

Chairman's Statement

I am pleased to present the audited consolidated results of the Group for the year ended 31 December 2005 to our shareholders.

RESULTS FOR THE YEAR

For the year 2005, the Group recorded turnover of approximately HK\$192,000,000 and net profit attributable to shareholders amounted to approximately HK\$5,100,000.

DIVIDEND

The Board recommends the payment of a final dividend of HK0.1 cent per share for the year 2005.

BUSINESS

The Group is principally engaged in the manufacturing and selling of **Pme** branded abrasive products such as polishing compound and polishing wheels; as well as trading of various European, American and Japanese branded industrial abrasive products. In addition to the trading of tangible products, the Group also provides product processing solutions (application) and technical support services to our customers. Hong Kong and Pearl River Delta are our major markets, which accounted for around 93% of the total turnover for 2005.

REVIEW OF THE YEAR

In 2005, we had adopted numerous cost control measures which had successfully stabilised the administrative expenses. However, a surge in oil prices led to rises in costs of raw materials which, in turn, increased our product costs; fierce competition in the market stopped us from transferring the increased costs to our customers. All these factors had negatively affected the Group's operational effectiveness.

PROSPECTS

Taking a macro-view of the economic environment, the growth of Mainland China, as in previous years, will continue; Hong Kong also has a positive economic outlook. As an enterprise where the PRC is its major market, we will try our best to grasp market opportunities so as to maximise shareholders' return. In 2006, in the areas of market and product development, we will continue to develop the distribution network so as to widen our sales channels; actively introduce new products which suit the market needs; increase the market value of **Pme** brand. Following the positive progress in the negotiations with the Mainland joint venture partner, it is expected that our development in the market among the Yangtze River Delta region will be accelerated. Cost control remains our top issue this year. The organisational restructuring will be undergone to increase operational effectiveness.

APPRECIATION

We have a very hard working and dedicated team. On behalf of the Board, I take this opportunity to thank our team for their continuous effort and contributions.

Finally, I thank you, our shareholders, customers, suppliers and business partners, for your support and trust in the Group.

Cheng Kwok Woo

Chairman

Hong Kong, 25 April 2006