
THIS 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 licensed securities dealer, 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 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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**GRANT OF SHARE OPTIONS,
RENEWAL OF THE SCHEME LIMIT
UNDER THE SHARE OPTION SCHEME
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening an extraordinary general meeting (the “EGM”) of the Company to be held at 5th Floor, Unison Industrial Centre, Nos. 27-31 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong on Tuesday, 13 July 2010 at 10:00 a.m. is set out on pages 12 and 13 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 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.

* *For identification purpose only*

25 June 2010

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DEFINITIONS

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

“Adoption Date”	23 October 2002, being the date on which the Share Option Scheme was adopted by an ordinary resolution of the Shareholders
“Articles of Association”	the articles of association of the Company
“associate”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Board Meeting”	the meeting of the Board held on 27 May 2010, approving, among other matters, the grant of the Options to Ms. Yeung under the Share Option Scheme
“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
“Date of Grant”	27 May 2010, being the date of the Board Meeting on which the Board conditionally granted the Options to Ms. Yeung under the Share Option Scheme
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held on 13 July 2010 for the Shareholders to consider and, if thought fit, approve the grant of Share Options to Ms. Yeung and renewal of the Scheme Limit
“Existing Options”	the share options granted and yet to be exercised under the Share Option Scheme as at the Latest Practicable Date
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee comprising all the independent non-executive Directors

DEFINITIONS

“Individual Limit”	the limit imposed under the rules of the Share Option Scheme and Rule 17.03(4) of the Listing Rules on the number of Shares issued or to be issued upon exercise of all options (including exercised, cancelled and outstanding) granted to each individual participant in any 12-month period under the Share Option Scheme and any other share option schemes of the Company, being 1% of the Shares in issue from time to time
“Latest Practicable Date”	23 June 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
“Ms. Yeung”	Ms. Yeung Sau Han Agnes, an executive Director and the chief executive officer of the Group
“Options”	an option to subscribe for Shares granted pursuant to the Share Option Scheme and for the time being subsisting
“Overall Limit”	the maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme as stipulated under Rule 17.03(3) of the Listing Rules, being 30% of the Shares in issue from time to time
“Participant”	any full-time employee of the Company or any subsidiary of the Company (including any executive and non-executive directors of the Company or any subsidiary)
“Scheme Limit”	the limit imposed under the rules of the Share Option Scheme on the total number of Shares which may be issued upon the exercise of all options granted or to be granted under the Share Option Scheme and any other share option schemes of the Company, being 10% of the Company’s issued share capital as at the date of adoption of the Share Option Scheme, and may be “refreshed” on and pursuant to the rules of the Share Option Scheme
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company

DEFINITIONS

“Share Option Scheme”	the share option scheme adopted by the Company on 23 October 2002
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



Executive Directors:

Mr. Cheng Kwok Woo (*Chairman*)
Mr. Cheng Kwong Cheong (*Vice-Chairman*)
Ms. Yeung Sau Han Agnes (*Chief Executive Officer*)
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

25 June 2010

To the Shareholders

Dear Sir or Madam,

**GRANT OF SHARE OPTIONS,
RENEWAL OF THE SCHEME LIMIT
UNDER THE SHARE OPTION SCHEME
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 27 May 2010 in relation to, among other matters, the grant of Options to Ms. Yeung.

The purpose of this circular is to provide you with details for the grant of the Share Options to Ms. Yeung, the renewal of the Scheme Limit, a letter of advice from the Independent Board Committee and the notice of the EGM.

* For identification purpose only

LETTER FROM THE BOARD

GRANT OF OPTIONS

(i) Details of the proposed grant of Options

Subject to (i) the approval of the Shareholders at the EGM, and (ii) the Stock Exchange granting the listing of, and permission to deal in, the Shares to be allotted and issued upon exercise of the Options, the Directors propose to grant the Options to Ms. Yeung.

At the Adoption Date, the Scheme Limit was approved at 80,000,000 Shares, representing 10% of the Shares in issue as at the Adoption Date. Since the Adoption Date, the Company has already granted the Options to subscribe for a total of 72,000,000 Shares, representing approximately 9% of the Shares in issue as at the Adoption Date, and which is under the Scheme Limit approved at the Adoption Date.

The Board has proposed to grant the Options to Ms. Yeung to subscribe for up to a total of 175,000,000 Shares which, together with the Shares issued or to be issued upon exercise in full of the Options granted since the Adoption Date, will exceed the Scheme Limit. In accordance with sub-paragraph 8.1 of the Share Option Scheme and Rule 17.03(3) of the Listing Rules, the Company may seek separate Shareholders' approval in general meeting to grant Options under the Share Option Scheme beyond the Scheme Limit, provided that the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not exceed the Overall Limit.

Particularly, the proposed grant of Options to Ms. Yeung to subscribe for 175,000,000 Shares in the share capital of the Company, are in excess of the existing Scheme Limit, thus the proposed grant of such Options is subject to Shareholders' approval under Rule 17.03(3) of the Listing Rules.

As at the Latest Practicable Date, a total of 1,814,697,600 Shares were in issue and the total number of Shares that may be issued upon exercise of all Existing Options was 42,500,000. On this basis, the total number of Shares that may be issued upon exercise of the Existing Options and the Options proposed to be granted to Ms. Yeung is 217,500,000, representing approximately 11.99% of the total issued share capital of the Company as at the Latest Practicable Date and thus complying with the Overall Limit.

As Ms. Yeung is an executive Director on the Date of Grant, the proposed grant of Options to her is required to be approved by the independent non-executive Directors under Rule 17.04(1) of the Listing Rules. It is noted that the proposal for grant of Options to Ms. Yeung was approved by the independent non-executive Directors at the Board Meeting.

Besides, under Rule 17.03(4) of the Listing Rules, the total number of securities issued and to be issued upon exercise of the Options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed the Individual Limit unless separately approved by the Shareholders.

LETTER FROM THE BOARD

Within the period (“Period”) of 12 months ended on the Date of Grant, the proposed grant of Options to Ms. Yeung to subscribe for 175,000,000 Shares, together with the existing share options held by Ms. Yeung to subscribe for 15,000,000 Shares, exceeds her Individual Limit. The grant of the Options to Ms. Yeung will be subject to the approval of the Shareholders. Ms. Yeung and her associates shall abstain from voting under Rule 17.03(4) of the Listing Rules.

(ii) Generic descriptions of Ms. Yeung

Ms. Yeung is an executive Director and was appointed as the chief executive officer of the Group with effect from 1 June 2010.

(iii) Terms of the Options

The following are the principal terms of the Options:

Exercise period of the Options

Subject to (i) the approval of the Shareholders at the EGM, and (ii) the Stock Exchange granting the listing of, and permission to deal in, the Shares to be allotted and issued upon exercise of the Options, the Directors propose to grant the Options to Ms. Yeung.

Save as stated above, the exercise of the Options by Ms. Yeung is not subject to any other conditions. The exercise period of the Options is from 27 May 2010 to 26 May 2015.

Subscription price

The subscription price of the Shares to be issued upon exercise of the Options is HK\$0.64 per Share, representing the highest of (i) the closing price of the Shares as quoted on the Stock Exchange on the Date of Grant, (ii) the average closing price of the Shares as quoted on the Stock Exchange for the last five trading days immediately preceding the Date of Grant, and (iii) the nominal value of HK\$0.01 per Share.

LETTER FROM THE BOARD

The closing prices of the Shares from 19 May 2010 up to the trading day immediately preceding the Date of Grant were as follows:

Date	Closing price <i>(HK\$ per Share)</i>
19 May 2010	0.68
20 May 2010	0.65
24 May 2010	0.66
25 May 2010	0.61
26 May 2010	0.60

The average closing price of the Shares as quoted on the Stock Exchange for the last five trading days immediately preceding the Date of Grant was HK\$0.64 and the closing price of the Shares as quoted on the Stock Exchange on the Date of Grant was HK\$0.64. The subscription price of the Options is therefore proposed to be HK\$0.64 per Share.

Consideration

A consideration of HK\$1 is payable upon acceptance of the Options. Shares to be allotted upon the exercise of the Options will be subject to all the provisions of the Articles of Association for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue as at the date on which the Options are duly exercised.

(iv) Purpose of granting the Options

The purpose of this Share Option Scheme is to enable the Company to grant Options to eligible Participants as incentives and recognition of their contribution to the Company or its subsidiaries. Ms. Yeung is an executive Director and was appointed as the chief executive officer of the Group with effect from 1 June 2010. It is recognised that Ms. Yeung has made significant contribution to the Group in the past several years. It is expected that the Options proposed to be granted to Ms. Yeung will serve as incentive for her continuous contributions to the Group.

(v) Listing approval

The proposed grant of Options is also subject to the granting of the listing, and permission to deal in, the Shares which may fall to be allotted and issued upon the exercise of any Options by the Listing Committee of the Stock Exchange. Application will be made to the Listing Committee of the Stock Exchange for the listing, and permission to deal in, such Shares.

RENEWAL OF THE SCHEME LIMIT

As at the Latest Practicable Date, the Scheme Limit was near depletion. The Directors proposed to refresh the Scheme Limit, subject to the Shareholders' approval, so that the Company would be allowed to grant further Options to other eligible Participants under the Share Option Scheme to motivate such other eligible Participants to contribute to the success of the Group.

LETTER FROM THE BOARD

Under the rules of the Share Option Scheme:

- (1) the total number of Shares which may be issued upon the exercise of all options granted under the Share Option Scheme and any other share option schemes of the Company is limited to 10% of the Shares of the Company in issue as at the date of adoption of the Share Option Scheme; and
- (2) the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the Shares in issue from time to time.

The Company may seek approval from the Shareholders in general meeting for refreshing the Scheme Limit so that the total number of Shares which may be issued upon the exercise of all options granted under the Share Option Scheme and any other share option schemes of the Company shall be re-set at 10% of the Shares in issue as at the date of the approval of the limit as “refreshed”.

Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including options outstanding, cancelled, lapsed or exercised) will not be counted for the purpose of calculating the Scheme Limit as “refreshed”.

The existing Scheme Limit is 80,000,000 Shares, being 10% of the Shares in issue as at the Adoption Date. Since the Adoption Date, the Options carrying the rights to subscribe for up to a total of 72,000,000 Shares have been granted under the Share Option Scheme, representing approximately 9% of the Shares then in issue.

As at the Latest Practicable Date, (i) 12,000,000 Options which had been granted since the Adoption Date under the existing Scheme Limit had been exercised; (ii) 17,500,000 Options which had been granted since the Adoption Date under the existing Scheme Limit had been cancelled; and (iii) 42,500,000 Options which had been granted since the Adoption Date under the existing Scheme Limit had not yet been exercised. Unless the Scheme Limit is “refreshed”, only up to 8,000,000 Shares may be issued pursuant to the grant of further Options under the Share Option Scheme.

If the Scheme Limit is “refreshed”, on the basis of 1,814,697,600 Shares in issue as at the Latest Practicable Date and assuming that no Shares will be issued or repurchased by the Company prior to the EGM, the Scheme Limit will be re-set at 181,469,760 Shares and the Company will be allowed to grant further Options under the Share Option Scheme and other share option schemes carrying the rights to subscribe for a maximum of 181,469,760 Shares.

The purpose of the Share Option Scheme was to attract and retain quality personnel and other persons and provide them with incentive to contribute to the business and operations of the Group. Given that the existing Scheme Limit is near depletion, the Share Option Scheme cannot continue to serve its intended purpose for the benefits of the Group and the Shareholders as a whole unless the Scheme Limit is “refreshed” in accordance with the rules of the Share Option Scheme.

LETTER FROM THE BOARD

The Directors consider that it will be for the benefit of the Company and the Shareholders as a whole that eligible Participants of the Share Option Scheme are granted rights to obtain equity holdings of the Company through the grant of Options under the Share Option Scheme. This will motivate the eligible Participants to contribute further to the success of the Group. For these reasons, the Directors will propose the passing of an ordinary resolution at the EGM for “refreshing” the Scheme Limit.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Shares representing 10% of the issued share capital of the Company as at the EGM to be allotted and issued upon exercise of the options that may be granted within the Scheme Limit as refreshed.

EGM

A notice convening an extraordinary general meeting of the Company to be held at 5th Floor, Unison Industrial Centre, Nos. 27-31 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong on Tuesday, 13 July 2010 at 10:00 a.m. is set out on pages 12 and 13 of this circular. Ordinary resolutions will be proposed at the EGM to consider and, if thought fit, approve the grant of the Options to Ms. Yeung and the renewal of the Scheme Limit.

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.

The resolutions are subject to Shareholders’ approval under the Listing Rules, any Shareholder that has a material interest in the resolutions shall abstain from voting at the EGM. The grant of the Options to Ms. Yeung will be subject to the approval of the Shareholders. Ms. Yeung and her associates shall abstain from voting in the EGM under Rule 17.03(4) of the Listing Rules. As at the Latest Practicable Date, Ms. Yeung and her associates do not hold any interests in the Shares.

RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all

LETTER FROM THE BOARD

reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the grant of the Options to Ms. Yeung is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions in relation to the grant of Options to Mr. Yeung to be proposed at the EGM.

The Directors also believe that the renewal of the Scheme Limit is in the best interests of the Company and the Shareholders as a whole and therefore recommend the Shareholders to vote in favour of the ordinary resolution in relation to the renewal of the Scheme Limit to be proposed at the EGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



25 June 2010

To the Shareholders

Dear Sir or Madam,

GRANT OF SHARE OPTIONS

We write to you in connection with the grant of the Options to Ms. Yeung Sau Han Agnes (“Ms. Yeung”), an executive Director and the chief executive officer of the Group, details of which are set out in the letter from the Board contained in the circular of the Company dated 25 June 2010 (“Circular”), of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

Having considered the terms of the grant of the Options, we are of the view that the grant of the Options to Ms. Yeung is fair and reasonable so far as the Shareholders are concerned and is in the interests of the Company. We therefore recommend that you vote in favour of the ordinary resolution to be proposed at the EGM to approve the grant of the Options to Ms. Yeung.

Yours faithfully,
Independent Board Committee of
PME Group Limited

Leung Yuen Wing

Soong Kok Meng
Independent non-executive Directors

Chow Fu Kit Edward

* For identification purpose only

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, 13 July 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 grant of options to Ms. Yeung Sau Han Agnes (“Ms. Yeung”) to subscribe for up to a total of 175,000,000 shares of the Company (the “Shares”) at the subscription price of HK\$0.64 per Share (the “Options”) pursuant to the share option scheme adopted by the Company on 23 October 2002 (“Share Option Scheme”) be and is hereby approved and any director of the Company be and is hereby authorized to do all such acts and things and execute all documents which he/she considers necessary, desirable or expedient for the purpose of, or in connection with, the grant of Options to Ms. Yeung; and
- (b) 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 Shares comprised in the Options, the allotment and issuance of new shares upon the exercise of any Options be and is hereby approved and the directors of the Company be and are hereby authorized to do all such acts and things and execute all documents which they consider necessary, desirable or expedient for the purpose of, or in connection with, the matters approved herein.”

2. **“THAT**

- (a) the refreshing of the scheme limit in respect of the grant of options to subscribe for Shares under the Share Option Scheme be and is hereby approved provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company and its subsidiaries (the “Group”) under the limit as “refreshed” hereby (excluding options previously granted, outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other

* *For identification purpose only*

NOTICE OF EGM

share option schemes of the Group) shall not exceed 10% of the Shares in issue on the date of the passing of this resolution (the “Refreshed Scheme Limit”) and any director of the Company be and is hereby authorized to grant options under the Share Option Scheme up to the Refreshed Scheme Limit, to exercise all powers of the Company to allot, issue and deal with Shares pursuant to the exercise of such options and to do such acts and execute all documents which he/she considers necessary, desirable or expedient for the purpose of, or in connection with, the matters approved herein; and

- (b) conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares comprised in the Refreshed Scheme Limit, the allotment and issuance of new shares upon the exercise of any options under the Refreshed Scheme Limit be and is hereby approved and the directors of the Company be and are hereby authorized to do all such acts and things and execute all documents which they consider necessary, desirable or expedient for the purpose of, or in connection with, the matters approved herein.”

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

Hong Kong, 25 June 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.