

---

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

---

**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, 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.

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 on the whole or any part of the contents of this circular.

---



**PME GROUP LIMITED**

**必美宜集團有限公司\***

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 379)

**DISCLOSEABLE TRANSACTIONS**

---

A letter from the board of directors of PME Group Limited is set out on pages 3 to 8 of this circular.

\* *for identification purpose only*

5 June 2008

---

# CONTENTS

---

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	3
<b>Appendix - General information</b> .....	9

---

## DEFINITIONS

---

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

“associates”	has the meaning ascribed to this term under the Listing Rules
“Betterment”	Betterment Enterprises Limited, a company incorporated in the British Virgins Islands
“Betterment Shares”	issued shares of US\$1.0 each in the share capital of Betterment
“Board”	the board of Directors from time to time
“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
“Consideration”	the aggregate consideration of HK\$64,045,337 for the Subscription
“Conversion”	exercise of the conversion right under the Convertible Bond
“Convertible Bond”	the HK\$64 million convertible bond issued by Betterment to the Subscriber
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	third party independent of the Company and connected persons (as defined under the Listing Rules) of the Company
“Latest Practicable Date”	3 June 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

---

## DEFINITIONS

---

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Subscriber”	Richcom Group Limited, being the Subscriber named in the Subscription Agreement, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
“Subscription Agreement”	the Subscription agreement dated 11 February 2008 and entered into between the Subscriber and Betterment
“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
“Then Shareholder”	Mr. Christian Emil Toggenburger, the sole shareholder of Betterment as at the date of the Subscription Agreement
“ZZNode”	ZZNode Technologies Company Limited, a company incorporated in the Cayman Islands, the issued shares of which are listed on the main board of the Stock Exchange
“ZZNode Shares”	issued shares of HK\$0.1 each in the share capital of ZZNode
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.



## **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

Mr. Tin Ka Pak

*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:*

5th Floor, Unison Industrial Centre

Nos. 27 – 31 Au Pui Wan Street

Fo Tan, Shatin

Hong Kong

5 June 2008

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSABLE TRANSACTIONS**

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 12 March 2008 in which the Board announced that on 11 February 2008 the Subscriber, a wholly owned subsidiary of the Company, entered into a Subscription Agreement with Betterment and the Convertible Bond was issued to the Subscriber on 15 February 2008. On 19 February 2008 and 25 February 2008, the Subscriber exercised the conversion rights under the Convertible Bond and converted the Convertible Bond into 51 and 9,898 shares of Betterment respectively.

The Subscription Agreement and Conversion constitute discloseable transactions on the part of the Company under Chapter 14 of the Listing Rules.

\* for identification purpose only

---

## LETTER FROM THE BOARD

---

The purpose of this circular is to provide you with further details regarding the Subscription and Conversion.

### SUBSCRIPTION AGREEMENT

**Date:** 11 February 2008

**Parties:** (1) the Subscriber;  
(2) Betterment

Betterment is incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holdings.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Betterment and its ultimate beneficial owner is an Independent Third Party.

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

### Principal Terms of the Convertible Bond

The Convertible Bond was issued to the Subscriber on 15 February 2008

Principal	HK\$64,000,000
Maturity	First anniversary after the issue of the Convertible Bond
Interest	12% interest per annum
Conversion period	On or before 30 June 2008
Redemption	Betterment may at any time and from time to time purchase the Convertible Bond at any price mutually agreed by Betterment and the Subscriber.
Conversion	9,949 Betterment Shares to be issued which represents 99.49% of the enlarged share capital of Betterment.
Transferability	The Convertible Bond may not be assigned or transferred in whole or in part except with the prior written consent of Betterment (whose consent shall not be unreasonably withheld).

---

## LETTER FROM THE BOARD

---

### **Consideration:**

The total Consideration for the Subscription Agreement is HK\$64,045,337, which has been satisfied by the Subscriber in lieu of a loan (“Loan”) advanced to Betterment on 21 January 2008 with the outstanding amount of HK\$64,045,337 as at the date of the Subscription Agreement. The total Consideration of HK\$64,045,337 represents the total amount of outstanding principal and interest due from Betterment to the Subscriber as at the date of the Subscription Agreement on which, Betterment is interested in 198,624,108 ZZNode Shares with a market value of approximately HK\$139 million based on the market price of HK\$0.70. The Directors considered that total Consideration of the Convertible Bond which may be converted into 99.49% of the share capital of Betterment is a fair value to the Company.

### **CONVERSIONS**

As at the date of the Subscription Agreement, 51 Betterment Shares were issued. On 19 February 2008 and 25 February 2008, the Subscriber exercised the conversion rights under the Convertible Bond and converted the HK\$328,073 and HK\$63,671,927 Convertible Bond into 51 and 9,898 Betterment Shares respectively.

As at the date of the announcement dated 12 March 2008, save for the 118,624,108 ZZNode Shares held by Betterment, representing 29.29% of the entire issued share capital of ZZNode, the Company, the Subscriber and parties acting in concern with any of them are not interested in the shares of ZZNode.

### **INFORMATION OF BETTERMENT**

Betterment is incorporated in the British Virgin Islands and the entire asset of Betterment is 198,624,108 ZZNode Shares which represents approximately 50.28% and 49.04% respectively of the issued share capital of ZZNode as at 11 February 2008 and 19 February 2008. On 20 February 2008 Betterment disposed 80,000,000 ZZNode Shares in open market. As the 80,000,000 ZZNode Shares were disposed in the open market through the Stock Exchange trading terminal, the Directors have no knowledge to whom the ZZNode Shares were disposed of. To the best knowledge of the Directors, the ZZNode Shares were not acquired by connected persons of the Company.

After the disposal, Betterment is interested in 118,624,108 ZZNode Shares which represents approximately 29.29% of the issued share capital of ZZNode. ZZNode, incorporated in the Cayman Islands with limited liability, is an investment holding company and its issued shares are listed on the main board of the Stock Exchange. ZZNode and its subsidiaries were principally engaged in the development and provision of telecommunications operational support system products and solutions and the sale of third party and self developed software and hardware in the PRC.

---

## LETTER FROM THE BOARD

---

As at the date of the Subscription Agreement, the issued share capital of Betterment was 51 Shares which are wholly owned by the Then Shareholder who is an Independent Third Party. Betterment is newly incorporated on 5 July 2007 and has no business activities save as holding the ZZNode Shares. The unaudited net deficit of Betterment as at 19 January 2008 was HK\$8,821,802 and the unaudited net loss of Betterment for the period from incorporation to 19 January 2008 was HK\$8,822,200. Betterment was referred to the Company by the then financial adviser of Betterment, Partners Capital International Limited.

To the best knowledge of the Directors and as at the date of the Subscription Agreement, save for provision of loan to Betterment by the Subscriber, there was neither existing nor previous business relationship between the Company, the Subscriber and Betterment.

### INFORMATION OF ZZNODE

ZZNode, a company incorporated in the Cayman Islands, the issued shares of which are listed on the main board of the Stock Exchange. The audited net asset value of ZZNode as at 31 December 2006 and 2007 are RMB136,635,553 and RMB119,386,870 respectively. The audited net profit of ZZNode for the year ended 31 December 2006 and the audited net loss of ZZNode for the year ended 31 December 2007 are RMB12,357,589 and RMB19,457,177 respectively.

### REASONS FOR THE SUBSCRIPTION AND CONVERSION

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

The Subscriber advanced the Loan to Betterment on 21 January 2008 as provision of financial assistance to Betterment. The Subscriber entered into the Subscription Agreement in view for protection of its interest in the Loan advanced to Betterment. Upon the Subscriber was aware of the uncertainty in Betterment repaying the Loan, the Subscriber exercised the Convertible Bond in order to protect its interest in the Loan. In view of above reasons, the Directors (including the independent non-executive Directors) consider that the Subscription Agreement and the Conversion are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Directors are of the view that Betterment does not treat its investment in ZZNode as a long term investment. This has been demonstrated by Betterment's subsequent disposal of 80,000,000 ZZNode Shares within a short time span after the completion of the acquisition of 198,624,108 ZZNode Shares.

The Conversion is a consequential event arising from the Loan and the existing 118,624,108 ZZNode Shares held through Betterment will not be treated as a long term investment by the Company. The Company will account for ZZNode as held-for-trading investments under current assets.



## LETTER FROM THE BOARD

The shareholding structure of Betterment before and after full conversion of the Convertible Bond is set out as follows:

	<b>Shareholding structure before full conversion of the Convertible Bond</b>		<b>Shareholding structure after full conversion of the Convertible Bond</b>	
	<i>Number of shares held</i>	<i>% of total issued shares</i>	<i>Number of shares held</i>	<i>% of total issued shares</i>
<b>Then Shareholder Subscriber</b>	51 0	100% 0%	51 9,949	0.51% 99.49%
<b>Total</b>	<u>51</u>	<u>100%</u>	<u>10,000</u>	<u>100%</u>

The shareholding structure of ZZNode before and after full conversion of the Convertible Bond is set out as follows:

	<b>Shareholding structure before full conversion of the Convertible Bond</b>		<b>Shareholding structure after full conversion of the Convertible Bond</b>	
	<i>Number of shares held</i>	<i>% of total issued shares</i>	<i>Number of shares held</i>	<i>% of total issued shares</i>
<b>Betterment New Wingo Investments Limited</b>	118,624,108	29.29%	118,624,108	29.29%
<i>(Note)</i>	22,187,000	5.48%	22,187,000	5.48%
<b>Public</b>	<u>264,188,892</u>	<u>65.23%</u>	<u>264,188,892</u>	<u>65.23%</u>
<b>Total</b>	<u>405,000,000</u>	<u>100%</u>	<u>405,000,000</u>	<u>100%</u>

*Note:* New Wingo Investments Limited is wholly owned by Ms. Hu Rong, a former executive director of ZZNode and her resignation of executive director of ZZNode was with effect from 20 February 2008.

### FINANCIAL EFFECTS OF THE SUBSCRIPTION AGREEMENT AND CONVERSION

The Subscription Agreement has no financial effect on the earnings, assets and liabilities of the Group.

---

## LETTER FROM THE BOARD

---

Immediately after the Conversion, the net asset value of the Group would remain materially unchanged as the increase in current assets as a result of the Conversion would be offset by the corresponding decrease in the current assets as a result of the decrease in loan receivable. There is no other significant effect to the earnings and liabilities of the Group immediately after the Conversion.

### **LISTING RULES IMPLICATION**

The Subscription Agreement and Conversion constitute discloseable transactions on the part of the Company under Chapter 14 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		Approximate percentage or attributable percentage of shareholding (%)
		Interest of controlled corporation	Beneficial owner	
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 Investments 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 Group:

<b>Name of Shareholder</b>	<b>Number or attributable number of Shares held or short positions</b>	<b>Nature of interests</b>	<b>Approximate percentage or attributable percentage of shareholding (%)</b>
PME Investments (Note 1)	318,438,000 (L)	Beneficial owner	19.92

Name of Shareholder	Number or attributable number of Shares held or short positions	Nature of interests	Approximate percentage or attributable percentage of shareholding (%)
Ms. Cheng Wai Ying ( <i>Note 2</i> )	318,438,000 (L)	Interest of controlled corporation	22.07
	34,400,000 (L)	Beneficial owner	
Ms. Tsang Sui Tuen ( <i>Note 3</i> )	372,838,000 (L)	Interest of spouse	23.32
Ms. Wan Kam Ping ( <i>Note 4</i> )	372,838,000 (L)	Interest of spouse	23.32
Mr. Cheng Yau Kuen ( <i>Note 5</i> )	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 the 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 the 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 the 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 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 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.