

A man in a dark suit, light blue shirt, and patterned tie is sitting at a desk. He is wearing glasses and a watch on his left wrist. The background is a blurred office setting with papers and a computer monitor. The text is overlaid on the left side of the image.

I am pleased to present the second report to our shareholders following the successful listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited and the audited consolidated results of the Group for the year ended 31st December, 2003.

For the year 2003, the Group recorded a turnover of approximately HK\$155.1 million and the net profit attributable to the shareholders amounted to approximately HK\$30.6 million, representing 27.8% and 27.6% increases respectively compared to that of last year.

# Chairman's Statement

## Chairman's Statement (Continued)

### GROUP BUSINESS

- Hong Kong and Pearl River Delta are our major markets. These accounted for over 90% of total turnover and profit contribution.
- Manufacturing and selling of **Pme** branded polishing compounds, polishing wheels and abrasive products represented 49% of total turnover.
- Trading of various branded industrial abrasive products represented 49% of total turnover.
- We not only sell polishing products, but also provide total solutions for product processing, aiming at meeting customers' product quality requirements. Provision of technical support services represented 2% of total turnover.
- The Group maintains a huge customer database. Our largest end-product buyer accounts for less than 2% of total turnover. This means that our income is not controlled by a few buyers' orders and our business will not be greatly affected by the loss of several buyers.
- 80% of our sales are direct sales, only 20% are indirect sales (i.e. products sold through distributors). Regardless whether the buyers are direct buyers or indirect buyers, the Group still provides them with direct technical support services. This shows that we are fully aware of market changes and devise and adopt new strategies in a timely manner.

### REVIEW OF THE YEAR

#### Winning in Adverse Times

I am pleased to announce that the Group's turnover in 2003 was the highest since its establishment.

This was achieved despite the many unfavourable factors affecting the economy in 2003. For example, oil prices escalated due to outbreak of war in the Middle East, which increased our production costs; the occurrence of SARS badly hurt the economy of Hong Kong and Mainland China. Prospects seemed to be pessimistic. In spite of this, we were determined to take on the difficulties and challenges. In order to fulfil our mission to maximise shareholders' return on investment, we devised and implemented various strategies aimed at minimising risks and exploring opportunities in 2003. We developed a detailed plan, fully utilised resources obtained from the Listing as well as enlisting staff participation to achieve growth. As a result, we overcame the difficulties and achieved remarkable performance this year.



### PROSPECTS

#### Losses by Pride Gains by Modesty

Doubtlessly, Mainland China is heading for prosperous economic growth and development. The CEPA signed last year is definitely a "cardiac stimulant" for economic exchanges between Hong Kong and Mainland China. Spread of "avian flu" in the first quarter of 2004 slightly affected economic growth. A major crisis did not develop. There is general optimism for the economy for the rest of this year.

## Chairman's Statement (Continued)

However, in times of economic growth, both opportunities and threats exist. We should not lower our awareness. We should guard against arrogance and rashness; be prepared for danger in times of peace; strive for growth; explore new business opportunities. All of these are our strategies in 2004.

### Plans

It is expected that through implementing the following plans, the Group is able to stabilise and consolidate our business performance, and hopefully, achieve further growth:

- Making use of market intelligence to increase market share.
- Researching and developing the best mixes of various polishing products; seeking advanced and new products in American and European markets in order to meet the needs of various industries such as watches and clocks, spectacle frames and stainless steel holloware, etc.
- Focusing on exploring sales opportunities in the jewelry industry, in order to take advantage of increasing wealth of the PRC people.
- Searching for suitable China and overseas investment projects: upstream production, downstream distribution.
- Extending our marketing and sales efforts to show that the Group has the ability to provide one-stop procurement and on-site technical support services.
- Developing the market in the Yangtze River Delta through our Shanghai representative office.

### APPRECIATION

We have a very hard working and dedicated team at PME. I would like to take this opportunity to thank the directors, management and all staff for their contributions which are much appreciated.

We will never forget that without customers, suppliers and trading partners, we do not have a business. Therefore, we will work diligently to continue to gain their trust and support.

Finally, I thank you, our shareholders, for your trust in the Group. We will definitely try our best to achieve continuing outstanding performance on your behalf.

**Cheng Kwok Woo**

*Chairman*

Hong Kong, 21st April, 2004