
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, you should at once hand this circular 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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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
DISPOSAL OF A PROPERTY**

A letter from the Board of Directors of PME Group Limited is set out on pages 3 to 5 of this circular.

* *For identification purpose only*

26 January 2007

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	3
Appendix	6

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Agreement”	the agreement for sale and purchase dated 5 January 2007 entered into between the Vendor and the Purchaser in relation to the disposal of the Property
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“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
“Directors”	the directors of the Company
“Disposal”	the disposal of the Property by the Vendor to the Purchaser pursuant to the Agreement
“Group”	the Company and all of its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	25 January 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Companies
“PMEI”	PME International (BVI) Company Limited, a limited liability company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
“PRC”	the People’s Republic of China

DEFINITIONS

“Property”	Unit A, 5th Floor, Unison Industrial Centre, Nos. 27-31 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong
“Purchaser”	Standard Jackson
“SFO”	the Securities and Futures Ordinance (Chapter 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)
“Standard Jackson”	Standard Jackson Development Limited, a limited liability company incorporated in Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	PMEI
“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. Cheng Wai Ying
Mr. Chow Yin Kwang
Ms. Chan Yim Fan

Registered office:

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

Non-executive Director:

Mr. Zheng Jin Hong

*Head office and principal place of
business in Hong Kong:*

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

Independent Non-executive Directors:

Mr. Anthony Francis Martin Conway
Mr. Leung Yuen Wing
Mr. Lam Hon Ming Edward

26 January 2007

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION INVOLVING DISPOSAL OF A PROPERTY

INTRODUCTION

Reference is made to an announcement of the Company dated 8 January 2007 in which the Board announced that PMEI and Standard Jackson had entered into an agreement for sale and purchase on 5 January 2007 in relation to the disposal of the Property at a consideration of HK\$5,200,000.

The entering into the Agreement constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with further details regarding the Agreement and the Group.

* For identification purpose only

LETTER FROM THE BOARD

THE AGREEMENT

Date : 5 January 2007
Vendor : PMEI
Purchaser : Standard Jackson

The Group is principally engaged in manufacturing and trading of polishing materials and equipment. The principal business activity of Standard Jackson is trading of machinery.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Standard Jackson and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Property to be disposed

The Property to be disposed is Unit A on 5th Floor, Unison Industrial Centre, Nos. 27-31 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong. The gross floor area of the Property is 4,729 square feet.

The Property was occupied by the Group as warehouse for the year ended 31 December 2005 and the eight months ended 31 August 2006. The Property was leased to a third party commenced from 1 September 2006 to 31 August 2008 at monthly rental of HK\$31,800 inclusive of management fees, government rents and rates. The property was disposed together with the current lease and no compensation is required to be paid by PMEI.

The net profit before tax and after tax attributable to the Property for the year ended 31 December 2006 are approximately HK\$83,000 and HK\$68,000 respectively. There was no profit attributable to the Property for the year ended 31 December 2005.

The non-current assets of the Group will decrease by HK\$2,930,000 and the current assets will increase by HK\$5,140,000 immediate after completion of the Disposal. The Disposal has positive contribution to the results of the Group.

Consideration and payment terms

The consideration for the Disposal is HK\$5,200,000. Deposit of HK\$520,000 has been received by PMEI. The balance in the sum of HK\$4,680,000 will be settled in cash upon the completion of the sale of the Property on or before 31 January 2007.

The consideration was arrived at after arm's length negotiation between the Vendor and Purchaser and with reference to current market value of properties for industrial use in the nearby locality.

As at 31 December 2006, the net book value of the Property was approximately HK\$2,930,000. After deducting the net book value of the Property and the expected legal and other related costs and expenses, the expected gain to the Group from the Disposal will be approximately HK\$2,210,000.

LETTER FROM THE BOARD

Completion date

Completion of the Disposal is expected to take place on or before 31 January 2007.

REASONS FOR THE DISPOSAL

The Directors consider that the terms of the Agreement are entered into upon normal commercial terms following arm's length negotiations among the parties and that the terms of the Agreement are fair and reasonable and are in the interests of the Company and the Shareholders of the Company as a whole as the cash raised from the Disposal will enhance the Group's liquidity and increase the funds available for general working capital.

USE OF NET PROCEED

The net proceed from the Disposal is approximately HK\$5,140,000, which will be used for general working capital purpose.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix to this circular.

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

APPENDIX

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. 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.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests

As at the Latest Practicable Date, the Directors and chief executive of the Company have the following interests and short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

Long positions in the ordinary shares of the Company:

Directors	Number of shares held			Percentage of interests
	Personal Interests	Corporate interests	Total interests	
Mr. Cheng Kwok Woo	54,400,000	318,438,000 <i>(note)</i>	372,838,000	38.92%
Mr. Cheng Kwong Cheong	54,400,000	318,438,000 <i>(note)</i>	372,838,000	38.92%
Ms. Cheng Wai Ying	54,400,000	318,438,000 <i>(note)</i>	372,838,000	38.92%
Ms. Chan Yim Fan	8,205,333	–	8,205,333	0.86%

Note: These shares are held by PME Investments (BVI) Co., Ltd., a company incorporated in the British Virgin Islands. The entire issued share capital of PME Investments (BVI) Co., Ltd. is beneficially owned as to one-third by each of Mr. Cheng Kwok Woo, Mr. Cheng Kwong Cheong and Ms. Cheng Wai Ying.

Save as disclosed above, none of the Directors, chief executive and their associates had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, as recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

APPENDIX

(b) Substantial shareholders

As at the Latest Practicable Date, in accordance with the register of the substantial shareholders kept by the Company under Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules, the following persons were interested (including short positions) in the shares or underlying shares of the Company:

Long positions in the ordinary shares of the Company:

Name	Notes	Number of shares held	Percentage of interests
PME Investments (BVI) Co., Ltd.	1	318,438,000	33.24%
Mr. Cheng Kwok Woo	2	372,838,000	38.92%
Mr. Cheng Kwong Cheong	2	372,838,000	38.92%
Ms. Cheng Wai Ying	2	372,838,000	38.92%
Ms. Tsang Sui Tuen	3	372,838,000	38.92%
Ms. Wan Kam Ping	4	372,838,000	38.92%
Mr. Cheng Yau Kuen	5	372,838,000	38.92%

Notes:

1. PME Investments (BVI) Co., Ltd. is an investment holding company incorporated in the British Virgin Islands and its entire issued share capital is beneficially owned as to one-third by each of Mr. Cheng Kwok Woo, Mr. Cheng Kwong Cheong and Ms. Cheng Wai Ying.
2. Each of Mr. Cheng Kwok Woo, Mr. Cheng Kwong Cheong and Ms. Cheng Wai Ying personally holds 54,400,000 shares of the Company, being approximately 5.68% of the entire issued share capital of the Company. Each of them is further beneficially interested in one-third of PME Investments (BVI) Co., Ltd. and is accordingly deemed to be interested in the entire interests of PME Investments (BVI) Co., Ltd. in the Company.
3. Ms. Tsang Sui Tuen is the spouse of Mr. Cheng Kwok Woo and is accordingly deemed to have interest in 372,838,000 shares of the Company that Mr. Cheng Kwok Woo has interest in.
4. Ms. Wan Kam Ping is the spouse of Mr. Cheng Kwong Cheong and is accordingly deemed to have interest in 372,838,000 shares of the Company that Mr. Cheng Kwong Cheong has interest in.
5. Mr. Cheng Yau Kuen is the spouse of Ms. Cheng Wai Ying and is accordingly deemed to have interest in 372,838,000 shares of the Company that Ms. Cheng Wai Ying has interest in.

Save as disclosed above, no other parties were recorded in the register required to be kept under Section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at the Latest Practicable Date.

APPENDIX

3. DIRECTORS' SERVICE CONTRACTS

Each of Mr. Cheng Kwok Woo, Mr. Cheng Kwong Cheong, Ms. Cheng Wai Ying, Mr. Chow Yin Kwang and Ms. Chan Yim Fan had entered into a service agreement with the Company for a term of 3 years commencing from 1 October 2002 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of Mr. Zheng Jin Hong, Mr. Anthony Francis Martin Conway, Mr. Leung Yuen Wing and Mr. Lam Hon Ming Edward have entered into a service contract with the Company pursuant to which his term of appointment shall continue until 30 September 2007 subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service agreement with any member of the Group, which will expire or may not be terminated by the Company within a year without payment of any compensation.

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were engaged in any litigation, arbitration or claim of material importance and there is no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

5. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors or their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or, any other conflicts of interest within the Group.

6. OTHERS

- (a) The principal share registrar and transfer office of the Company is situated at P.O. Box 513 GT, Strathvale House, North Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies. The branch share registrar and transfer office of the Company is situated at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (b) The company secretary of the Company is Mr. Li Chak Hung, *CPA, FCCA*. The qualified accountant of the Company is Ms. Yip Chui Ling, *CPA, FCCA*.