

FUTURE PLANS AND USE OF PROCEEDS FROM THE SHARE OFFER

FUTURE PLANS AND PROSPECTS

The business strategy of the Group will be to focus on the manufacturing and trading of industrial abrasive products in Hong Kong and the PRC. Following the PRC's accession to WTO in 2001, the Directors believe that the projected increase in the demand for the industrial products in the PRC will, in turn, increase the demand for industrial materials and products of the Group. The Directors believe that expansion of the PRC market will expedite the growth of the Group and its plans to set up a representative office initially in Shanghai, the PRC. The Group will continue to dedicate its resources to the innovation of new products with a view to satisfying different market needs. The Directors also aim to enhance the reputation of the Group's brand name "*Pme*" for its products in the PRC and overseas markets.

USE OF PROCEEDS

The net proceeds from the issue of the New Shares, after deducting the relevant expenses, are estimated to be approximately HK\$23.4 million assuming the Over-allotment Option is not exercised. The Directors presently intend to use such net proceeds as follows:

- as to approximately HK\$6 million to expand the sales and marketing network and set up representative offices in the PRC;
- as to approximately HK\$8 million to improve the production facilities of Dongguan PME and the technical application centre of the Group;
- as to approximately HK\$5 million to reduce the Group's bank borrowings; and
- as to the balance of approximately HK\$4.4 million as general working capital for the Group.

Should the Over-allotment Option be exercised in full, the Company will receive additional net proceeds of approximately HK\$7.5 million. The Directors intend that such additional net proceeds will be applied as the Group's general working capital.

To the extent that the net proceeds from the issue of the New Shares are not immediately required for the above purposes, it is the present intention of the Directors that they will be placed on short-term interest-bearing deposits with banks and/or financial institutions in Hong Kong.