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DISCLOSEABLE TRANSACTION RELATING TO THE CAPITAL INCREASE AGREEMENT

CAPITAL INCREASE AGREEMENT

The Board is pleased to announce that on 30 December 2011, Upmove, an indirect wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with the JV Partner, pursuant to which each of Upmove and the JV Partner has agreed to make the Capital Increase in an amount of RMB80 million each to the JV Company to increase the JV Company's registered capital from RMB140 million to RMB300 million. The amounts of the Capital Increase will be used for the construction of two new 70,000-tonne berths of the JV Company. The two new berths are expected to be ready for operation before the end of the year 2012.

As at the date of this announcement, the JV Company is held as to 50% each by Upmove and the JV Partner. The amounts to be contributed by Upmove and the JV Partner in the Capital Increase are based on their respective shareholdings in the JV Company. Upon completion of the Capital Increase, their respective shareholdings in the JV Company will remain the same, and the JV Company will remain accounted for as a jointly controlled entity of the Group.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined under the Listing Rules) for the Capital Increase are more than 5% but less than 25%, the Capital Increase constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements set out in Chapter 14 of the Listing Rules.

CAPITAL INCREASE AGREEMENT

DATE : 30 December 2011

PARTIES :

- (1) Upmove
- (2) the JV Partner

As at the date of this announcement, the JV Company is held as to 50% each by Upmove and the JV Partner. The JV Company is a jointly controlled entity of the Group. Except for the above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the JV Partner, the JV Company and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

CAPITAL INCREASE

Pursuant to the Capital Increase Agreement, each of Upmove and the JV Partner has agreed to make the Capital Increase in an amount of RMB80 million each to the JV Company to increase the JV Company's registered capital from RMB140 million to RMB300 million. The amounts of the Capital Increase will be used for the construction of two new 70,000-tonne berths of the JV Company.

The amounts to be contributed by Upmove and the JV Partner in the Capital Increase are based on their respective shareholdings in the JV Company, and are determined based on the funding requirements of the JV Company for the construction of the two new berths. Upon completion of the Capital Increase, their respective shareholdings in the JV Company will remain the same, and the JV Company will remain accounted for as a jointly controlled entity of the Group.

The Company will satisfy the Capital Increase of RMB80 million from its internal resources. There is no any other capital commitment to be borne by the Group under the Capital Increase Agreement.

PAYMENT AND RELEVANT PROCEDURES

Upmove and the JV Partner agreed that within 30 days from: (i) signing of the Capital Increase Agreement; and (ii) being obtained the approval from the State Administration of Foreign Exchange, the Capital Increase will be satisfied in the following manner:

- (i) A sum of RMB80 million in RMB will be transferred by the JV Partner to the RMB bank account of the JV Company for the purpose of the Capital Increase; and
- (ii) A sum of RMB80 million equivalent USD to be translated at the date of transfer will be transferred by Upmove to the USD bank account of the JV Company for the purpose of the Capital Increase.

The Capital Increase is subject to fulfillment of various procedures, including, among others, all necessary submissions and/or filing procedures to relevant authorities in respect of business registration of the JV Company.

FINANCIAL INFORMATION OF THE JV COMPANY

The audited financial information of the JV Company for the years ended 31 December 2009 and 2010 prepared under the accounting principles generally accepted in the PRC is set out below:

	RMB'000
Profit before and after taxation for the year ended 31 December 2009	163,289
Profit before taxation for the year ended 31 December 2010	149,524
Profit after taxation for the year ended 31 December 2010	133,201
Net asset value as at 31 December 2010	437,014

REASONS FOR AND BENEFIT OF THE CAPITAL INCREASE

The competition in the polishing markets in both Hong Kong and the PRC has remained keen, and the performance of the polishing materials and equipment segment of the Group were far inferior from that of the JV Company in the first half of 2011. In view of the stable business environment and good prospects of the JV Company's business, the Directors consider that the Group should allocate more resources to the JV Company.

The JV Company currently has two berths with a total annual handling capacity of approximately 20,000,000 tonnes. In order to further improve the operating performance of the JV Company and the Group, and maximize the value for the Shareholders, it is beneficial to expand the handling capacity of the JV Company.

The Capital Increase will provide funding to the JV Company for its construction of the two new 70,000-tonne berths with an expected total annual handling capacity from 20,000,000 tonnes to 24,000,000 tonnes. The two new berths are expected to be ready for operation before the end of the year 2012.

With the increased handling capacity of the JV Company, it is expected that the revenues and operating performance of the JV Company will be significantly enhanced in the long run.

INFORMATION OF THE PARTIES

The JV Company is principally engaged in provision of terminal and logistics services, including loading and discharging, storage and transfer of iron ores, steel products, timber and other goods and leasing of terminal facilities and equipment in Lanshan Harbour, Rizhao Port, Shandong Province of the PRC.

The Group is principally engaged in the manufacture and trading of polishing materials and equipment and investment, and holding 50% equity interests in the JV Company.

The JV Partner is principally engaged in provision of services of loading and discharging, storage and transfer of coal, ores and cement through port infrastructure and equipment.

LISTING RULES IMPLICATIONS

The Directors (including the independent non-executive Directors) are of the view that the terms of the Capital Increase Agreement (i) have been negotiated on an arm's length basis; (ii) will be conducted on normal commercial terms, and (iii) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

As the applicable percentage ratios (as defined under the Listing Rules) for the Capital Increase are more than 5% but less than 25%, the Capital Increase constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements set out in Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context otherwise requires:

“Board”	the board of Directors
“Capital Increase”	the capital increase in the JV Company by Upmove and the JV Partner in an amount of RMB80,000,000 each as contemplated under the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement entered into between Upmove and the JV Partner on 30 December 2011
“Company”	PME Group Limited (Stock Code: 379), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to in the Listing Rules

“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Company”	日照嵐山萬盛港業有限責任公司 (Rizhao Lanshan Wansheng Harbour Company Limited), a jointly controlled entity established in the PRC owned as to 50% by Upmove and 50% by the JV Partner
“JV Partner”	日照港股份有限公司(Rizhao Port Company Limited), a stock company incorporated in the PRC and the shares of which are listed on the stock exchange in Shanghai with stock code of 600017 and holds 50% equity interests in the JV Company as at the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excludes Hong Kong, Taiwan and Macau Special Administrative Region
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Upmove”	Upmove International Limited (晉瑞國際有限公司), an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“USD”	United States dollars, the lawful currency of United States of America
“%”	per cent

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

Hong Kong, 30 December 2011

As at the date of this announcement, the Board comprises Mr. Cheng Kwok Woo, Ms. Yeung Sau Han Agnes and Ms. Chan Shui Sheung Ivy as executive directors; and Mr. Leung Yuen Wing, Mr. Chow Fu Kit Edward and Mr. Lam Kwok Hing Wilfred as independent non-executive directors.

**For identification purpose only*