
IMPORTANT

If you are in doubt as to any aspect of this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in PME Group Limited, you should at once hand this document and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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PME GROUP LIMITED

必美宜集團有限公司*

(incorporated in the Cayman Islands with limited liability)

Executive Directors:

Mr Cheng Kwok Woo, *Chairman*
Mr Cheng Kwong Cheong, *Vice-chairman and CEO*
Ms Cheng Wai Ying
Mr Chow Yin Kwang
Ms Chan Yim Fan

Non-executive Directors:

Mr Charles Woo
Mr Zheng Jin Hong

Independent non-executive Directors:

Mr Chow Chun Kwong
Mr Chung Kam Fai, Raymond

Registered office:

Century Yard, Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

*Head office and principal place of
business in Hong Kong:*

5th Floor, Unison Industrial Centre
Nos. 27-31 Au Pui Wan Street
Fo Tan, Shatin
New Territories
Hong Kong

28th April, 2003

To the shareholders of the Company

Dear Sir or Madam

GENERAL MANDATE FOR ISSUE OF NEW SHARES AND REPURCHASE BY THE COMPANY OF ITS OWN SHARES

INTRODUCTION

At the annual general meeting (“**Annual General Meeting**”) of PME Group Limited (the “**Company**”) to be held at 5th Floor, Unison Industrial Centre, Nos. 27-31 Au Pui Wan

* for identification purpose only

Street, Fo Tan, Shatin, New Territories, Hong Kong on 23rd May, 2003 at 10:00 a.m., resolutions will be proposed:

- (a) to declare a final dividend of HK\$0.01125 per share (each a “**Share**”) of HK\$0.01 each in the capital of the Company and a special dividend of HK\$0.00375 per Share for the year ended 31st December, 2002;
- (b) to grant a repurchase mandate (the “**Repurchase Mandate**”) to the directors (the “**Directors**”) of the Company to enable them to repurchase the Shares up to a maximum of 10% of the issued share capital at the date of passing of such resolution on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”);
- (c) to grant a general mandate (the “**General Mandate**”) to the Directors to exercise the powers of the Company to allot, issue and otherwise deal with additional Shares up to a maximum of 20 per cent. of the aggregate nominal share capital of the Company in issue at the date of passing of such resolution; and
- (d) to increase the number of Shares to be issued and allotted under the General Mandate by an additional number representing such number of Shares repurchased under the Repurchase Mandate.

Under the Rules (the “**Listing Rules**”) Governing the Listing of Securities on the Stock Exchange, the Company is required to give to its shareholders all information which is reasonably necessary to enable shareholders to make an informed decision as to whether to vote for or against the resolution to renew the grant to the Directors of the Repurchase Mandate. The explanatory statement required by the Listing Rules to be included in this document is set out in the Appendix.

In order to ascertain the entitlements to the final dividend and the special dividend for the year ended 31st December, 2002, the register of members of the Company will be closed from Friday, 16th May, 2003 to Friday, 23rd May, 2003 (both dates inclusive) during which period no transfer of Shares will be registered.

The last day for dealing in Shares cum entitlements to the proposed final dividend and special dividend for the year ended 31st December, 2002 will be Thursday, 15th May, 2003. Shareholders are reminded that in order to qualify for the proposed final dividend and special dividend for the year ended 31st December, 2002, all transfers of Shares accompanied by the relevant share certificate and transfer forms must be lodged with the Company’s Hong Kong branch share registrar, Secretaries Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 15th May, 2003.

THE REPURCHASE MANDATE

On pages 52 to 54 of the annual report of the Company in respect of the financial year ended 31st December, 2002 is the notice of the Annual General Meeting. At the Annual General Meeting, and as part of the special business of that meeting, an ordinary resolution will be proposed to grant the Repurchase Mandate to the Directors.

THE GENERAL MANDATE

The Directors have no immediate plans to issue any new Shares other than Shares which may fall to be issued under the share option scheme of the Company which may be approved by the shareholders of the Company.

ACTION TO BE TAKEN

Whether or not you intend to attend the Annual General Meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon not less than 48 hours before the time appointed for holding the Annual General Meeting. The return of a form of proxy will not preclude you from attending and voting in person if you so wish.

RECOMMENDATION

The Directors believe that the Repurchase Mandate and the General Mandate to issue and allot new Shares is in the best interests of the Company and its shareholders. The Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its net assets and/or earnings per Share and will only be made when the Directors believe that a repurchase of Shares will benefit the Company and its shareholders.

An exercise of the Repurchase Mandate in full could have a material adverse impact on the working capital and gearing position of the Company compared with that as at 31st December, 2002, being the date of its latest audited consolidated financial statements. The Directors do not, however, intend to make any repurchase in circumstances that would have a material adverse impact on the working capital or gearing of the Company.

The Directors believe that an exercise of the General Mandate to issue and allot new Shares will enable the Company to take advantage of market conditions to raise additional capital for the Company.

Accordingly, the Directors recommend that all shareholders should vote in favour of the Repurchase Mandate and the General Mandate to issue and allot new Shares.

Yours faithfully
For and on behalf of
the board of directors of
PME GROUP LIMITED
Cheng Kwok Woo
Chairman

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to you for your consideration of the Repurchase Mandate.

1. REPURCHASE OF SECURITIES FROM CONNECTED PARTIES

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a “connected person”, that is, a director, chief executive or substantial shareholder of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules) and a connected person is prohibited from knowingly selling his securities to the company.

No connected person of the Company has notified the Company that he has a present intention to sell any securities to the Company nor has any such connected person undertaken not to sell any of the securities held by him to the Company in the event that the Repurchase Mandate is passed.

2. SHARE CAPITAL

As at 22nd April, 2003, being the latest practicable date prior to the printing of this document (the “**Latest Practicable Date**”), the issued share capital of the Company comprised 800,000,000 Shares.

Subject to the passing of the proposed resolution for the approval of the Repurchase Mandate and on the basis that no Shares are issued or repurchased by the Company prior to the Annual General Meeting, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 80,000,000 Shares.

3. REASONS FOR THE REPURCHASE

The Directors believe that the Repurchase Mandate is in the best interests of the Company and its shareholders. An exercise of the Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset per share and/or earnings per Share and will only be made when the Directors believe that a repurchase will benefit the Company and its shareholders.

4. FUNDING OF REPURCHASES

Pursuant to the Repurchase Mandate, repurchase would be funded entirely from the Company’s available cash flow or working capital facilities which will be funds legally available under Cayman Islands law and the memorandum and articles of associations of the Company for the purpose.

An exercise of the Repurchase Mandate in full could have a material adverse impact on the working capital and gearing position of the Company compared with that as at 31st

December, 2002, being the date of its latest audited consolidated financial statements. The Directors do not, however, intend to make any repurchase in circumstances that would have a material adverse impact on the working capital or gearing position of the Company.

5. SHARE PRICES

The highest and lowest closing prices at which the Shares have traded on the Stock Exchange during each of the previous six months since 13th November, 2002 (the date of listing) are as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
November, 2002	0.345	0.300
December, 2002	0.380	0.275
January, 2003	0.370	0.350
February, 2003	0.435	0.355
March, 2003	0.450	0.285
April, 2003 (up to the Latest Practicable Date)	0.370	0.280

6. DISCLOSURE OF INTERESTS AND MINIMUM PUBLIC HOLDING

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, their associates, have any present intention to sell to the Company or its subsidiaries any of the Shares if the Repurchase Mandate is approved at the Annual General Meeting and exercised.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the Listing Rules and applicable laws of the Cayman Islands.

If a shareholder's proportionate interest in the voting rights of the Company increases on the Company exercising its powers to repurchase securities pursuant to the Repurchase Mandate, such increase will be treated as an acquisition for the purposes of Rule 32 of the Hong Kong Code of Takeovers and Mergers (the "**Takeovers Code**"). As a result, a shareholder or group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, the following substantial shareholders of the Company are interested in more than 10 per cent. of the Shares then in issue:

Name	Number of Shares	Approximate percentage of holding
PME Investments (BVI) Co., Ltd. (<i>Note 1</i>)	358,328,000	44.79%
Mr Cheng Kwok Woo (<i>Note 2</i>)	412,728,000	51.59%
Mr Cheng Kwong Cheong (<i>Note 2</i>)	412,728,000	51.59%
Ms Cheng Wai Ying (<i>Note 2</i>)	412,728,000	51.59%

Notes:

1. PME Investments (BVI) Co., Ltd. is an investment holding company incorporated in the British Virgin Islands and its entire issued share capital is beneficially owned as to one-third by each of Mr Cheng Kwok Woo, Mr Cheng Kwong Cheong and Ms Cheng Wai Ying.
2. Each of Mr Cheng Kwok Woo, Mr Cheng Kwong Cheong and Ms Cheng Wai Ying personally holds 54,400,000 Shares, being 6.8% of the entire issued share capital of the Company. Each of them is further beneficially interested in one-third of PME Investments (BVI) Co., Ltd. and is accordingly deemed to be interested in the entire interests of PME Investments (BVI) Co., Ltd. in the Company.

In the event that the Directors exercise in full the power to repurchase Shares in accordance with the Repurchase Mandate, the total interests of the above shareholders of the Company in the Shares would be increased to:

Name	Approximate percentage of holding
PME Investments (BVI) Co., Ltd.	49.77%
Mr Cheng Kwok Woo	57.32%
Mr Cheng Kwong Cheong	57.32%
Ms Cheng Wai Ying	57.32%

The Directors are not aware of any consequences which may arise under the Takeover Code as consequences of any purchase made under the Repurchase Mandate. However, the Company may not repurchase Shares which would result in the amount of Shares held by the public being reduced to less than 25 per cent..

As Mr Cheng Kwok Woo, Mr Cheng Kwong Cheong and Ms Cheng Wai Ying are considered as parties acting in concert, an exercise of the Repurchase Mandate in full will not result in them becoming obliged to make a mandatory offer under Rule 26 of the Takeovers Code. The Directors have no intention to exercise the Repurchase Mandate to such an extent that will result in the number of shares in the hands of public falling below the prescribed minimum percentage of 25 per cent..

7. SHARES REPURCHASE MADE BY THE COMPANY

The Company had not repurchased any of its Shares (whether on the Stock Exchange or otherwise) during the six calendar months immediately preceding the date of this document.