

The following is the text of a letter, a summary of values and a valuation certificate, prepared for the purpose of incorporation in this prospectus received from Castores Magi, the independent property valuer in connection with their valuation as at 31st August, 2002 of the property interests held by the Group.

嘉漫測量師有限公司
CASTORES MAGI SURVEYORS LIMITED
REGISTERED PROFESSIONAL SURVEYORS
REAL ESTATE, MINERALS, MACHINERY & EQUIPMENT AND BUSINESS VALUERS

CASTORES

MAGI

Suites 402-3
Unicorn Trade Centre
131 Des Voeux Road Central
Hong Kong

31st October, 2002

The Directors
PME Group Limited
5th Floor, Unison Industrial Centre
Nos. 27-31 Au Pui Wan Street
Fo Tan, Shatin
New Territories
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which PME Group Limited (the “Company”) and its subsidiaries (together the “Group”) have interests, we confirm that we have carried out inspections, made relevant enquiries, searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the relevant properties as at 31st August, 2002 (the date of valuation).

Our valuations of the property interests in Group I are on the basis of open market value which we would define as “an opinion of the best price at which the sale of an interest in the property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;

- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

Our valuations of the property interests in Group I have been made on the assumption that the owner sells the properties on the open market in their existing state without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the properties.

The property interests in Group I have been valued on an open market basis assuming sale with vacant possession by reference to comparable market transactions. This approach rests on the wide acceptance of market price as the best indicator of value and pre-supposes that evidence of recent transactions in the market place can be extrapolated to similar property, subject to allowances for variable factors.

In valuing the property interests in Group I in which the Government Leases expire before 30th June, 1997, we have taken into account the provisions of Annex III of the Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People’s Republic of China (the “PRC”) on the question of Hong Kong and the New Territories Leases (Extension) Ordinance (Chapter 150 of the Laws of Hong Kong) stipulating that such leases may be extended without premium until 30th June, 2047, and that an annual rent at 3% of the rateable value of the property will be charged from the date of extension.

Our valuation of Property 1 in Group II is on the basis of depreciated replacement cost which is used for the valuation of specialised properties. It is a method of using net current replacement costs to arrive at the value to the undertaking in occupation of the property as existing at the valuation date.

In accordance with the Practice Statement of the RICS Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors (the “RICS”) and Standard 2 of the International Valuation Standards issued by The International Assets Valuation Standards Committee, the buildings of Property 1 in Group II belong to the category of specialised, special purpose or specially designed property which, due to its specialised nature, has a utility restricted to particular uses or users, and is rarely, if ever, sold in the open market, except as part of a sale of the business in occupation. As there are no readily identifiable market sales comparables, the buildings cannot be valued on the basis of open market value. They have therefore been valued on the basis of their depreciated replacement cost. The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar property in the

locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales.

The current status of the property regarding major approvals, consents and licences required in the PRC is as follows:

Document/Approval	Property 1 in Group II
State-owned Land Use Rights Certificate	Yes
Realty Title Certificate	Yes

In valuing the property in the PRC, we have complied with all the requirements contained in the Practice Note No. 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupation, letting, rentals, licences, site and floor areas and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the relevant property interests but have assumed that the site areas shown on the documents and official site plans handed to us are correct. Based on our valuation experience of similar properties in the PRC, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurements have been taken.

We have inspected the exterior and the interior of the properties included in the attached valuation certificate, in respect of which we have been provided with such information as we have required for the purpose of our valuation. However, no structural survey has been made, but in the course of our inspection we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to any of the services.

No allowance has been made in our report for any charges, mortgages or amounts owing to the properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have been shown copies of various documents relating to the properties and have caused searches to be made at the Land Registry regarding the properties in Hong Kong. However, we have not searched the original documents to verify any amendments which may not appear on the copied handed to us. Due to defects of the land registration system in the PRC, we are unable to search the original documents to verify the existing title of the property in Group II or any material encumbrances that might be attached to the property. However, we have made reference to the opinion given by the Company's legal advisers on PRC laws in respect of the Group's title to the property in Group II.

The scope of valuation has been determined with reference to the property list provided by the Group. All properties on the list have been included in this valuation certificate. The Group has confirmed to us that it has no property interests other than those specified on the list supplied to us.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought and received confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts stated in this valuation certificate are in Hong Kong dollars. The exchange rate adopted in our valuation of the properties is the exchange rate prevailing as at 31st August, 2002, being HK\$1 = RMB1.06 and there has been no significant fluctuation in the exchange rate between the date of valuation and the date of this letter.

Our valuations are summarised below and the valuation certificate is attached.

Yours faithfully
For and on behalf of
Castores Magi Surveyors Limited
Ernest Cheung Wah Fu
B.Sc. MRICS AHKIS RPS MCI Arb
Director

Note: Ernest Cheung Wah Fu is a Registered Professional Surveyor who has over 10 years of experience in valuing properties in Hong Kong and the PRC.

SUMMARY OF VALUES

Property	Capital value in existing state as at 31st August, 2002 HK\$
Group I – Property interests owned and occupied by the Group in Hong Kong	
1. Units A, B and D on 5th Floor and Lorry Parking Space 23 on 1st Floor, Unison Industrial Centre, Nos. 27-31 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong.	10,000,000
2. Unit C on 5th Floor, Van Parking Space 1 on 1st Floor and Lorry Parking Space 29 on 1st Floor, Unison Industrial Centre, Nos. 27-31 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong.	4,030,000
3. Van Parking Space 8 on 1st Floor, Unison Industrial Centre, Nos. 27-31 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong.	350,000
Sub-Total :	14,380,000

Property	Capital value in existing state as at 31st August, 2002 <i>HK\$</i>
Group II – Property interest held by the Group in Guangdong Province, the PRC	
1. Various buildings erected on two adjoining parcels of land located at No. 18 First High-Tech Road, High-Tech Industrial Zone, Xinlian Zhen, Humen Town, Dongguan City, Guangdong Province, The PRC.	88,300,000
Sub-Total :	<u>88,300,000</u>
Grand Total :	<u><u>102,680,000</u></u>

VALUATION CERTIFICATE

Group I – Property interests owned and occupied by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st August, 2002 HK\$
1. Units A, B and D on 5th Floor and Lorry Parking Space 23 on 1st Floor, Unison Industrial Centre, Nos. 27-31 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong.	The property comprises three adjoining workshop units on the 5th Floor and one lorry parking space on 1st Floor of a 16-storey industrial building which was completed in about 1983.	The property is currently occupied by the Group for warehouse, ancillary office and lorry parking purposes.	10,000,000
36/920th shares of and in Sha Tin Town Lot No. 67 (the "Lot")	The property (excluding the lorry parking space) has a total saleable area of approximately 13,657 sq.ft. (approximately 1,268.8 sq.m.). The Lot is held under a Government Lease for a term of 99 years commencing from 1st July, 1898 which was extended until 30th June, 2047 under Section 6 of the New Territories Leases (Extension) Ordinance (Cap. 150 of the Laws of Hong Kong). The current annual Government Rent payable for the Lot is equal to 3% of the rateable value for the time being of the Lot.		

Notes:

- The registered owner of the property is PME International (BVI) Company Limited, a wholly-owned subsidiary of the Company.
- Units A and B of the property are subject to a mortgage to secure general banking facilities in favour of Bank of America (Asia) Limited registered by memorial no. 1140843 dated 18th January, 2000.
- Unit D and Lorry Parking Space 23 of the property are subject to a mortgage to secure general banking facilities in favour of Bank of America (Asia) Limited registered by memorial no. 1140840 dated 18th January, 2000.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st August, 2002 HK\$
2. Unit C on 5th Floor, Van Parking Space 1 on 1st Floor and Lorry Parking Space 29 on 1st Floor, Unison Industrial Centre, Nos. 27-31 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong. 15/920th shares of and in Sha Tin Town Lot No. 67 (the "Lot")	<p>The property comprises a workshop unit on the 5th Floor, one van parking space and one lorry parking space on 1st Floor of a 16-storey industrial building which was completed in about 1983.</p> <p>The property (excluding the van and the lorry parking spaces) has a saleable area of approximately 4,620 sq.ft. (approximately 429.2 sq.m.).</p> <p>The Lot is held under a Government Lease for a term of 99 years commencing from 1st July, 1898 which was extended until 30th June, 2047 under Section 6 of the New Territories Leases (Extension) Ordinance (Cap. 150 of the Laws of Hong Kong).</p> <p>The current annual Government Rent payable for the Lot is equal to 3% of the rateable value for the time being of the Lot.</p>	<p>The property is currently occupied by the Group for warehouse and van/lorry parking purposes.</p>	<p>4,030,000</p>

Notes:

1. The registered owner of the property is Fook Cheong Ho International Limited, a wholly-owned subsidiary of the Company.
2. Unit C of the property is subject to a mortgage in favour of Security Pacific Asian Bank Limited (now known as Bank of America (Asia) Limited) registered by memorial no. 546839 dated 1st September, 1990.
3. We were informed by the Group that Van Parking Space 1 and Lorry Parking Space 29 were subject to a new mortgage dated 21st October, 2002 in favour of Bank of America (Asia) Limited.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st August, 2002 HK\$
3. Van Parking Space 8 on 1st Floor, Unison Industrial Centre, Nos. 27-31 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong. 1/920th shares of and in Sha Tin Town Lot No. 67 (the "Lot")	The property comprises one van parking space on 1st Floor of a 16-storey industrial building which was completed in about 1983. The Lot is held under a Government Lease for a term of 99 years commencing from 1st July, 1898 which was extended until 30th June, 2047 under Section 6 of the New Territories Leases (Extension) Ordinance (Cap. 150 of the Laws of Hong Kong). The current annual Government Rent payable for the Lot is equal to 3% of the rateable value for the time being of the Lot.	The property is currently occupied by the Group for van parking purpose.	350,000

Notes:

1. The registered owner of the property is Unison Base Investment Limited, a wholly-owned subsidiary of the Company.
2. We were informed by the Group that the property was subject to a new mortgage dated 21st October, 2002 in favour of Bank of America (Asia) Limited.

Group II – Property interest held by the Group in Guangdong Province, the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st August, 2002 HK\$
1. Various buildings erected on two adjoining parcels of land located at No. 18 First High-Tech Road, High-Tech Industrial Zone, Xinlian Zhen, Humen Town, Dongguan City, Guangdong Province, The PRC.	<p>The property comprises five various buildings erected on two adjoining parcels of land having a total site area of 61,561 sq.m.</p> <p>The buildings erected thereon have a total gross floor area of approximately 44,981.4 sq.m. and were completed in 1996.</p> <p>The property is subject to two land use rights each for a term of 50 years commencing from July, 1994 to July, 2044 for industrial purpose.</p>	The property is currently occupied by the Group for production, storage, office and dormitory purpose.	88,300,000

Notes:

- Pursuant to a State-owned Land Use Rights Certificate – Dong Fu Guo Yong (1994) Zi Di Te No. 617 (國有土地使用證 — 東府國用(1994)字第特617號) dated 30th August, 1995 issued by the People's Government of Dongguan Shi (東莞市人民政府), the land use rights of a parcel of land was granted to “東莞必美宜拋光材料器材有限公司” for a land use term of 50 years commencing from July, 1994 to July, 2044. This parcel of land has a site area of 44,581 sq.m. and was designated for industrial purpose.
- Pursuant to another State-owned Land Use Rights Certificate – Dong Fu Guo Yong (1994) Zi Di Te No. 618 (國有土地使用證 — 東府國用(1994)字第特618號) dated 30th August, 1995 issued by the People's Government of Dongguan City (東莞市人民政府), the land use rights of a parcel of land was granted to “東莞必美宜拋光材料器材有限公司” for a land use term of 50 years commencing from July, 1994 to July, 2044. This parcel of land has a site area of 16,980 sq.m. and was designated for industrial purpose.
- According to five Realty Title Certificates – Yue Fang Di Zheng Zi Di Nos. C0374339, C0374340, C0374350, C0374352 and C0374357 (房地產權證 — 粵房地證字第C0374339, C0374340, C0374350, C0374352及C0374357號) all dated 21st November, 2001 and issued by People's Government of Guangdong Province (廣東省人民政府), the realty title of three workshop buildings, one administration building and one dormitory building was granted to “東莞必美宜拋光材料器材有限公司”. These buildings have a total gross floor area of 44,981.4 sq.m.
- According to the opinion provided by the Company's legal advisers on the PRC Laws, the followings, inter alia, were noted:
 - the costs for acquiring the land use rights and the building ownership of the property (including but not limited to the land premium) has been paid in full by the Group;
 - the Group is the sole legal owner of the land use rights and building ownership of the property;
 - the land use rights of the property is for a term of 50 years commencing from July, 1994 to July, 2044 for industrial purpose;
 - during the term of the land use rights, the Group is entitled to occupy, transfer, lease, mortgage or dispose of the land use rights and building ownership of the property without obtaining any approval from the PRC authority or paying any land premium, provided that it shall have to attend to the requisite legal procedures with respect to the relevant sale, transfer, mortgage in accordance with the PRC law;
 - the property is subject to a pledge in favour of Agricultural Bank of China, Dongguan City Humen Branch for a term from 24th December, 2001 to 23rd December, 2006 to secure bank loans granted to the Group; and
 - as confirmed by the Group, the property and the actual use of the property conforms with the prescribed use of the property.