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If you are in any doubt as to 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 (the “**Company**”), you should at once hand this circular 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 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)

(Stock Code: 379)

DISCLOSEABLE TRANSACTION

A letter from the board of directors of the Company is set out on pages 4 to 9 of this circular.

* *for identification purpose only*

8 January 2008

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions shall have the following meanings when used herein:

“Acquisition”	the acquisition by the Purchaser of the Sale Shares subject to and upon the terms and conditions of the Sale and Purchase Agreement
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors from time to time
“Business Day”	a day (other than a Saturday, a Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“China Railway”	China Railway Logistics Limited, a company incorporated in Bermuda and the issued China Railway Shares are listed on GEM
“China Railway Shares”	ordinary shares of HK\$0.001 each in the share capital of China Railway
“Company”	PME Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the Sale and Purchase Agreement, which has taken place on 19 December 2007
“Consideration”	the aggregate consideration of HK\$284,000,000 for the Acquisition
“Deposit”	the refundable deposit of HK\$284,000,000 paid by the Purchaser to the Vendor (or its nominee) upon entering into of the Sale and Purchase Agreement
“Directors”	directors of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries

DEFINITIONS

“Guarantor”	Mr. Chan Foo Wing, the ultimate beneficial owner of the Vendor
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	the counterparty and its ultimate beneficial owners being third parties independent of the Company and connected persons (as defined under the Listing Rules) of the Company
“Latest Practicable Date”	4 January 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	Sunbright Asia Limited, being the purchaser named in the Sale and Purchase Agreement, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale and purchase agreement dated 17 December 2007 and entered into between the Vendor, the Purchaser and Guarantor for the sale and purchase of the Sale Shares
“Sale Shares”	71,000,000 issued China Railway Shares, representing approximately 14.51% of the entire issued share capital of China Railway, which are fully paid up or credited as fully paid and are beneficially owned by the Vendor
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Vendor”	Shellybeach Investments Limited, a company incorporated in the British Virgin Islands with limited liability and the entire issued share capital of which is wholly and beneficially owned by Sino Trine Enterprise Limited, which in turn, is wholly and beneficially owned by the Guarantor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



PME GROUP LIMITED

必美宜集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 379)

Executive Directors:

Mr. Cheng Kwok Woo

Mr. Cheng Kwong Cheong

Ms. Yeung Sau Han Agnes

Ms. Chan Shui Sheung Ivy

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Independent non-executive Directors:

Mr. Leung Yuen Wing

Mr. Soong Kok Meng

Mr. Chow Fu Kit Edward

*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

Hong Kong

8 January 2008

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

Reference is made to the announcement of the Company dated 18 December 2007 in which the Board announced that on 17 December 2007, the Purchaser, a wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor and the Guarantor in relation to the Acquisition of the Sale Shares by the Purchaser from the Vendor for the Consideration. Reference is also made to the announcement of the Company dated 19 December 2007 in which the Board announced that the Acquisition for the Sale Shares by the Purchaser was completed on 19 December 2007.

* for identification purpose only

LETTER FROM THE BOARD

The Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with further details regarding the Acquisition.

SALE AND PURCHASE AGREEMENT

Date: 17 December 2007

Parties: (1) the Vendor;
(2) the Purchaser; and
(3) the Guarantor.

The Vendor is incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holdings. The entire issued share capital of the Vendor is wholly and beneficially owned by Sino Trine Enterprise Limited, which in turn, is wholly and beneficially owned by the Guarantor.

The Guarantor is a merchant and the ultimate beneficial owner of the Vendor.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owner is an Independent Third Party. Each of the Vendor and its ultimate beneficial owner did not hold any Shares or other securities in the Company as at the Latest Practicable Date.

The Purchaser, a wholly owned subsidiary of the Company, is incorporated in the British Virgin Islands and is principally engaged in investment holdings.

Assets acquired:

Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to acquire the Sale Shares comprising an aggregate of 71,000,000 China Railway Shares of HK\$0.001 each in the issued share capital of China Railway, representing about 14.51% of the entire issued share capital of China Railway as at the date of the Sale and Purchase Agreement and approximately 74.74% of the entire shareholding interests held by the Vendor in China Railway immediately prior to the entering into of the Sale and Purchase Agreement. Immediately prior to the entering into of the Sale and Purchase Agreement, the Vendor beneficially owned an aggregate of 95,000,000 China Railway Shares. Immediately after Completion, the Vendor continues to hold an aggregate of 24,000,000 China Railway Shares.

China Railway is incorporated in Bermuda with limited liability and the issued China Railway Shares (including the Sale Shares) are listed on GEM.

LETTER FROM THE BOARD

Under the Sale and Purchase Agreement, the Purchaser is not subject to any restriction on further sale of the Sale Shares.

Consideration:

The Consideration for the Acquisition is HK\$284,000,000, which has been satisfied by the Purchaser in cash at the time of the entering into of the Sale and Purchase Agreement as refundable Deposit.

As disclosed in the announcement of the Company dated 19 December 2007, Completion has taken place on 19 December 2007 in accordance with the terms and conditions of the Sale and Purchase Agreement. The Deposit has been accordingly applied to settle the Consideration at Completion.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the closing prices of China Railway Shares as quoted on the Stock Exchange immediately before the entering into of the Sale and Purchase Agreement. In view that the consideration for each Sale Share represents a discount to the recent trading prices of China Railway Shares, the Directors consider that the terms of the Consideration are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Sale Shares:

The consideration for each Sale Share is equivalent to HK\$4.00 per Sale Share, representing:

- (a) a discount of approximately 7.62% to the closing price of HK\$4.33 per China Railway Share as quoted on the Stock Exchange on 17 December 2007, being the last trading day of the Shares immediately before the entering into of the Sale and Purchase Agreement;
- (b) a discount of approximately 11.11% to the average of the closing prices of HK\$4.5 per China Railway Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 17 December 2007, being the last trading day of the Shares immediately before the entering into of the Sale and Purchase Agreement; and
- (c) a premium of approximately 28.21% over the closing price of HK\$3.12 per China Railway Share as quoted on the Stock Exchange on 4 January 2008, being the Latest Practicable Date.

Based on the closing price of HK\$4.33 per China Railway Share as quoted on the Stock Exchange on 17 December 2007, being the last trading day of the Shares immediately before the entering into of the Sale and Purchase Agreement, the market capitalisation of the Sale Shares amounts to approximately HK\$307,430,000.

LETTER FROM THE BOARD

The Sale Shares represent approximately 14.51% of the existing issued share capital of China Railway and approximately 74.74% of the entire shareholding interests held by the Vendor in China Railway immediately prior to the entering into of the Sale and Purchase Agreement. Immediately following Completion, the Company has become a substantial shareholder of China Railway based on the existing issued share capital of China Railway.

Conditions:

Completion of the Sale and Purchase Agreement is conditional upon the satisfaction of the following:

- (a) the warranties given by the Vendor under the Sale and Purchase Agreement in relation to, among other matters, the ownership of the Sale Shares, remaining true, accurate and complete in all material respects;
- (b) all necessary consents and approvals required to be obtained on the part of the Vendor and the Guarantor in respect of the Sale and Purchase Agreement and the transactions contemplated hereby having been obtained; and
- (c) if necessary, the passing by the Shareholders at a general meeting of the necessary resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereby.

Save for conditions (b) and (c), which are incapable of being waived, the Purchaser may at any time waive in writing the condition (a) set out above. If the conditions are not fulfilled (or as the case may be, waived by the Purchaser) on or before 4:00 p.m. on 29 February 2008 (or such later date as the parties to the Sale and Purchase Agreement may agree), the Sale and Purchase Agreement shall cease and determine and thereafter neither party to the Sale and Purchase Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Completion:

Completion would take place on the next Business Day after the fulfillment (or waiver) of the conditions (or such other date as the parties to the Sale and Purchase Agreement may agree) mentioned above.

As disclosed in the announcement of the Company dated 19 December 2007, Completion has taken place on 19 December 2007 in accordance with the terms and conditions of the Sale and Purchase Agreement.

Immediately after Completion, the Company is interested in approximately 14.51% of the issued share capital of China Railway and has become a substantial shareholder (as defined in the Listing Rules) of China Railway. The Company will treat the Sale Shares as long term investment. Although it is not provided in the Sale and Purchase Agreement, subject to the approval of the board and the shareholders of China Railway in accordance with its relevant constitutional documents, the Company may propose to nominate persons to the board of directors of China Railway to reflect its interests in China Railway.

LETTER FROM THE BOARD

INFORMATION ON CHINA RAILWAY

China Railway is a company incorporated in Bermuda with limited liability which together with its subsidiaries engaged principally in the design, development and sale of value-added telecommunication products and computer telephony products focusing on business applications and logistic transportation. China Railway's telecommunications products target telecommunications carriers and services providers while its computer telephony products are marketed mostly to corporate customers in different industries. China Railway is a company listed on the GEM of the Stock Exchange.

Reference is also made to the announcement and the circular of China Railway dated 22 March 2007 and 25 May 2007 respectively, in which China Railway announced that it would tap into the field of the logistic transportation in the PRC through the acquisition of Eternity Profit Investments Limited. Upon completion of the acquisition, China Railway intends to enter into logistic business that involves purchases of cargo trains and management and operation of railway transportation and related logistics business in the PRC. As disclosed in the 2007 first quarterly report of China Railway, in view of the ongoing reforms and consolidation in the IT and telecom industry, China Railway has decided to gradually exit the market to focus on the existing business in the field of logistics transportation.

As disclosed in the audited consolidated financial statements of China Railway, the turnover, net loss before taxation and net loss after taxation for the financial year ended 31 December 2005 were approximately HK\$20,982,000, HK\$1,764,000 and HK\$1,764,000 respectively. As disclosed in the audited consolidated financial statements of China Railway, the turnover, net loss before taxation and net loss after taxation for the year ended 31 December 2006 were approximately HK\$11,880,000, HK\$3,611,000 and HK\$3,611,000 respectively.

The audited consolidated total assets and net assets of China Railway as at 31 December 2006 were approximately HK\$19,526,000 and HK\$15,984,000 respectively.

REASONS FOR THE ACQUISITION

The Group is principally engaged in manufacturing and trading of polishing materials and equipments.

As the economy in the PRC has undergone a continuous growth over the past few years, the Directors believe that there are great potentials in various areas of business in the PRC, including the logistic transportation business in the PRC. In this regard, the Directors are of the opinion that there are huge growth potentials in the logistic business of China Railway in the PRC.

The Group intends to hold the Sale Shares as long term investment. As the China Railway Shares are listed on the GEM of the Stock Exchange, the Group is able to realise the investments in the Sale Shares in the open market, which represents an efficient mean for the realisation of the investments in the Sale Shares.

LETTER FROM THE BOARD

The Directors consider that the value of investments in a company lies in its future potential growth, which in turn depends on the future prospects and potential of the underlying company. Given that it is an unprecedented opportunity for China Railway, a non-PRC party, to enter into the railway transportation and logistic business in the PRC, China Railway has demonstrated its growing potential with the successful fund raising exercises in which various institutional investors have invested for more than HK\$1 billion in China Railway since the beginning of the year of 2007. Based on above, the Directors believe that the upside potential for the investment in China Railway will be promising.

Although the Company only holds approximately 14.51% of shareholdings in China Railway immediately after Completion, the Directors consider that the value of the Sale Shares will steadily grow in parallel with the development of the railway logistic transport business of China Railway in future.

In view of the growing potential of China Railway, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE ACQUISITION

Immediately after Completion, the net asset value of the Group would remain materially unchanged as the increase in the non-current assets as a result of the Acquisition of the Sale Shares would be offset by the corresponding decrease in current assets as a result of the payment of the cash Consideration. There is no other significant effect to the earnings and liabilities of the Group immediately after Completion as a result of the Acquisition of the Sale Shares by the Group.

LISTING RULES IMPLICATION

The Acquisition constitutes a discloseable transaction on the part of the Company under Rule 14.06 of the Listing Rules.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
On behalf of the Board
PME Group Limited
Cheng Kwok Woo
Chairman

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Name of Director	Number or attributable number of Shares held or short positions	Nature of interests Interest of controlled corporation	Beneficial owner	Approximate percentage or attributable percentage of shareholding (%)
Mr. Cheng Kwok Woo	372,838,000 (L)	318,438,000 (Note 1)	54,400,000	23.32
Mr. Cheng Kwong Cheong	372,838,000 (L)	318,438,000 (Note 1)	54,400,000	23.32
Ms. Yeung Sau Han Agnes	15,000,000 (L)	–	15,000,000 (Note 2)	0.94
Ms. Chan Shui Sheung Ivy	15,000,000 (L)	–	15,000,000 (Note 2)	0.94

L: Long Position

Notes:

1. These Shares are held by PME Investments (BVI) Co., Ltd. (“PME Investments”), a company incorporated in the British Virgin Islands. The entire issued share capital of PME Investment is beneficially owned as to one-third by each of Mr. Cheng Kwok Woo, Mr. Cheng Kwong Cheong and Ms. Cheng Wai Ying. Each of Mr. Cheng Kwok Woo and Mr. Cheng Kwong Cheong personally holds 54,400,000 Shares.
2. The interests in Shares represent the Shares to be allotted and issued upon the exercise of the share options granted to Ms. Yeung Sau Han Agnes and Ms. Chan Shui Sheung Ivy under the share option scheme of the Company respectively.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Enlarged Group:

Name of Shareholder	Number or attributable number of Shares held or short positions	Nature of interests	Approximate percentage or attributable percentage of shareholding (%)
PME Investments (<i>Note 1</i>)	318,438,000 (L)	Beneficial owner	19.92
Ms. Cheng Wai Ying (<i>Note 2</i>)	318,438,000 (L) 34,400,000 (L)	Interest of Corporation Beneficial owner	22.07

Name of Shareholder	Number or attributable number of Shares held or short positions	Nature of interests	Approximate percentage or attributable percentage of shareholding (%)
Ms. Tsang Sui Tuen (Note 3)	372,838,000 (L)	Interest of spouse	23.32
Ms. Wan Kam Ping (Note 4)	372,838,000 (L)	Interest of spouse	23.32
Mr. Cheng Yau Kuen (Note 5)	352,838,000 (L)	Interest of spouse	22.07

L: Long Position

Notes:

1. PME Investments 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. Ms. Cheng Wai Ying personally holds 34,400,000 Shares.
3. Ms. Tsang Sui Tuen is the spouse of Mr. Cheng Kwok Woo and is accordingly deemed to have interests in these Shares that Mr. Cheng Kwok Woo has interests in.
4. Ms. Wan Kam Ping is the spouse of Mr. Cheng Kwong Choeng and is accordingly deemed to have interests in these Shares that Mr. Cheng Kwong Cheong has interests in.
5. Mr. Cheng Yau Kuen is the spouse of Ms. Cheng Wai Ying and is accordingly deemed to have interests in these Shares that Ms. Cheng Wai Ying has interests in.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Enlarged Group.

As at the Latest Practicable Date, save as disclosed, none of the Directors was a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. MISCELLANEOUS

- (a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is located at 5th Floor, Unison Industrial Centre, Nos. 27-31 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong.
- (c) Tricor Secretaries Limited, the transfer office of the Company in Hong Kong, is located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The company secretary of the Company is Mr. Li Chak Hung, *CPA, FCCA*. The qualified accountant of the Company is Ms. Yip Chui Ling, *CPA, FCCA*.
- (e) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.