



PME GROUP LIMITED

必美宜集團有限公司*

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 379)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

The Board of Directors (the “Board”) of PME Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 (the “Period”) and the comparative figures for the corresponding period in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2007	2006
		(Unaudited)	(Unaudited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	79,234	74,749
Cost of sales		(55,950)	(55,114)
Gross profit		23,284	19,635
Other income		1,455	1,036
Selling and distribution expenses		(8,238)	(6,464)
Administrative expenses		(12,950)	(11,665)
Loss on disposals of available-for-sale investments		-	(259)
Finance costs	4	(625)	(660)
Profit before taxation	5	2,926	1,623
Taxation	6	(903)	(585)
Profit for the Period		2,023	1,038
Attributable to:			
Equity holders of the Company		2,070	1,052
Minority interests		(47)	(14)
		2,023	1,038
Dividend	7	-	316
Earnings per share	8		
- Basic		HK 0.20 cent	HK 0.11 cent
- Diluted		HK 0.19 cent	HK 0.11 cent

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		121,666	122,499
Prepaid lease payments		10,090	10,214
Deposits placed with an insurer		3,559	3,559
Club debentures		350	350
		<u>135,665</u>	<u>136,622</u>
Current assets			
Inventories		39,187	27,672
Debtors, deposits and prepayments	9	91,728	76,732
Loan receivables		6,700	7,400
Prepaid lease payments		249	249
Taxation recoverable		1,480	940
Bank balances and cash		84,060	25,704
		<u>223,404</u>	<u>138,697</u>
Current liabilities			
Creditors and accruals	10	11,224	10,671
Taxation payable		1,456	682
Obligations under a finance lease		-	61
Bank borrowings		16,473	19,467
		<u>29,153</u>	<u>30,881</u>
Net current assets		194,251	107,816
Total assets less current liabilities			
		<u>329,916</u>	<u>244,438</u>
Non-current liabilities			
Deferred taxation		3,604	3,604
		<u>326,312</u>	<u>240,834</u>
Capital and reserves			
Share capital		12,996	9,580
Share premium and reserves		309,117	230,999
Equity attributable to equity holders of the Company		<u>322,113</u>	<u>240,579</u>
Minority interests		4,199	255
		<u>326,312</u>	<u>240,834</u>

NOTES

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited.

2. ACCOUNTING POLICIES

The unaudited interim condensed financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group's audited financial statements for the year ended 31 December 2006 except as described below.

In the current interim period, the Group has applied, for the first time, new standard, amendment and interpretations ("new HKFRSs") issued by HKICPA, which are effective for the Group's financial year beginning 1 January 2007. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) - INT 11	HKFRS 2 - Group and Treasury Share Transactions ²
HK(IFRIC) - INT 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 March 2007

³ Effective for annual periods beginning on or after 1 January 2008

3. SEGMENTAL INFORMATION

The analysis of the turnover and segment result of the Group by operating divisions during the Period are as follows:

	Turnover		Segment result	
	Six months ended 30 June			
	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>Operating divisions</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Manufacturing	40,789	32,236	2,246	913
Trading	34,735	39,583	691	98
Technical services	3,710	2,930	649	495
	<u>79,234</u>	<u>74,749</u>	3,586	1,506
Unallocated corporate expenses			(1,490)	-
Other income			1,455	1,036
Loss on disposals of available-for-sale investments			-	(259)
Finance costs			<u>(625)</u>	<u>(660)</u>
Profit before taxation			<u>2,926</u>	<u>1,623</u>

The Group's operations are located in Hong Kong and Mainland China. The Group's trading division is mainly located in Hong Kong. Manufacturing and technical services are carried out in Mainland China.

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of customers:

	Six months ended 30 June	
	2007 (Unaudited) <i>HK\$ '000</i>	2006 (Unaudited) <i>HK\$ '000</i>
Hong Kong	32,017	33,334
Mainland China	43,190	35,009
Other Asian regions	2,927	5,323
North America and Europe	289	587
Other countries	811	496
	<u>79,234</u>	<u>74,749</u>

4. FINANCE COSTS

	Six months ended 30 June	
	2007 (Unaudited) <i>HK\$ '000</i>	2006 (Unaudited) <i>HK\$ '000</i>
Interest on bank overdrafts and bank borrowings wholly repayable within five years	625	646
Interest on finance lease	-	14
	<u>625</u>	<u>660</u>

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2007 (Unaudited) <i>HK\$ '000</i>	2006 (Unaudited) <i>HK\$ '000</i>
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	3,517	2,721
Release of prepaid lease payments	124	122
Cost of inventories sold	55,950	55,114
Loss on disposals of available-for-sale investments	-	259
	<u>-</u>	<u>259</u>

6. TAXATION

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Current tax		
- Hong Kong	903	171
- Other regions in the PRC	-	70
	<u>903</u>	<u>241</u>
Deferred taxation		
- Current	-	344
	<u>-</u>	<u>344</u>
	<u>903</u>	<u>585</u>

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for both periods.

In accordance with the relevant tax laws and regulations of the People's Republic of China ("PRC"), the PRC subsidiary is exempted from Enterprise Income Tax ("EIT") for two years starting from its first profit making year after utilisation of carried forward tax losses and is eligible for a 50% relief on the EIT in the following three years. 2003 is the first profit making year.

7. DIVIDEND

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend (2006: HK 0.033 cent)	-	316
	<u>-</u>	<u>316</u>

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2007.

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following:

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share	<u>2,070</u>	<u>1,052</u>
Number of shares:		
Weighted average number of ordinary shares of the purpose of calculating basic earnings per share	1,041,765,746	958,000,000
Effect of dilutive potential ordinary shares arising from share warrants outstanding	<u>22,185,792</u>	<u>-</u>
Weighted average number of ordinary shares of diluted earnings per share	<u>1,063,951,538</u>	<u>958,000,000</u>

9. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing average credit period of 60 to 90 days to its trade debtors. In addition, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted.

The aged analysis of the trade debtors of HK\$65,141,000 (31 December 2006: HK\$64,115,000) which are included in the Group's debtors, deposits and prepayments is as follows:

	30 June	31 December
	2007	2006
	(Unaudited)	(Audited)
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Within 30 days	11,082	20,797
31 to 60 days	18,018	20,802
61 to 90 days	19,745	15,181
Over 90 days	<u>16,296</u>	<u>7,335</u>
Other debtors, deposits and prepayments	<u>65,141</u>	<u>64,115</u>
	<u>26,587</u>	<u>12,617</u>
	<u>91,728</u>	<u>76,732</u>

10. CREDITORS AND ACCRUALS

The aged analysis of the trade creditors of HK\$7,248,000 (31 December 2006: HK\$5,396,000) which are included in the Group's creditors and accruals is as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Within 30 days	3,175	1,994
31 to 60 days	2,486	2,423
61 to 90 days	1,007	777
Over 90 days	580	202
	<hr/>	<hr/>
	7,248	5,396
Other creditors and accruals	3,976	5,275
	<hr/>	<hr/>
	11,224	10,671
	<hr/>	<hr/>

11. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2007 and 31 December 2006.

12. CAPITAL COMMITMENTS

The Group had no material capital commitment as at 30 June 2007 and 31 December 2006.

13. PLEDGE OF ASSETS

As at 30 June 2007, leasehold land and buildings with an aggregate carrying value of approximately HK\$78,100,000 (31 December 2006: HK\$79,100,000) were pledged to banks to secure banking facilities granted to the Group.

14. SUBSEQUENT EVENT

On 5 July 2007, the Company entered into a placing agreement to place 229,000,000 new shares of the Company at HK\$2.49 per share. The placing was completed on 23 July 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Financial Performance

The Group's turnover for the Period moderately increased by 6% to HK\$79.2 million as compared with the corresponding period in 2006.

Profit for the Period attributable to the shareholders of the Company was approximate HK\$2.1 million, representing an increase of 96.8% and compared with profit of HK\$1.1 million in the corresponding period in 2006. Increase in profit for the current period is mainly due to improvement of gross profit margin.

Liquidity and Financial Resources

As at 30 June 2007, the Group had bank balances and cash amounted to HK\$84.1 million (31 December 2006: HK\$25.7 million).

As at 30 June 2007, the Group had interest-bearing bank borrowings of approximately HK\$16.5 million (31 December 2006: HK\$19.5 million), which were to mature within one year. The directors expect that all the bank borrowings will be repaid by internally generated funds or rolled over upon maturity and will continue to provide funding to the Group's operations. At 30 June 2007, the Group's leasehold land and buildings, with aggregate carrying value of approximately HK\$78.1 million (31 December 2006: HK\$79.1 million), have been pledged to banks to secure banking facilities granted to the Group.

As at 30 June 2007, current assets of the Group amounted to approximately HK\$223.4 million (31 December 2006: HK\$138.7 million). The Group's current ratio was approximately 7.66 as at 30 June 2007 as compared with 4.49 as at 31 December 2006. At 30 June 2007, the Group had total assets of approximately HK\$359.1 million (31 December 2006: HK\$275.3 million) and total liabilities of approximately HK\$32.8 million (31 December 2006: HK\$34.5 million), representing a gearing ratio (measured as total liabilities to total assets) of 9.1% as at 30 June 2007 as compared with 12.5% as at 31 December 2006.

Foreign Exchange Exposures

The Group's purchases and sales are mainly denominated in United States dollars, Hong Kong dollars and Renminbi. The operating expenses of the Group are either in Hong Kong dollars or Renminbi. The exchange rate between Hong Kong dollars and United States dollars is relatively stable as Hong Kong dollars have been pledged with United States dollars. Given the continuous appreciation of Renminbi, the directors will consider to use forward contracts to hedge exchange risk as necessary.

Outlook

In 2007, it is the 50th anniversary of the setup of the polishing business. The directors will continue to develop the polishing business as well as bring new elements to the Group in order to create a new future.

In June 2007, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Well Support Limited in relation to the acquisition (the "Acquisition") of 52,415,466 shares of China Railway Logistics Limited (formerly known as Proactive Technology Holdings Limited). China Railway Logistics Limited has announced that it would tap into the field of railway logistic transportation in the PRC. The directors believe that there are huge growth potentials in the logistic business in the PRC, such Acquisition would bring a good value to our shareholders. The last date for fulfillment of the conditions in the Sale and Purchase Agreement has been extended to 31 December 2007.

In July 2007, another wholly-owned subsidiary of the Company acquired the entire issued capital of Best Time Far East Limited ("Best Time"). Best Time has entered into a co-operation agreement with China Railway Investments Group (Hong Kong) Limited ("China Railway"), an associate of the Ministry of Railway, PRC for the development and application of multi-media entertainment and advertising business in the railway stations as managed by China Railway in PRC and provision of such services to other passenger trains and wagons. The directors believe that acquisition of Best Time provides a good opportunity for the Group to make equity investment in relation to the PRC railway media and advertising business.

Employees and Remuneration

As at 30 June 2007, the Group had approximately 230 employees in Hong Kong and Mainland China. The employees are remunerated with basic salary, bonus and other benefits in kind with reference to industry practice and their individual performance. The Group also operates a share option scheme of which the directors may, at its discretion, grant options to employees of the Group. No option has been granted since the adoption of the share option scheme.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the Period.

CORPORATE GOVERNANCE

The Board considers that good corporate governance of the Company is crucial to safeguarding the interests of the shareholders and enhancing the performance of the Group. The Board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2007.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct for dealings in securities of the Company by the directors. Following a specific enquiry, all directors confirmed that they have complied with the required standards set out in the Model Code throughout the Period.

AUDIT COMMITTEE REVIEW

The Company has established an Audit Committee, which consists of four independent non-executive directors of the Company.

The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2007.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises (1) Mr. Cheng Kwok Woo, Mr. Cheng Kwong Cheong, Ms. Cheng Wai Ying, Mr. Chow Yin Kwang, Ms. Chan Yim Fan, Ms. Yeung Sau Han Agnes and Ms. Chan Shui Sheung Ivy as executive directors; and (2) Messrs. Anthony Francis Martin Conway, Leung Yuen Wing, Soong Kok Meng and Chow Fu Kit Edward as independent non-executive directors.

On behalf of the Board
Cheng Kwok Woo
Chairman

Hong Kong, 21 September 2007

** For identification purpose only*