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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)

DISCLOSEABLE TRANSACTION INVOLVING FORMATION OF A JOINT VENTURE COMPANY

The directors of PME Group Limited (the “Company”) are pleased to announce that on 29 September 2006, a sino-foreign equity joint venture agreement (the “JV Agreement”) was entered into between 上海新華化工廠 (Shanghai Xin Hua Chemical Factory[#]) and PME International Company Limited, a wholly-owned subsidiary of the Company.

The JV Agreement constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules. A circular containing further details of the JV Agreement will be sent to the shareholders of the Company as soon as practicable.

The directors (the “Directors”) of PME Group Limited (the “Company”) are pleased to announce that on 29 September 2006, a sino-foreign equity joint venture agreement (the “JV Agreement”) was entered into between 上海新華化工廠 (Shanghai Xin Hua Chemical Factory[#]) (hereafter “Shanghai Xin Hua”) and PME International Company Limited (“PME International”), a wholly-owned subsidiary of the Company with details as follows:

THE JV AGREEMENT

Date : 29 September 2006

Parties : (i) PME International
(ii) Shanghai Xin Hua

PME International is principally engaged in the trading of polishing materials and equipment. The principal business activities of Shanghai Xin Hua, which is a local company established in Shanghai, China, are manufacturing and trading of polishing materials.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, Shanghai Xin Hua and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Formation of joint venture company

Pursuant to the JV Agreement, a joint venture company Shanghai PME-XINHUA Polishing Materials Systems (“PME-XINHUA”) will be set up in Shanghai, China. PME-XINHUA will be principally engaged in the research and development, manufacturing of various polishing materials and equipment, sales of self-manufactured products and provision of related technical services. PME-XINHUA will be beneficially owned as to 60% by PME International and 40% by Shanghai Xin Hua.

Registered capital of PME-XINHUA

Pursuant to the terms of the JV Agreement, the registered capital of PME-XINHUA will be RMB10,000,000 (equivalent to approximately HK\$9,718,173). PME International will contribute 60% of the registered capital, equivalent to approximately HK\$5,830,904, in cash, which will be funded by internal resources. The contribution of PME International will be payable within one month after the approval of the establishment of PME-XINHUA. Shanghai Xin Hua will contribute 40% of the registered capital by way of plant and machinery, inventories and cash. The value of plant and machinery and inventories is assessed by an independent third party.

Apart from the contribution towards the registered capital set out above, there are no further capital commitments that are required to be contributed by the parties to the JV Agreement at this stage. If there is any further capital commitments to be put up by the parties to the PME-XINHUA, further announcement will be made if and when appropriate to comply with the requirements under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

Board of directors of PME-XINHUA

The board of directors of PME-XINHUA will comprise five directors, of which three will be nominated by PME International and two by Shanghai Xin Hua.

REASONS FOR THE JV AGREEMENT

The Group is principally engaged in the manufacturing and trading of polishing materials and equipment. Its revenue is mainly derived from Hong Kong and the Pearl River Delta Region.

The Directors have always been proactive in seeking opportunities for expanding its business in China. The Directors consider that entering into the JV Agreement offers the Group a good business opportunity to expand its business to the eastern China.

The Directors consider that the terms of the JV Agreement are entered into upon normal commercial terms following arm's length negotiations among the parties and that the terms of the JV Agreement are fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole.

GENERAL

The JV Agreement constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules. A circular containing further details of the JV Agreement will be sent to the shareholders of the Company as soon as practicable.

By Order of the Board
PME GROUP LIMITED
Cheng Kwok Woo
Chairman

Hong Kong, 4 October 2006

* *For identification purpose only*

The English translations of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words

As at the date of this announcement, the Directors comprise (1) Mr Cheng Kwok Woo, Mr Cheng Kwong Cheong, Ms Cheng Wai Ying, Mr Chow Yin Kwang, and Ms Chan Yim Fan as executive directors; (2) Mr Zheng Jin Hong as non-executive director; and (3) Messrs Anthony Francis Martin Conway, Leung Yuen Wing and Lam Hon Ming Edward as independent non-executive directors.

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of HK\$1.00 to RMB1.029. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

“Please also refer to the published version of this announcement in the International Herald Tribune”