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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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*If you are in any doubt about any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.*

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

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.*

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**PME GROUP LIMITED**

**必美宜集團有限公司\***

(Incorporated in the Cayman Islands with limited liability)

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

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A notice convening an extraordinary general meeting of PME Group Limited to be held at 5th Floor, Unison Industrial Centre, Nos. 27-31, Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong on 8th March 2004 at 11:00 a.m. is set out on page 10 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to Secretaries Limited, the branch share registrar of the Company in Hong Kong, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not prevent you from attending and voting at the meeting if you so wish.

\* for identification purposes only

18th February 2004

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## DEFINITIONS

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

“Company”	PME Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on 8th March 2004 to consider and, if thought fit, to approve the grant of the General Mandate and the Repurchase Mandate
“General Mandate”	the general mandate proposed to be granted to the Directors at the EGM to issue further new Shares not exceeding 20% of the issued share capital of the Company
“Group”	the Company and its subsidiaries
“Latest Practicable Date”	16th February 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	Rules governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of 160,000,000 Shares pursuant to the Placing Agreement
“Placing Agreement”	the placing agreement dated 27th January 2004 entered into between the Vendor and China Everbright Securities (HK) Limited in relation to the Placing
“Placing Shares”	160,000,000 Shares to be placed pursuant to the Placing
“Previous General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 23rd May 2003 to issue new Shares not exceeding 20% of the then issued share capital of the Company
“Previous Repurchase Mandate”	the repurchase mandate granted to the Directors at the annual general meeting of the Company held on 23rd May 2003 to repurchase a maximum of 80,000,000 Shares

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## DEFINITIONS

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“Repurchase Mandate”	the repurchase mandate proposed to be granted to the Directors at the EGM to repurchase up to 10% of the issued share capital of the Company
“Shareholders”	holders of the Shares
“Shares”	shares in the Company of HK\$0.01 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of 160,000,000 new Shares by the Vendor pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 27th January 2004 entered into between the Vendor and the Company for the subscription of 160,000,000 new Shares by the Vendor
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Vendor”	PME Investments (BVI) Co., Ltd., a company incorporated in the British Virgin Islands with limited liability

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LETTER FROM THE BOARD

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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  
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

*Non-executive Directors:*

Mr. Woo Charles  
Mr. Zheng Jin Hong

*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

*Independent Non-executive Directors:*

Mr. Anthony Francis Martin Conway  
Mr. Li Kin, Kent

18th February 2004

*To the shareholders of the Company,*

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

Dear Sir or Madam,

**INTRODUCTION**

On 28th January 2004, the Directors announced that the Vendor entered into the Placing Agreement with China Everbright Securities (HK) Limited to place 160,000,000 existing Shares at HK\$0.45 per Share and the Vendor entered into the Subscription Agreement with the Company to subscribe for 160,000,000 new Shares of the Company at HK\$0.45 per Share. All the Placing Shares have been placed under the Placing Agreement and completion of the Placing took place on 2nd February 2004. Completion of the Subscription also took place on 10th February 2004.

160,000,000 new Shares were issued and allotted pursuant to the Previous General Mandate which was granted to the Directors empowering them to allot and issue up to

\* for identification purposes only

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## LETTER FROM THE BOARD

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160,000,000 Shares (equivalent to 20% of the then issued share capital of the Company). The Previous General Mandate has been fully utilized pursuant to the Subscription and 160,000,000 Shares were allotted at a price of HK\$0.45 per Share, representing a discount of approximately 7.22% to the closing price of HK\$0.485 per Share as quoted on the Stock Exchange on 26th January 2004, being the last trading day of the Shares before the publication of the announcement relating to the Subscription, and a premium of approximately 1.93% over the average of the closing price of the Shares of HK\$0.4415 per Share as quoted on the Stock Exchange for the ten trading days up to and including 26th January 2004. Other than the Previous General Mandate, the Company had not granted any general mandate to the Directors for allotment of Shares during the past twelve months prior to the Latest Practicable Date.

As the Previous General Mandate has been fully utilized and in connection with the enlarged share capital of the Company as a result of the Subscription, the Directors will seek the approval of the Shareholders to grant the Directors the General Mandate and the Repurchase Mandate at the EGM.

Under the Listing Rules, the Company is required to give to its Shareholders all information which is reasonably necessary to enable the Shareholders to make an informed decision as to whether to vote for or against the resolution to grant to the Directors of the Repurchase Mandate. The explanatory statement required by the Listing Rules to be included in this circular is set out in the Appendix.

### **ACTION TO BE TAKEN**

Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon not later than 48 hours before the time appointed for holding the EGM. 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 proposed grant of the General Mandate and the Repurchase Mandate 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.

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## LETTER FROM THE BOARD

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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 the Shareholders should vote in favour of the Repurchase Mandate and the General Mandate.

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 the Latest Practicable Date, the issued share capital of the Company comprised 960,000,000 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 EGM, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 96,000,000 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 the Cayman Islands law and the memorandum and articles of associations of the Company for the purpose.

An exercise of the Repurchase Mandate in full at any time during the proposed purchase period 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 prices at which the shares of the Company traded on the Stock Exchange during each of the previous twelve months from February 2003 to February 2004 were as follows:

	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
<b>2003</b>		
February	0.435	0.355
March	0.455	0.285
April	0.395	0.280
May	0.400	0.380
June	0.375	0.310
July	0.315	0.300
August	0.315	0.290
September	0.435	0.290
October	0.560	0.390
November	0.540	0.475
December	0.485	0.400
<b>2004</b>		
January	0.540	0.410
February (up to the Latest Practicable Date)	0.485	0.435

**6. DISCLOSURE OF INTERESTS AND MINIMUM PUBLIC HOLDING**

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), have any present intention to sell to the Company or its subsidiaries any of the Shares if the Repurchase Mandate is approved by the Shareholders at the EGM and exercised.

The Directors have undertaken to the Stock Exchange that 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 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	37.32%
Mr. Cheng Kwok Woo ( <i>Note 2</i> )	412,728,000	42.99%
Mr. Cheng Kwong Cheong ( <i>Note 2</i> )	412,728,000	42.99%
Ms. Cheng Wai Ying ( <i>Note 2</i> )	412,728,000	42.99%

*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 approximately 5.67% 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.	41.47%
Mr. Cheng Kwok Woo	47.77%
Mr. Cheng Kwong Cheong	47.77%
Ms. Cheng Wai Ying	47.77%

The Directors are not aware of any consequences which may arise under the Takeover Code as a result 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 Previous Repurchase Mandate is the only repurchase mandate granted to the Directors during the twelve calendar months prior to the Latest Practicable Date. Neither had the Company repurchased any of its Shares (whether on the Stock Exchange or otherwise) during the six calendar months prior to the Latest Practicable Date nor had it repurchase any Shares pursuant to the Previous Repurchase Mandate.



**PME GROUP LIMITED**

**以美宜集團有限公司\***

(Incorporated in the Cayman Islands with limited liability)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (“EGM”) of PME Group Limited (the “Company”) will be held at 11:00 a.m. on 8th March 2004 at 5th Floor, Unison Industrial Centre, Nos. 27–31, Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong for the purpose of considering and, if thought fit, passing with or without modification the following resolutions of the Company:

**1. ORDINARY RESOLUTION 1**

“**THAT:**

- (a) the general mandate granted to the directors of the Company (“Directors”) to exercise the powers of the Company to allot, issue and deal with shares of the Company (“Shares”) as approved by the shareholders of the Company at the annual general meeting of the Company held on 23rd May 2003 be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);
- (b) the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional Shares and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (c) the approval in paragraph (b) of this resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers after the end of the Relevant Period;
- (d) the aggregate nominal amount of share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (b) of this resolution, otherwise than pursuant to (i) a Rights Issue (as defined below), or (ii) an issue of Shares upon the exercise of the subscription rights attaching to any warrants of the Company, or (iii) an issue of Shares upon the exercise of options granted under any share option

\* *for identification purposes only*

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares, or (iv) any scrip dividend or similar arrangement of the Company providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution and the said approval shall be limited accordingly; and

(e) for the purpose of this resolution:

“Relevant Period” means the period from the date of passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;  
or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Cayman Islands law or the Articles of Association of the Company or any other applicable law to be held; or
- (iii) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of Shares open for a period fixed by the Directors to holders of Shares or any class thereof whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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### 2. ORDINARY RESOLUTION 2

“THAT:

- (a) the general mandate granted to the directors of the Company (“Directors”) to exercise the powers of the Company to repurchase shares of the Company (“Shares”) as approved by the shareholders of the Company at the annual general meeting of the Company held on 23rd May 2003 be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);
- (b) the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to repurchase Shares on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) or on any other stock exchange on which the Shares may be listed and which is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time or those of any other stock exchange, be and is hereby generally and unconditionally approved;
- (c) the aggregate nominal amount of Shares which may be repurchased by the Company pursuant to paragraph (b) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

“Relevant Period” means the period from the date of passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;  
or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Cayman Islands law or the Articles of Association of the Company or any other applicable law to be held; or
- (iii) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meeting.”

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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### 3. ORDINARY RESOLUTION 3

“**THAT** subject to the passing of ordinary resolutions numbered 1 and 2 and their becoming unconditional, the general mandate granted to the Directors and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional shares of the Company (“Shares”) pursuant to resolution numbered 1 be and is hereby extended by the addition to the aggregate nominal amount of the Shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the Shares repurchased by the Company under the authority granted pursuant to resolution numbered 2, provided that such extended amount shall not exceed 10% of the share capital of the Company in issue as at the date of passing this resolution.”

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

Hong Kong, 18th February 2004

*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

*Notes:*

- (1) A member of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company but must be present in person to represent the member. A form of proxy for use at the meeting is enclosed herewith.
- (2) To be valid, the form of proxy together with any power of attorney or other authority under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Hong Kong branch share registrar of the Company, Secretaries Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 48 hours before the time appointed for holding the EGM.
- (3) Completion and return of the form of proxy will not preclude members from attending and voting at the EGM if you so wish.