

## Chairman's Statement

I am pleased to announce the audited consolidated results of the Group for the year ended 31st December, 2006 to our shareholders.

### RESULTS FOR THE YEAR

For the year 2006, the Group recorded turnover of approximately HK\$235,000,000 and net profit attributable to shareholders amounted to approximately HK\$5,500,000.

### REVIEW OF THE YEAR

In 2006, as a result of devoting efforts to establish the distribution network, the Group has successfully enlarged its coverage in the PRC market and thus resulted in increased turnover. However, the continuous fluctuation on raw material prices, increase in labour costs in the Pearl River Delta, and the appreciation of Renminbi during the year have increased our production costs and operation overheads. We have adopted various cost control measures and simplified our organisational structure to improve the resources utilisation efficiency. We have been able to manage the pressure incurred by cost increases and to maintain a profitable year.

### OUTLOOK

As an enterprise where PRC is its major market, we are filled with hope for the future as the PRC economy continues to grow.

In 2007, we are celebrating the 50th anniversary of the setup of the polishing business. We will bring new elements and environment to create a new future: (1) Shanghai PME-XINHUA Polishing Materials Systems, a joint venture in Shanghai, has been formally established and commenced operations in March 2007. It is expected that the pace of expanding to the Yangtze River Delta market will accelerate; (2) Except for sales of high-end products, we will develop more and more products to suit the market needs. We will capture the market through distribution network as we believe that it is the most effective and economical way to obtain higher market shares. Certainly, cost control remains our top issue this year.

### APPRECIATION

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, 25th April, 2007