results of an Associate	65	Nil	Nil	Nil
Profit before Taxation	19,458	22,785	30,663	2,896
Taxation	(2,214)	(3,329)	(4,657)	(614)
Net Profit Attributable to Shareholders	17,244	19,456	26,006	2,282
<b>NET PROFIT MARGIN*</b>	<b>14.08 percent</b>	<b>15.77 percent</b>	<b>21.84 percent</b>	<b>12.67 percent</b>

\* These are TARGET's calculations

For the Current Financial Year, Management has stated that it is unable to forecast to what extent it will earn any profit.

However, an indication of future profits may be gleaned from the fact that, at Page 78, it is stated that, for the 5 months, ended August 31, 2002, PME Group had logged in Net Profits Attributable to Shareholders of about \$HK11.04 million.

Therefore, for the first 8 months of the Year, Profits in the bag, so to speak, were not less than \$HK13.32 million (\$HK2.82 million for the first 3 months of the Year – see table, above – and \$HK11.04 million, contained in the calculation of the Pro Forma Net Tangible Assets.

With regard of the calculation of the Net Tangible Assets, the following table is taken from that entry at Page 78:

Audited Combined Net Tangible Asset as at March 31, 2002	\$HK102,945,000
Combined Profit after Taxation for the 5 Months to August 31, 2002	\$HK11,041,000
Revaluation Increase of the Company's Leasehold Land and Buildings, as at August 31, 2002	\$HK1,026,000
Estimated Net Proceeds of the Issue of New Shares	\$HK23,400,000
<b>ADJUSTED NET TANGIBLE ASSETS</b>	<b>\$HK138,412,000</b>
<b>ADJUSTED NET TANGIBLE ASSET VALUE PER SHARE*</b>	<b>17.30 cents</b>

\* 800 million shares in issue

### **The Flotation**

PME Group raised about \$HK23.40 million via the good offices of The Stock Exchange of Hongkong Ltd by Offering 200 million, one-cent Shares at a Premium of 24 cents per Share.

Of the total number of Shares on Offer, 180 million Shares were Placed, with 100 million of those Shares, being New Shares, while the other 80 million Shares were those, formerly owned by Chairman Cheng Kwok Woo and his Family, which has absolute control of this Company ... [CLICK TO ORDER FULL ARTICLE](#)

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