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MEMORANDUM OF UNDERSTANDING

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

The Board announces that on 18 January 2010, Platinum Expert Limited, a wholly-owned subsidiary of the Company, and Excel Business Enterprises Limited entered into the Memorandum pursuant to which Excel Business Enterprises Limited and Platinum Expert Limited intend to become strategic partners to participate in the restructuring of the Target Company Group. Excel Business Enterprises Limited and Platinum Expert Limited intend to explore the possibility of setting up the JV Company with paid up capital of not less than HK\$500M to invest in the Holding Company.

This announcement is made by PME Group Limited (the “Company”) pursuant to Rule 13.09(1) of the Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

THE MEMORANDUM

The board of directors of the Company (the “Board”) announces that on 18 January 2010, Platinum Expert Limited, a wholly-owned subsidiary of the Company, and Excel Business Enterprises Limited entered into a strategic cooperation memorandum (the “Memorandum”) pursuant to which Excel Business Enterprises Limited and Platinum Expert Limited intend to become strategic partners to cooperate in the restructuring of the Target Company Group. Excel Business Enterprises Limited and Platinum Expert Limited intend to explore the possibility of setting up a joint venture company (the “JV Company”) with paid up capital of not less than HK\$500M to invest in the Holding Company (the “Proposed Investment”).

Excel Business Enterprises Limited is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. Its wholly-owned subsidiary (the “Holding Company”) proposed to invest in a company in Shanxi in the People’s Republic of China (the “Coal Company”). The Coal Company proposed to participate in the restructuring of approximately 30 coal mines, coal and nonferrous metal mineral resources companies (the “Target Company Group”). It is estimated that the total coke and coal production capacity of the Target Company Group will not be less than 20 million tons a year.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Excel Business Enterprises Limited and its ultimate beneficial owner(s) is a third party independent of the Company and its connected person (as defined under the Listing Rules).

Upon signing the Memorandum, Platinum Expert Limited shall be granted the exclusive right to conduct due diligence review (the "DD Review") to the Holding Company, the Coal Company and the Target Company Group for 180 days (or such a later date as agreed by Excel Business Enterprises Limited and Platinum Expert Limited) from the date of the Memorandum (the "Exclusivity Period"). Excel Business Enterprises Limited and Platinum Expert Limited agreed that they will enter into a formal agreement (the "Formal Agreement") within 30 days (or such a later date as agreed by Excel Business Enterprises Limited and Platinum Expert Limited) upon satisfaction of the DD Review by Platinum Expert Limited in writing.

Excel Business Enterprises Limited shall not, during the Exclusivity Period, negotiate or enter into any contract or agreement with any third party in relation to its equity interests in the Holding Company or the transactions contemplated under the Memorandum.

Pursuant to the Memorandum, a refundable deposit in the sum of HK\$20,000,000 (by four monthly payments of HK\$5,000,000 each) will be paid by Platinum Expert Limited to Excel Business Enterprises Limited as earnest deposit without any interest or collateral (the "Earnest Deposit") within 60 days after the execution of the Memorandum upon Platinum Expert Limited's satisfaction with the relevant legal documents to be provided by Excel Business Enterprises Limited in relation to the coal-related business development of the Holding Company, the Coal Company and the Target Company Group.

If Platinum Expert Limited, at its absolute discretion, is not satisfied with the results of the DD Review on or before the expiry of the Exclusivity Period, Excel Business Enterprises Limited shall return the Earnest Deposit to Platinum Expert Limited. If Platinum Expert Limited is satisfied with the results of the DD Review but Excel Business Enterprises Limited refuses to enter into the Formal Agreement, Excel Business Enterprises Limited shall immediately return the Earnest Deposit to Platinum Expert Limited. In the event the Formal Agreement is entered into between Excel Business Enterprises Limited and Platinum Expert Limited, the Earnest Deposit shall be applied as partial payment of the paid up capital of the JV Company.

As the Proposed Investment may or may not proceed, shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

GENERAL

The Company will comply with the applicable provisions of the Listing Rules in relation to the Proposed Investment. Further announcement(s) will be made by the Company when the parties sign the Formal Agreement or decides to terminate the Memorandum or when there is material development on the Proposed Investment.

By Order of the Board
PME Group Limited
Tin Ka Pak
Executive Director

Hong Kong, 18 January 2010

As at the date of this announcement, the Board comprises Mr. Cheng Kwok Woo, Mr. Cheng Kwong Cheong, Ms. Yeung Sau Han Agnes, Ms. Chan Shui Sheung Ivy and Mr. Tin Ka Pak as executive directors; and Mr. Leung Yuen Wing, Mr. Soong Kok Meng and Mr. Chow Fu Kit Edward as independent non-executive directors.

** For identification purpose only*