This summary aims to give you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read the whole of this prospectus before deciding whether to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before deciding whether to invest in the Offer Shares.

BUSINESS OF THE GROUP

The Group is principally engaged in the manufacturing of polishing compounds and polishing wheels in the PRC under its own brand name ***"Pme"*** and the trading of different types of industrial abrasive products in Hong Kong and the PRC.

The polishing compounds and polishing wheels are used for industrial polishing and shining of different metallic and non-metallic products. Metallic products that require the use of polishing compounds and polishing wheels include hollowware, cutlery, metal optical frames, watch cases and watch bands. Non-metallic products that require the use of polishing compounds and polishing wheels include plastic eyeglasses, plastic panels, acrylic and wood decorations. The Group's polishing compounds are manufactured according to specific in-house designs for the polishing of different metallic or non-metallic products to achieve finishings of various colours and brightness. The polishing wheels are made of selected fabrics of various styles and sizes making them suitable for different finishing purposes.

The Group also trades in different abrasive products including bonded abrasive products, coated abrasive products, non-woven abrasive products and various other abrasive products. All of these products are mainly supplied to markets in Hong Kong and the PRC. The other abrasive products traded by the Group, such as dry tumbling materials, mainly include grinding paste, polishing paste, shining paste, hard compound impregn and wooden chips. These materials may be applied in the dry tumbling barrel process to most metallic and plastic products to achieve a highly shiny surface finishing particularly suitable for stainless steel parts, jewellery, watch bands, watch cases, spectacle frames, buttons, zinc alloys and die-casting parts.

The Group also provides technical consultancy services to assist its customers in the application of the Group's products. In 2002, the Group established a technical application centre in Dongguan PME to provide training, testing of new products and various after-sales services to its customers.

Sales of the Group's products to Hong Kong and the PRC accounted for approximately 89.7%, 89.3%, 90.5% and 96.6% of the Group's turnover for each of the three years ended 31st December, 2001 and the three months ended 31st March, 2002 respectively. The remaining percentage of the Group's turnover was predominantly derived from sales to other Asian, European and North American markets. The Directors consider that the Group's current major market is located in the Pearl River Delta region of the PRC, including Hong Kong.

The Group began the manufacturing of abrasive products under its own ***"Pme"*** brand name in the early 1990's. For the three years ended 31st December, 2001 and the three months ended 31st March, 2002, the Group's products sold under the brand name of ***"Pme"*** accounted for approximately 30.0%, 44.7%, 38.8% and 53.4% of the Group's turnover respectively and approximately 68.9%, 53.8%, 59.9% and 45.5% of the Group's turnover was derived from the trading of non-Pme branded abrasive products respectively over the same periods.

The manufacture of the Group's products involves the use of a variety of materials, which are mainly purchased from Japan, Taiwan or the PRC. The principal raw materials used in the Group's production are aluminum oxide, stearic acid, cotton and sisal fabric. For each of the three years ended 31st December, 2001 and the three months ended 31st March, 2002, purchases of these principal raw materials accounted for approximately 83.0%, 79.8%, 83.8% and 91.8% of the Group's purchases of raw materials respectively.

The Group's turnover is attributable to the manufacturing and trading of industrial abrasive products and the provision of technical consultancy services. For the year ended 31st December, 2001, the manufacturing of polishing compounds and polishing wheels, trading of abrasive products and polishing equipment and the provision of technical consultancy services accounted for approximately 38.8%, 59.9% and 1.3% respectively of the Group's turnover and approximately 50.5%, 45.5% and 4.0% respectively of the Group's profit from operations. Further details of the breakdown of the Group's turnover are set out in the paragraph headed "Sales and marketing" under the section headed "Business" in this prospectus.

The Group's production is carried out at its production plant in Humen Town, Dongguan City, Guangdong Province, the PRC which has a total site area of approximately 61,000 sq.m. and a gross floor area of approximately 45,000 sq.m.. As at the Latest Practicable Date, the Group employed approximately 300 full-time employees of which approximately 200 employees are engaged in production operations and approximately 100 employees are engaged in the general operations and administration of the Group.

STRENGTHS OF THE GROUP

The Directors attribute the Group's success to the following principal factors:

— extensive experience in the manufacturing of abrasive products;

— consistency of quality of its products;

— long-established customer relationships;

— sourcing of raw materials from the PRC at a low cost;

— established network of marketing resources and distribution; and

— the ability of the Group to provide "one-stop services" including the production and distribution of a wide range of polishing products.

TRADING RECORD

The following table summarises the Group's audited combined results for each of the three years ended 31st December, 2001 and the three months ended 31st March, 2002 and is prepared on the assumption that the current structure of the Group had been in existence throughout the periods under review. This summary should be read in conjunction with the accountants' report, the text of which is set out in Appendix I to this prospectus:

	Year ended 31st December,			Three months ended 31st March,
	1999	**2000**	**2001**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	122,451	123,363	119,064	18,015
Cost of sales	(73,286)	(70,092)	(61,259)	(8,597)
Gross profit	49,165	53,271	57,805	9,418
Other operating income	2,096	1,067	2,064	161
Selling and distribution costs	(4,187)	(4,217)	(3,180)	(448)
Administrative expenses	(25,249)	(24,961)	(23,585)	(5,564)
Revaluation (decrease) increase on leasehold land and buildings	(694)	585	(183)	(39)
Profit from operations	21,131	25,745	32,921	3,528
Finance costs	(1,738)	(2,960)	(2,258)	(632)
Share of results of an associate	65	—	—	—
Profit before taxation	19,458	22,785	30,663	2,896
Taxation	(2,214)	(3,329)	(4,657)	(614)
Profit for the year/period	17,244	19,456	26,006	2,282
Dividends	—	—	5,000	55,000

WAIVER ON THE LATEST FINANCIAL PERIOD REPORTED ON BY THE REPORTING ACCOUNTANTS UNDER THE LISTING RULES

Pursuant to Rule 8.06 of the Listing Rules, the latest financial period reported on by the reporting accountants of the Group must not have ended more than six months before the date of this prospectus. As indicated in the accountants' report, the text of which is set forth in Appendix I to this prospectus, the financial information of the Group has been audited up to 31st March, 2002. In order to comply strictly with the Listing Rules, this prospectus must be dated on or before 30th September, 2002.

However, compliance with Rule 8.06 of the Listing Rules would require substantial work to be carried out for audit purposes within a short period of time. The Directors consider that the additional work and expenses involved may not be justified given that there has been no material adverse change in the financial position of the Group since the expiry of the period reported on by the reporting accountants of the Group.

The Company has sought and obtained a waiver from strict compliance with such requirement from the Stock Exchange. The Directors confirm that there has been no material adverse change in the financial position of the Group since 31st March, 2002 and up to the date of this prospectus, and that they are not aware of any event which would arise prior to the date of this prospectus that would materially affect the information shown in the accountants' report, the text of which is set forth in Appendix I to this prospectus.

SHARE OFFER STATISTICS BASED ON THE OFFER PRICE

Market capitalisation *(Note 1)*	HK$200 million
Historical earnings per Share	
– Undiluted *(Note 2)*	3.82 cents
– Pro forma fully diluted *(Note 3)*	3.25 cents
Historical price earnings multiple	
– Undiluted *(Note 4)*	6.54 times
– Pro forma fully diluted *(Note 5)*	7.69 times
Adjusted net tangible asset value per Share *(Note 6)*	17.3 cents

Notes:

1. The calculation of market capitalisation is based on the Offer Price of HK$0.25 per Share and 800,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue but takes no account of any Shares which may fall to be issued upon the exercise of any options which may be granted under the Share Option Scheme or any Shares which may fall to be issued under the Over-allotment Option or which may be allotted and issued or repurchased under the general mandates granted to the Directors for the allotment and issue or repurchase of Shares as referred to in the paragraph headed "Written resolutions of all the Shareholders passed on 23rd October, 2002" under the section headed "Further information about the Company and its subsidiaries" in Appendix IV to this prospectus or otherwise.

2. The calculation of the historical earnings per Share on an undiluted basis is based on the audited combined profit attributable to Shareholders for the year ended 31st December, 2001 assuming a total 680,000,000 Shares in issue immediately before the Share Offer.

3. The calculation of the historical earnings per Share on a pro forma fully diluted basis is based on the audited combined profit attributable to Shareholders for the year ended 31st December, 2001 assuming that the Shares had been listed since 1st January, 2001 and a total of 800,000,000 Shares had been in issue throughout the year, but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased under the general mandates granted to the Directors for the allotment and issue or repurchase of Shares as referred to in the paragraph headed "Written resolutions of all the Shareholders passed on 23rd October, 2002" under the section headed "Further information about the Company and its subsidiaries" in Appendix IV to this prospectus.

4. The historical price earnings multiple on an undiluted basis is based on the historical earnings per Share on an undiluted basis of 3.82 cents for the year ended 31st December, 2001, the Offer Price and on the basis of an issued share capital of 680,000,000 Shares immediately before the Share Offer.

5. The historical price earnings multiple on a pro forma fully diluted basis is based on the historical earnings per Share on a pro forma fully diluted basis of 3.25 cents for the year ended 31st December, 2001, the Offer Price and on the basis of an issued share capital of 800,000,000 Shares as referred to in note 1 above.

6. The adjusted net tangible asset value per Share has been arrived at after making the adjustments referred to in the paragraph headed "Pro forma net tangible assets" under the section headed "Financial information" in this prospectus and on the basis of an issued share capital of 800,000,000 Shares as referred to in note 1 above.

FUTURE PLANS AND PROSPECTS

The business strategy of the Group will be to continue to focus on the manufacturing and trading of industrial abrasive products in Hong Kong and the PRC. Following the PRC's accession to the WTO in 2001, the Directors expect that the demand for industrial products in the PRC will increase which in turn will increase the demand for the abrasive products of the Group. The Directors believe that expansion of the PRC market will expedite the growth of the Group and is therefore planning initially to set up a representative office in Shanghai, the PRC to promote the Group's products to PRC customers. The Group will continue to dedicate resources towards the innovation of new products with a view to satisfy different market needs and to achieve an internationally recognised standard of polishing materials. The Directors also aim to enhance and strengthen the reputation of the Group's ***"Pme"*** branded products in the PRC and overseas markets through promotion and participation in trade fairs.

REASONS FOR THE SHARE OFFER AND THE USE OF PROCEEDS

The Directors intend to expand the Group's business in the PRC and Hong Kong and believe that the injection of additional working capital from the net proceeds from the issue of the New Shares will provide the necessary funding to enable the Group to carry out its expansion plans.

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

— as to approximately HK$6 million to expand the Group's 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 financial institutions and/or licensed banks in Hong Kong.

RISK FACTORS

The Directors consider that there are certain risks involved in the Group's business which are briefly summarised in the section headed "Risk factors" in this prospectus. These risks can be broadly divided into several categories including (i) risks relating to the Group; (ii) risks relating to the industry; and (iii) risks relating to the PRC, which are summarised below:

Risks relating to the Group

— Reliance on key personnel
— Export
— Import
— Reliance on major customers
— Reliance on major suppliers
— Reliance on the Asian markets
— Competition
— Sustainability of profit margin
— Fluctuation of turnover
— Non-inclusion of a profit forecast for the year ending 31st December, 2002
— Currency conversion and exchange rate risk
— Credit risk
— Product liability exposure
— Business concentration
— Payment of dividends
— Reduction in the registered capital of Dongguan PME
— Overdue contribution of the registered capital of Dongguan PME
— Renewal of the business licence of Dongguan PME

Risks relating to the industry

— Environmental liability exposure
— Supply of raw materials

Risks relating to the PRC

— Economic, political, legal and social conditions
— The PRC's accession to the WTO
— Government control of currency conversion and exchange rate risk
— The PRC legal system