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If you have sold or transferred all your shares in PME Group Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer 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)
(Stock Code: 379)

**PROPOSED PLACING OF CONVERTIBLE BONDS,
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Placing Agent
Fortune (HK) Securities Limited**

A notice convening an extraordinary general meeting of the Company to be held at 10:00 a.m. on Tuesday, 11 May 2010 at 5th Floor, Unison Industrial Centre, Nos. 27-31 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong is set out on pages 16 and 17 of this circular. A form of proxy for use at the extraordinary general meeting is enclosed with this circular. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk. Whether or not you propose to attend the extraordinary general meeting, you are requested to complete the accompany form of proxy, in accordance with the instructions printed thereon and deposit the same at the head office and principal place of business of the Company at 5th Floor, Unison Industrial Centre, Nos. 27-31 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof if you so wish.

* For identification purpose only

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Notice of EGM	16

DEFINITIONS

Unless the context otherwise requires, terms or expressions used in this circular shall have the meanings ascribed to them below:

“Announcement”	the announcement of the Company dated 11 January 2010 in relation to, among other matters, the proposed placing of convertible bonds and the proposed increase in authorised share capital
“Board”	the board of Directors
“Bondholder(s)”	the registered holder of the Convertible Bonds
“Business Day(s)”	a day (excluding Saturdays and Sundays) on which banks are generally open for business in Hong Kong
“China Fortune”	China Fortune 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
“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
“Connected Person(s)”	has the meaning ascribed thereto under the Listing Rules
“Conversion Price”	the conversion price of the Convertible Bonds, being HK\$0.03 per Conversion Share subject to adjustments
“Conversion Share(s)”	new Share(s) to be issued by the Company upon the exercise of the conversion rights attaching to the Convertible Bonds by the Bondholders thereof
“Convertible Bonds”	the convertible bonds of up to an aggregate principal amount of HK\$264,000,000 to be issued by the Company
“Director(s)”	director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held and convened for the Shareholders to consider and, if thought fit, approve the Placing Agreement and the transactions contemplated thereunder, and the proposed increase in the authorised share capital of the Company
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a person who himself is, and (in the case of corporate entity) its ultimate beneficial owners are, to the best of the knowledge, information and belief of Directors, having made all reasonable enquiries, third parties who are not Connected Persons of the Company and are independent of the Company and its subsidiaries, their directors, chief executives and Substantial Shareholders or their respective associates (as that term is defined in the Listing Rules)
“JV Company”	the joint venture company, with paid up capital of not less than HK\$500 million, proposed to be set up for the purpose of investing into a coal company in Shanxi in the PRC
“Latest Practicable Date”	22 April 2010, 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
“Memorandum”	the strategic cooperation memorandum dated 18 January 2010 entered into between Platinum Expert Limited, a wholly-owned subsidiary of the Company, and Excel Business Enterprises Limited in relation to the Proposed Investment
“Placee(s)”	any individual(s), institutional(s) or other professional investor(s) procured by the Placing Agent, pursuant to the Placing Agent’s obligations under the Placing Agreement, to subscribe for any part of the Convertible Bonds

DEFINITIONS

“Placing”	the placing of the Convertible Bonds, on a best effort basis, by the Placing Agent (pursuant to the Placing Agreement) under specific mandate.
“Placing Agent”	Fortune (HK) Securities Limited, a corporation licensed to carry on Type 1 regulated activities under SFO
“Placing Agreement”	the agreement dated 7 January 2010 (as amended by supplemental placing agreements dated 7 April 2010 and 20 April 2010) entered into between the Company and the Placing Agent in relation to the Placing
“Placing Period”	The period commencing upon the execution of the Placing Agreement and terminating at 5:00 p.m. on the day falling on 140 days after the date of execution of the Placing Agreement, unless terminated earlier in writing pursuant to terms in the Placing Agreement
“PRC”	The People’s Republic of China
“Proposed Investment”	the possible investment of the Company to set up the JV Company with paid up capital of not less than HK\$500 million to invest in a coal company in Shanxi in the PRC
“SFO”	the Securities and Futures Ordinance (Cap. 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 the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning attributed to it under the Listing Rules
“Supplemental Memorandum of Understanding”	the supplemental strategic cooperation memorandum dated 1 February 2010 entered into between the Platinum Expert Limited, a wholly-owned subsidiary of the Company, and Excel Business Enterprises Limited in relation to, among other matters, Platinum Expert Limited to subscribe for 51% of the entire share capital of the JV Company at HK\$300 million in cash

DEFINITIONS

“Supplemental Placing Agreement”	the supplemental placing agreement dated 7 April 2010 entered into between the Company and the Placing Agent in relation to, among other matters, the amendment of the Placing Period and the terms of the Convertible Bonds
“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 (*Chairman*)
Mr. Cheng Kwong Cheong
(*Vice-Chairman and CEO*)
Ms. Yeung Sau Han Agnes
Ms. Chan Shui Sheung Ivy
Mr. Tin Ka Pak

Independent Non-executive Directors:

Mr. Leung Yuen Wing
Mr. Soong Kok Meng
Mr. Chow Fu Kit Edward

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place
of business:*

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

26 April 2010

To the Shareholders

Dear Sir or Madam,

**PROPOSED PLACING OF CONVERTIBLE BONDS,
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

On 11 January 2010, the Board announced that the Company and the Placing Agent had entered into the Placing Agreement dated 7 January 2010 (as amended by supplemental placing agreements dated 7 April 2010 and 20 April 2010) pursuant to which the Placing Agent agreed to procure, on a best effort basis, Placee(s) to subscribe for the Convertible Bonds in cash up to a principal amount of HK\$264,000,000. The Placing is subject to the fulfillment of the conditions precedent set out below in this circular.

* For identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders with, among other matters, further information on the Placing, the terms and conditions relating to the Convertible Bonds, the proposed increase in the authorised share capital of the Company and to give Shareholders a notice to convene the EGM to consider and, if thought fit, approve the Placing Agreement and the transactions contemplated thereunder, and the proposed increase in the authorised share capital of the Company.

PLACING AGREEMENT

Date

7 January 2010

Parties

The Company and the Placing Agent

Basis of Placing

The Placing Agent has agreed, *inter alia*, to procure Placee(s) to subscribe for the Convertible Bonds in cash on a best effort basis.

Placing Agent

The Placing Agent is a wholly-owned subsidiary of China Fortune, the issued shares of which are listed on the main board of the Stock Exchange. The Company, together with its subsidiaries, are interested in 263,738,000 shares of China Fortune, representing approximately 18.8% of the total issued shares of China Fortune as at the Latest Practicable Date. The Placing Agent will receive a placing commission of 1.25% of the principal amount of the Convertible Bonds successfully placed, which will be payable by the Company upon completion of the Placing.

Conditions Precedent

Completion of the Placing Agreement shall be conditional upon fulfillment of the following conditions:

- (a) the increase in the authorised share capital of the Company from HK\$100,000,000 divided into 10,000,000,000 Shares to HK\$150,000,000 divided into 15,000,000,000 Shares;
- (b) the Placing Agent successfully procuring Placee(s) to place the Convertible Bonds during the Placing Period (or such later time and date as the Placing Agent and the Company shall agree in writing);

LETTER FROM THE BOARD

- (c) the Company's compliance with and procurement of the compliance of all conditions imposed by the Stock Exchange or by any other competent authority (in Hong Kong or elsewhere) for approval of the issuance of the Convertible Bonds or for the listing of and permission to deal in the Shares issued or to be issued on the exercise of the Convertible Bonds and ensure the continued compliance thereof (provided in each case that the Placee(s) comply with and satisfies all such conditions); and
- (d) the Shareholders approving the Placing Agreement and all other transactions contemplated under the Placing Agreement.

If any of the conditions have not been satisfied on or before the expiry of the Placing Period, or such later date as the parties may agree, the Placing Agreement shall lapse and be of no further effect and the parties thereto shall be released from all obligations thereunder save for liabilities for any prior breaches thereof.

The Company will issue further announcement(s) once the amount of Convertible Bonds finally issued and placed is confirmed. Subsequent announcement(s) will be made in accordance with the provision of the Listing Rules and other relevant regulatory requirements.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The terms of the Convertible Bonds have been negotiated on an arm's length basis between the Company and the Placing Agent. The following is a summary of the principal terms of the Convertible Bonds:

Aggregate principal amount of the Convertible Bonds

Not more than HK\$264,000,000.

Conversion

The Bondholder may, at any time during the conversion period and subject to the redemption provisions, convert the whole or part of the outstanding principal amount of the relevant Convertible Bonds into new Shares, as determined by dividing the principal amount, in multiples of HK\$1,200,000, of the relevant Convertible Bonds outstanding at the time of conversion by the Conversion Price.

The Conversion Shares will be allotted and issued pursuant to a specific mandate to be granted to the Directors by the Shareholders at the EGM.

LETTER FROM THE BOARD

Conversion Price

The initial Conversion Price of HK\$0.03 per Conversion Share was arrived at after arm's length negotiations between the Company and the Placing Agent and represents:

- (i) a discount of approximately 92.4% to the closing price of HK\$0.395 per Share quoted on the Stock Exchange on 7 January 2010, being the last full trading day for the Shares before the date of suspension of dealings in the Shares;
- (ii) a discount of approximately 91.1% to the average closing price of approximately HK\$0.337 per Share as quoted on the Stock Exchange for the last five (5) trading days of the Shares up to and including 7 January 2010;
- (iii) a discount of approximately 91.0% over the average closing price of approximately HK\$0.331 per Share as quoted on the Stock Exchange for the last ten (10) trading days of the Shares up to and including 7 January 2010; and
- (iv) a discount of approximately 95.3% over the closing price of HK\$0.64 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The terms of the Convertible Bonds, in particular the conversion price, was arrived at after arm's length negotiations between the Company and the Placing Agent in view of the Company's financial performance and the trading volume of the Shares. As reflected in the annual report of the Company for the year ended 31 December 2008, the Group recorded losses of HK\$268.4 million and HK\$28.7 million in 2008 and 2007, respectively. Additionally, the average daily turnover of the Shares for the past 6 months prior to the date of Placing Agreement was below 10,000,000 Shares (or less than 1% of the total issued Shares as at the last full trading day for the Shares before the date of suspension of dealing in the Shares). As such, trading of the Shares had been inactive and Shares were illiquid. In view of the aforementioned reasons, a deep discount for placing the Convertible Bonds was requested by the Placing Agent.

The initial Conversion Price may be subject to adjustment for amongst other things, consolidation, subdivision, capitalization of profits or reserves of the Company, capital distributions made by the Company, rights issues of Shares or other securities of the Company, and other issues of securities carrying rights of conversion into, or exchange or subscription for, Shares at less than market price (including modification of rights of conversion). The Company or the holder of the relevant Convertible Bonds may require adjustment to the initial Conversion Price to be certified by a merchant bank.

Conversion Period

The period commencing from the 90th day after the date of initial issue of the Convertible Bonds and ending on the date that falls on the fifth day immediately before the maturity date, both dates inclusive, subject to the redemption provisions referred to below.

LETTER FROM THE BOARD

Redemption

In the event that the Company fails to execute or enter into agreement(s) which constitute a Very Substantial Acquisition (as defined in the Listing Rules) within 6 months from the date on which the first Convertible Bond(s) is/are issued, Convertible Bonds then outstanding shall be mandatorily redeemed. Furthermore, at any time after 12 months from the date on which the first Convertible Bond(s) is/are issued, the Company may redeem all or part of the Convertible Bonds at its principal amount outstanding. All Convertible Bonds which have not been redeemed or converted by the maturity date shall automatically be redeemed.

Interest rate

The Convertible Bonds do not bear any interest.

Listing

No application will be made for the listing of the Convertible Bonds on the Stock Exchange. An application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares (if any) to be issued as a result of the exercise of the conversion rights attached to the Convertible Bonds.

Maturity date

The third anniversary of the date of the initial issue of the Convertible Bonds.

Ranking

The Conversion Shares will rank *pari passu* in all respects among themselves and with all other Shares in issue on the date of such allotment and issue.

Security

The Convertible Bonds are unsecured.

Status

The Convertible Bonds constitute general and unsecured obligations of the Company and shall rank equally among themselves and *pari passu* with all other present and future secured and subordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.

LETTER FROM THE BOARD

Transferability

The Convertible Bonds may not be assigned or transferred in whole or in part except with the prior written consent of the Company. Any assignment and/or transfer of the Convertible Bonds is subject to (1) the Listing Rules for so long as the Shares are listed on the Stock Exchange (and the rules of any other stock exchange on which the Shares may be listed at the relevant time); and (2) the approval of the Shareholders in a general meeting if so required and in compliance with the Listing Rules if such assignment and/or transfer is proposed to be made to a Connected Person of the Company.

Voting

No holder of the Convertible Bonds will be entitled to receive notice of, attend or vote at any meeting of the Company by reason only it being the holder of the Convertible Bonds.

Limitation on conversion

The Bondholder shall not convert the Convertible Bond and the Company shall not issue any Conversion Shares if, upon such issue, (a) the Bondholder and the parties acting in concert with it shall be interested in 30% (or such amount as may from time to time that may trigger a mandatory general offer or considered by the Securities and Futures Commission as a change in control of the Company) or more of the then enlarged issued share capital of the Company at the date of the relevant conversion, (b)(i) each of any of the shareholders holding more than 20% or more of the voting rights of the Company; and (ii) the Bondholder and the parties acting in concert with it will hold 20% or more of the voting rights of the Company respectively; or (c) the public float of the Company falls below 25% of the issued share capital of the Company.

CONVERSION SHARES

Upon full conversion of the Convertible Bonds at the Conversion Price, a total of 8,800,000,000 new Conversion Shares will be issued, representing approximately 487.48% of the issued share capital of the Company and approximately 82.98% of the issued share capital of the Company as enlarged by the issue of such Conversion Shares at the Conversion Price as at the Latest Practicable Date.

The Conversion Shares upon conversion of the Convertible Bonds will be allotted and issued under a specific mandate to be sought from the Shareholders at the EGM.

The Conversion Shares shall rank *pari passu* in all respects with all other existing Shares outstanding as at the date of conversion and all Conversion Shares shall include rights to participate in all dividends and other distributions the record date of which falls on or after the Conversion Date.

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries with the relevant Shareholders and holder(s) of the convertible bonds of the Company, the existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon (i) full conversion of the Convertible Bonds and (ii) full conversion of the Convertible Bonds and the Crown Sunny convertible bonds are set out as below:

Name of Shareholders	As at the Latest Practicable Date		Upon full conversion of Convertible Bonds		Upon full conversion of Convertible Bonds and Crown Sunny convertible bonds	
	No. of Shares	Approximate % of shareholding	No. of Shares	Approximate % of shareholding	No. of Shares	Approximate % of shareholding
PME Investments (BVI) Co. Limited and its associates	460,638,000	25.52	460,638,000	4.34	460,638,000	4.22
Crown Sunny Limited (Note 1)	-	-	-	-	300,000,000	2.75
Bondholders	-	-	8,800,000,000	82.98	8,800,000,000	80.70
Other public Shareholders	1,344,559,600	74.48	1,344,559,600	12.68	1,344,559,600	12.33
Total	<u>1,805,197,600</u>	<u>100.00</u>	<u>10,605,197,600</u>	<u>100.00</u>	<u>10,905,197,600</u>	<u>100.00</u>

Note:

- (1) Crown Sunny Limited holds non-listed convertible bonds in the aggregate principal amount of HK\$60,000,000 issued by the Company on 1 February 2010

CHANGE OF USE OF PROCEEDS

Reference is made to the Announcement and announcements of the Company dated 18 January 2010, 1 February 2010 and 7 April 2010 in relation to, among other matters, the Memorandum, the Supplemental Memorandum and the Supplemental Placing Agreement. As set out in the Announcement, the Company intends to use the funds raised from the Placing for the Company's general working capital.

The Company would highlight that the discussions with representatives of Excel Business Enterprises Limited in respect to the Proposed Investment commenced as early as late December 2009. Given that discussions at that period of time were not conclusive, information of the Proposed Investment was not disclosed and the Company continued to hold discussions on other potential business proposals. At the time of execution of the Placing Agreement in early January 2010, it was the intention of the Company to apply the net proceeds from the Placing for general working capital. After various negotiations on the terms of the Memorandum and the Supplemental Memorandum, the Company and relevant parties finally agreed to the Proposed Investment on 18 January 2010 and 1 February 2010, respectively,

LETTER FROM THE BOARD

which quantified the possible amount of capital investment involved. As such, the Company intended to reallocate the proceeds from the Placing to finance the Proposed Investment.

Pursuant to the Supplemental Placing Agreement dated 7 April 2010, in the event that the Proposed Investment fails to materialize and that the Company fails to execute or enter into agreement(s) which constitutes a Very Substantial Acquisition (as defined in the Listing Rules) within 6 months from the date on which the first Convertible Bond(s) is/are issued, the Company shall apply the net proceeds to redeem the outstanding Convertible Bonds in full.

REASONS FOR THE PLACING AND ISSUE OF THE CONVERTIBLE BONDS

As announced by the Company on 18 January 2010, the Proposed Investment, subject to review by professional accountant or valuer designated by the Company of which the value will not be less than HK\$2.0 billion, will involve the restructuring of approximately 30 coal mines, coal and other nonferrous metal mineral companies in the PRC. It is estimated that the total coke and coal production capacity of the 30 coal mines, coal and other nonferrous metal mineral companies will not be less than 20 million tons a year. And, as announced by the Company on 1 February 2010, the Company undertakes that HK\$300 million in cash resources, earmarked for the subscription of 51% of the entire share capital of the JV Company, will be available before the execution of the formal agreement to invest in the JV Company.

The net proceeds from the proposed issue of the Convertible Bonds (after deducting related expenses) will be approximately HK\$260.7 million. The Directors consider that under the terms of the Convertible Bonds, the Company will obtain immediate cash inflow of approximately HK\$260.7 million in terms of debt financing for a period of 3 years with no interest expense (zero coupon convertibles due 2013). Additionally, in the event that the Company fails to execute or enter into agreement(s) which constitute a Very Substantial Acquisition (as defined in the Listing Rules) within 6 months from the date on which the first Convertible Bond(s) is/are issued, the Company will redeem the Convertible Bonds at its principle amount outstanding, thus reversing its financial position to the original position.

The Directors have also explored alternative financing options including (i) funds raised by general mandate, (ii) rights issue/open offer, and (iii) debt financing. Pursuant to the general mandate and assuming a placing agent is identified to place at 20% discount to the highest benchmarked price of HK\$0.395, the maximum amount that could be raised is only approximately HK\$111.3 million, representing approximately 42.69% of the net proceeds derived from the Placing. When considering for a possible rights issue/open offer, the Substantial Shareholder of the Company indicated that it may not subscribe for the shares that would be provisionally allocated, and will not support the rights issue. The Company has also held discussions with its bankers and is unable to obtain additional loan facilities of sizeable amount to support the investment of the Company.

LETTER FROM THE BOARD

In view of the current market conditions and the considerable amount to be raised, the Directors considered that the placing of the Convertible Bonds provides a good opportunity to strengthen the capital base and raise further funding for the future investment of the Company in view of the limitations of other fund raising alternatives.

The Company is currently in negotiations regarding the Proposed Investment as well as other possible investments. Maintaining a strong and healthy balance sheet will provide the Company further bargaining power for better terms of investment. The Directors noted that if the Convertible Bonds are fully exercised by the holders, the interest of the existing shareholders in the Company will be substantially diluted. However, with the view that there would be a continual improvement in the global economy and in particular the PRC, the Directors believe that a better positioned cash reserve will enable the Company to take on attractive investments at more favorable terms which will facilitate the long term growth of the Company and the dilution effect to the existing shareholders is justifiable.

The Directors, upon considering the terms of the Convertible Bonds and the upside potential in terms of earnings to be derived from the Proposed Investment or other investments, concur that the entering into the Placing Agreement is in the interests of the Company and its Shareholders as a whole.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE 12 MONTHS IMMEDIATELY PRECEDING LATEST PRACTICABLE DATE

The Company has not successfully carried out any equity fund raising activity in the 12 months immediately preceding the Latest Practicable Date.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each. In anticipation of the issue of the Conversion Shares upon conversion of the Convertible Bonds, the Directors propose to increase the authorised share capital of the Company from HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each to HK\$150,000,000 divided into 15,000,000,000 Shares of HK\$0.01 each by creation of an additional 5,000,000,000 new Shares of HK\$0.01 each.

The increase in the authorised share capital of the Company is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM.

LETTER FROM THE BOARD

GENERAL

The Company and its subsidiaries are principally engaged in the manufacturing of abrasive products, polishing compounds and wheels, trading of polishing materials and polishing equipment, provision of technical consultancy service, and investments in trading equity securities and long-term strategic investment.

EGM

A notice convening the EGM to be held at 5th Floor, Unison Industrial Centre, Nos. 27-31 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong on Tuesday, 11 May 2010 at 10:00 a.m. is set out on pages 16 and 17 of this circular. Ordinary resolutions will be proposed at the EGM for the Shareholders to consider and, if thought fit, approve the Placing Agreement and the transactions contemplated thereunder and the proposed increase in the authorised share capital of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders have a material interest in the Placing Agreement and accordingly no Shareholder is required to abstain from voting at the EGM.

A form of proxy for the EGM is enclosed with this circular. Whether or not you propose to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and deposit the same at the head office and principal place of business of the Company at 5th Floor, Unison Industrial Centre, Nos. 27-31 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

VOTING AT EGM

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at the EGM must be taken by poll.

RECOMMENDATION

The Directors are of the view that the terms of the Placing Agreement and the transactions contemplated thereunder, and the proposed increase in the authorised share capital of the Company are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular 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 circular 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.

Yours faithfully,
For and on behalf of the Board of
PME Group Limited
Cheng Kwok Woo
Chairman

NOTICE OF EGM



NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of PME Group Limited (the “Company”) will be held at 5th Floor, Unison Industrial Centre, Nos. 27-31 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong on Tuesday, 11 May 2010 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “THAT

- (a) the placing agreement dated 7 January 2010 (as amended by supplemental placing agreements dated 7 April 2010 and 20 April 2010) entered into between the Company and Fortune (HK) Securities Limited (the “Placing Agreement”) in relation to, among other matters, the placing of, on a best effort basis, the convertible bonds (the “Convertible Bonds”) up to an aggregate principal amount of HK\$264,000,000 at the initial conversion price of HK\$0.03 per conversion share (the “Conversion Share”) (a copy of which is marked “A” and produced to the EGM and initialed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) any one director of the Company be and is hereby authorised to execute the Placing Agreement on behalf of the Company and to do all such acts or things and to sign and execute all such other or further documents (if any) and to take all such steps which in his/her opinion, may be necessary, appropriate, desirable or expedient to give effect to or in connection with the matters contemplated therein and to agree to any variation, amendment, supplement or waiver of matters relating thereto as are in his/her opinion, in the interest of the Company, to the extent that such variation, amendment, supplement or waiver do not constitute material changes to the material terms of the transactions contemplated under the Placing Agreement;
- (c) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting the listing of, and permission to deal in, the Conversion Shares, the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares which may fall to be issued by the Company upon the exercise of the conversion rights attaching to the Convertible Bonds be and are hereby confirmed and approved; and

* *For identification purpose only*

NOTICE OF EGM

- (d) the directors of the Company be and are hereby authorised to issue the Convertible Bonds and the Conversion Shares pursuant to the terms of the Placing Agreement and the directors of the Company be and are hereby authorised to do all such acts and things they consider necessary or expedient in connection therewith.”

2. “THAT

- (a) the authorised share capital of the Company be increased from HK\$100,000,000 divided into 10,000,000,000 ordinary shares (the “Shares”) of HK\$0.01 each to HK\$150,000,000 divided into 15,000,000,000 Shares of HK\$0.01 each by the creation of an additional 5,000,000,000 new Shares of HK\$0.01 each; and
- (b) the directors of the Company be and are hereby authorised to do all such acts and things they consider necessary or expedient in connection therewith.”

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

Hong Kong, 26 April 2010

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place
of business:*

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

Notes:

1. A member entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the Articles of Association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the EGM is enclosed. Such form of proxy is also published on the website of the Stock Exchange at www.hkexnews.hk. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, at the head office and principal place of business of the Company at 5th Floor, Unison Industrial Centre, Nos. 27-31 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
3. In the case of joint holders of Shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such Share as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.