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PME GROUP LIMITED
必美宜集團有限公司*

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

2011 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of PME Group Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011 and the comparative figures for last year as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	**2011** *HK$'000*	2010 *HK$'000* (Restated)
Turnover	3	**266,890**	205,508
Revenue	3	**265,683**	174,079
Cost of sales		**(183,137)**	(148,922)
Gross profit		**82,546**	25,157
Other income, gain and loss	4	**34,631**	8,232
Selling and distribution expenses		**(6,259)**	(9,590)
Administrative expenses		**(63,578)**	(128,950)
Increase in fair value of investment property		**500**	600
Gain on disposal of subsidiaries		**-**	7,548
(Loss) gain on disposal of convertible bonds designated as financial assets at fair value through profit or loss		**(623)**	500
Gain on disposal of available-for-sale investments	7	**-**	13,971
Loss on disposal of derivative financial assets		**(6,979)**	-
Impairment on available-for-sale investments		**(71,802)**	-
Impairment on interests in associates		**(132,302)**	-
Loss on deemed partial disposal of an associate	6	**(20,782)**	-
(Loss) gain on disposal of held for trading investments		**(474)**	8,975
Change in fair value of convertible bonds designated as financial assets at fair value through profit or loss	5	**(53,732)**	4,401
Change in fair value of derivative financial assets		**-**	10,952
Impairment on amount due from an associate		**(33,000)**	-
Decrease in fair value of held for trading investments		**(74,795)**	(24,096)
Return on advances and charge over assets granted to an associate		**567**	1,500
Share of results of associates		**(35,290)**	18,353
Finance costs	8	**(39,105)**	(26,472)
Loss before taxation		**(420,477)**	(88,919)
Taxation	9	**(12,112)**	(4,591)
Loss for the year	10	**(432,589)**	(93,510)

	Notes	**2011**	2010
		HK$'000	*HK$'000*
			(Restated)
Attributable to:			
Owners of the Company		**(432,451)**	(93,655)
Non-controlling interests		**(138)**	145
		(432,589)	(93,510)
Loss per share (expressed in HK cents)			
Basic	12	**(11.14)**	(4.99)
Diluted	12	**(11.14)**	(4.99)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Loss for the year	**(432,589)**	(93,510)
Other comprehensive income (expenses)		
Reclassification adjustments for the cumulative loss transferred to profit or loss:		
- Upon impairment of available-for-sale investments	**71,802**	-
Exchange differences on translating foreign operations:		
- Exchange differences arising during the year	**9,765**	633
- Exchange differences realised upon the disposal of foreign operations during the year	**-**	(9,007)
Share of other comprehensive (expenses) income of associates	**(324)**	1,638
Transfer of investment revaluation reserve to profit or loss upon realisation of available-for-sale investments during the year	**-**	(27,633)
Net fair value (loss) gain on available-for-sale investments	**(69,917)**	2,656
Release of deferred tax arising on revaluation of available-for-sale investments upon disposal	**-**	3,758
Other comprehensive income (expenses) for the year (net of tax)	**11,326**	(27,955)
Total comprehensive expenses for the year	**(421,263)**	(121,465)
Total comprehensive (expenses) income attributable to:		
Owners of the Company	**(421,125)**	(121,610)
Non-controlling interests	**(138)**	145
	(421,263)	(121,465)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Notes	**31 December 2011** *HK$'000*	31 December 2010 *HK$'000*	1 January 2010 *HK$'000*
			(Restated)	(Restated)
Non-Current Assets				
Property, plant and equipment		**461,521**	18,513	21,134
Investment property		**5,200**	4,700	4,100
Prepaid lease payments		**18,624**	-	-
Available-for-sale investments		**41,038**	110,171	137,101
Goodwill		**39,949**	-	-
Sea use rights		**111,452**	-	-
Interests in associates		**155,616**	343,666	135,449
Club debentures		**350**	350	350
Deferred tax assets		**-**	12	-
		833,750	477,412	298,134
Current Assets				
Inventories		**25,509**	30,394	11,541
Trade and bills receivables, deposits and prepayments	13	**92,721**	126,070	164,525
Convertible bonds designated as financial assets at fair value through profit or loss		**45,179**	106,734	101,319
Derivative financial assets		**-**	10,952	-
Amounts due from associates		**19,791**	52,806	44,631
Loan receivables		**21,351**	72,980	52,700
Prepaid lease payments		**414**	-	-
Taxation recoverable		**-**	574	574
Held for trading investments		**10,010**	81,564	115,159
Deposits placed with financial institutions		**173**	927	3,203
Pledged bank deposits		**63,046**	6,200	-
Bank balances and cash		**149,024**	265,898	19,611
		427,218	755,099	513,263
Assets classified as held for sale		**-**	-	83,427
		427,218	755,099	596,690
Current Liabilities				
Trade payables and accruals	14	**167,564**	23,536	14,444
Taxation payable		**41,599**	37,154	32,771
Obligation under a finance lease		**568**	543	-
Bank and other loans		**91,908**	9,357	11,515
		301,639	70,590	58,730
Liabilities directly associated with assets classified as held for sale		**-**	-	8,423
		301,639	70,590	67,153
Net Current Assets		**125,579**	684,509	529,537
Total Assets less Current Liabilities		**959,329**	1,161,921	827,671

	Notes	**31 December 2011** *HK$'000*	31 December 2010 *HK$'000* (Restated)	1 January 2010 *HK$'000* (Restated)
Capital and Reserves				
Share capital	15	**50,842**	25,442	18,052
Reserves		**467,447**	853,928	804,947
Equity attributable to owners of the Company		**518,289**	879,370	822,999
Non-controlling interests		**975**	1,113	968
Total Equity		**519,264**	880,483	823,967
Non-Current Liabilities				
Obligation under a finance lease		**392**	960	-
Bank and other loans		**10,633**	-	-
Port construction fee refund		**151,793**	-	-
Convertible bonds		**194,301**	229,101	-
Promissory note		**55,243**	51,377	-
Deferred tax liabilities		**27,703**	-	3,704
		440,065	281,438	3,704
		959,329	1,161,921	827,671

Notes :

1. General

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKAS") and Interpretations ("INT") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Other than the jointly controlled entities established in the People's Republic of China (the "PRC") whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its subsidiaries is Hong Kong dollars ("HK$"). The consolidated financial statements are presented in HK$.

Prior year adjustments

In prior years, investment in jointly controlled entities was accounted for using equity method.

In the current year, the Group acquired a subsidiary with jointly controlled entities operated in terminal and logistics business. In view of the nature of operations and significance of the jointly controlled entities to the Group's financial position, the Group considers to adopt proportionate consolidation to recognise its interests in jointly controlled entities, for achieving a better presentation of this new reportable and operating segments to the Group. In accordance with the proportionate consolidation method, the Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entities recognised at the date of acquisition is recognised as goodwill. The goodwill is presented separately in the consolidated statement of financial position. Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a business or a jointly controlled entity. When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity. Under the equity method adopted in prior years, interests in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. The change in accounting policy has been applied retrospectively and there is no effect on the accumulated losses, opening net assets nor the losses for the periods presented.

The effects of adoption of proportionate consolidation under HKAS 31 Interests in Joint Ventures on the consolidated statement of financial position of the Group as at 1 January 2010 and 31 December 2010 is as follows:

	As at 1/1/2010 (originally stated) *HK$'000*	Adjustments *HK$'000*	As at 1/1/2010 (restated) *HK$'000*	As at 31/12/2010 (originally stated) *HK$'000*	Adjustments *HK$'000*	As at 31/12/2010 (restated) *HK$'000*
Increase in property, plant and equipment	20,049	1,085	21,134	17,585	928	18,513
Decrease in interests in a jointly controlled entity	7,357	(7,357)	-	8,044	(8,044)	-
Total Increase in non-current assets	304,406	(6,272)	298,134	484,528	(7,116)	477,412
Increase in inventories	9,456	2,085	11,541	25,976	4,418	30,394
Increase in trade and bills receivables, deposits and prepayments	162,811	1,714	164,525	124,029	2,041	126,070
Increase in bank balances and cash	14,591	5,020	19,611	263,003	2,895	265,898
Total increase in current assets	587,871	8,819	596,690	745,745	9,354	755,099
Increase in trade payables and accruals	(12,270)	(2,174)	(14,444)	(21,709)	(1,827)	(23,536)
Increase in taxation payable	(32,398)	(373)	(32,771)	(36,743)	(411)	(37,154)
Total increase in current liabilities	64,606	2,547	67,153	68,352	2,238	70,590

The effects of adoption of proportionate consolidation under HKAS 31 Interest in Joint Ventures on the consolidated statement of comprehensive income of the Group for the year ended 31 December 2010 is as follows:

	For the year ended 31 December 2010		
	Originally stated	Adjustments	Restated
	HK$'000	*HK$'000*	*HK$'000*
Increase in turnover	188,359	17,149	205,508
Increase in revenue	156,930	17,149	174,079
Increase in cost of sales	(135,575)	(13,347)	(148,922)
Increase in gross profit	21,355	3,802	25,157
Increase in other income, gain and loss	8,223	9	8,232
Increase in selling and distribution expenses	(9,133)	(457)	(9,590)
Increase in administrative expenses	(127,228)	(1,722)	(128,950)
Decrease in share of result of a jointly controlled entity	1,428	(1,428)	-
Decrease in loss before taxation	(89,123)	204	(88,919)
Increase in taxation	(4,387)	(204)	(4,591)

2. Significant accounting policies

The consolidated financial statements have been prepared under the historical cost basis except for certain leasehold properties, investment property and financial instruments, which are measured at fair values, as explained in the Group's accounting policies stated in the annual report. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendment to HKFRS 1	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
Amendments to HKAS 24 (Revised)	Related Party Disclosures
Amendment to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs has had no material impact on the Group's performance and position for the current and prior years and/or the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
	First-time Adoption of Hong Kong Fincancial Reporting Standards-Government Loan[2]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Taxes: Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – INT 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 July 2015.
[4] Effective for annual periods beginning on or after 1 January 2012.
[5] Effective for annual periods beginning on or after 1 July 2012.
[6] Effective for annual periods beginning on or after 1 January 2014.

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate the application of the amendments to HKFRS 7 will affect the group's disclosure regarding transfers of financial assets in the future.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2015 and that the application of the new standard may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that affect until detail review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and discloures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC) – Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joints arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structure entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of HKFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated (e.g. the Group's investment in associates may become the Group's subsidiaries based on the new definition of control and the related guidance in HKFRS 10). In addition, the application of HKFRS 11 may result in changes in the accounting of the Group's jointly controlled entities that are currently accounted for using proportionate consolidation. Under HKFRS 11, those jointly controlled entities will be classified as a joint operation or joint venture, depending on the rights and obligations of the policies to the joint arrangement. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

Amendment to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the time basis.

The amendments to HKAS 1 are effective for the annual period beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors of the Company anticipate that the application of the amendments to HKAS 12 will not have material impact on the results and the financial position of the Group.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Turnover and segmental information

Turnover represents the amounts received and receivable from sales of polishing materials and equipments; and provision of terminal and logistics services, gross proceeds from sales of held for trading investments and interest income during the year. An analysis of the Group's turnover for the year is as follows:

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Sales of polishing materials and equipments	**124,699**	174,078
Provision of terminal and logistics services	**140,984**	-
Gross proceeds from sales of held for trading investments	**1,207**	31,429
Interest income	**-**	1
	266,890	205,508

Information reported to the Board, being the chief operating decision maker, for the purpose of resource allocation and performance assessment focuses on the nature of the operations of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Polishing materials and equipments	–	sales of polishing materials and equipments
Terminal and logistics services	–	loading and discharging services, storage services, and leasing of terminal facilities and equipment
Investment	–	investments in held for trading investments, convertible bonds, available-for-sale investments, derivative financial assets and associates

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

	Segment revenue		**Segment results**	
	For the year ended 31 December			
	2011	2010	**2011**	2010
Operating divisions	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
Polishing materials and equipments	**124,699**	174,078	**(14,935)**	(4,509)
Terminal and logistics	**140,984**	-	**60,406**	-
Investment	**-**	1	**(421,602)**	5,815
	265,683	174,079	**(376,131)**	1,306
Unallocated corporate expenses			**(5,675)**	(69,793)
Unallocated other income and gain			**5**	5,861
Unallocated finance costs			**(38,676)**	(26,293)
Loss before taxation			**(420,477)**	(88,919)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of certain other income, central administration costs, directors' salaries, certain finance costs and share-based payments. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

The Group's polishing materials and equipments division is mainly located in Hong Kong and Mainland China. Terminal and logistics division is located in Mainland China. Investment division is located in Hong Kong.

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

	Revenue	
	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Hong Kong	**41,903**	29,035
Mainland China	**217,898**	127,876
Other Asian regions	**2,767**	12,755
North America and Europe	**1,830**	1,018
Other countries	**1,285**	3,395
	265,683	174,079

4. Other income, gain and loss

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Interest income from banks and financial institutions	**1,276**	21
Interest income from loan receivables	**4,559**	5,848
Interest income from amount due from an associate	**409**	1,348
Interest income from convertible bonds designated as financial assets at fair value through profit or loss	**121**	311
Net foreign exchange gains	**13**	43
Rental income	**497**	39
Reversal of impairment loss on loan / trade receivables	**27,000**	26
Bad debt recovered	**-**	7
Sundry income	**756**	589
	34,631	8,232

5. Change in fair value of convertible bonds designated as financial assets at fair value through profit or loss

The change in fair value of convertible bonds amounting to HK$53,732,000 (2010: gain of HK$4,401,000) represents the fair value loss on certain convertible bonds held by the Group revalued by a professional valuer at fair value.

6. Loss on deemed partial disposal of an associate

As at 31 December 2011, the Group held approximately 11.88% (2010: 14.23%) equity interests in China Railway Logistics Limited ("China Railway"), a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange. During the year ended 31 December 2011, China Railway placed and issued ordinary shares for increasing general working capital. As a result, the Group's interest in China Railway was diluted by 2.35% and resulted in a loss on deemed partial disposal of an associate approximately HK$20,782,000.

7. Gain on disposals of available-for-sale investments

During the year ended 31 December 2010, the Group had disposed of its remaining interests in China Oriental Culture Group Limited for a cash consideration of approximately HK$17,924,000. A gain on disposal of approximately HK$13,971,000 was recognised in the consolidated income statement in last year.

8. Finance costs

	2011 *HK$'000*	2010 *HK$'000* (Restated)
Interests on bank loans and overdraft wholly repayable within five years	**4,766**	488
Finance lease charges	**55**	24
Interest on margin loans	**374**	155
Effective interest expenses on convertible bonds	**27,044**	19,909
Effective interest expenses on promissory note wholly repayable within five years	**6,866**	5,896
	39,105	26,472

9. Taxation

	2011 *HK$'000*	2010 *HK$'000* (Restated)
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	**1,292**	4,345
PRC Enterprise Income Tax	**8,208**	204
	9,500	4,549
Deferred taxation	**2,612**	42
	12,112	4,591

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiary is 25% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the letter issued by the relevant PRC authority on 7 March 2005, under Guoshuihan, [2005] No.6 (日照市國家稅務局日國稅函[2005] 6 號), Rizhao Lanshan Wansheng Harbour Company Limited ("Rizhao Lanshan") is exempted from PRC Enterprise Income Tax ("EIT") for the first five years commencing from its first profit-making year of operation and thereafter, Rizhao Lanshan will be entitled to a 50% relief from EIT for the following five years. The charge of EIT for the year has been provided for after taking these tax incentives into account. Rizhao Lanshan started these exemption from 2005 when its first profit-making year of operation began. Rizhao Lanshan was entitled to a 50% relief from the EIT and charged at 12.5% for the year ended 31 December 2011.

Shanghai PME-XINHUA Polishing Materials Systems ("Shanghai PME-XINHUA") is sino-foreign equity joint ventures engaging in the production business and is exempted from taxation for the first two profitable years and a 50% relief from the national EIT rate for the next three profitable years thereafter. As a result, Shanghai PME-XINHUA is in the exemption periods and the income tax is calculated at 12.5% for the two years ended 31 December 2011 and 2010.

10. Loss for the year

	2011 *HK$'000*	2010 *HK$'000* (Restated)
Loss for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**14,116**	4,870
Amortisation of prepaid lease payments	**274**	-
Amortisation of sea use rights	**1,310**	-
Staff costs, including directors' emoluments and share-based payments *(Note)*	**23,729**	89,216
Auditor's remuneration	**1,180**	880
Impairment loss on trade receivables (included in administrative expenses)	**7,098**	3,418
Allowance for inventories (included in cost of sales)	**246**	1,802
Loss on disposal of property, plant and equipment	**603**	4,281
Cost of inventories recognised as expenses	**179,711**	147,273
Minimum lease payment in respect of rental premises	**2,746**	2,772
Share of tax of associates (included in share of results of associates)	**72**	2,100

Note: For the year ended 31 December 2011, no share-based payments are included in staff costs (2010: HK$65,000,000).

11. Dividend

No dividend was paid or proposed during the year ended 31 December 2011, nor has any dividend been proposed since the end of the reporting period (2010: Nil).

12. Loss per share

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2011 ***HK$'000***	2010 *HK$'000*
<u>Loss</u>		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	**(432,451)**	(93,655)

	Number of shares	
	2011 ***'000***	2010 *'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**3,883,321**	1,875,392

	2011 ***HK Cents***	2010 *HK Cents*
Basic loss per share	**(11.14)**	(4.99)
Diluted loss per share	**(11.14)**	(4.99)

Diluted loss per share for the year ended 31 December 2011 is the same as the basic loss per share. The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in a decrease in loss per share.

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for both 2011 and 2010.

13. Trade and bills receivable, deposits and prepayments

The following is an aged analysis of trade receivables net of impairment loss presented based on the invoice date at the reporting date.

	31 December 2011 *HK$'000*	31 December 2010 *HK$'000*	1 January 2010 *HK$'000*
		(Restated)	(Restated)
Within 30 days	**34,846**	15,246	23,474
31 to 60 days	**5,523**	21,549	16,892
61 to 90 days	**31,598**	5,800	7,542
Over 90 days	**444**	5,267	6,074
	72,411	47,862	53,982
Bills receivable	**12,903**	-	375
Other receivables, deposits and prepayments	**7,407**	78,208	110,168
	92,721	126,070	164,525

14. Trade payables and accruals

The aged analysis of the trade payables presented based on the invoice date at the end of the reporting period of approximately HK$13,995,000 (2010: HK$10,725,000) which are included in the trade payables and accruals in the consolidated statement of financial position is as follows:

	31 December 2011 *HK$'000*	31 December 2010 *HK$'000*	1 January 2010 *HK$'000*
		(Restated)	(Restated)
Within 30 days	**6,757**	4,689	5,897
31 to 60 days	**5,160**	4,508	982
61 to 90 days	**929**	1,448	750
Over 90 days	**1,149**	80	327
	13,995	10,725	7,956
Other payables and accruals	**46,498**	12,811	6,488
Port construction fee payable	**107,071**	-	-
	167,564	23,536	14,444

15. Share Capital

	Number of ordinary shares of HK$0.01 each		Share capital	
	2011	2010	**2011**	2010
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
At beginning of year	**15,000,000**	10,000,000	**150,000**	100,000
Increase on 11 May 2010 *(note a)*	**-**	5,000,000	**-**	50,000
At end of year	**15,000,000**	15,000,000	**150,000**	150,000
Issued and fully paid:				
At beginning of year	**2,544,198**	1,805,198	**25,442**	18,052
Issue of shares upon exercise of share options *(note b)*	**-**	19,000	**-**	190
Issue of shares upon conversion of convertible bonds ("CB2") *(note c)*	**2,540,000**	720,000	**25,400**	7,200
At end of year	**5,084,198**	2,544,198	**50,842**	25,442

Notes :

(a) On 26 April 2010, in anticipation of the issue of shares upon the conversion of the convertible bonds, the Company proposed to increase the authorised share capital of the Company from HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each to HK$150,000,000 divided into 15,000,000,000 shares of HK$0.01 each by the creation of additional 5,000,000,000 unissued shares of HK$0.01 each. A circular detailing the proposed capital increase was made on 26 April 2010. An ordinary resolution by the shareholders was duly passed at the Extraordinary General Meeting of the Company held on 11 May 2010 and the proposed increase in authorised capital of the Company was approved.

(b) During the year ended 31 December 2010, certain directors of the Company and employee of the Group had exercised an aggregate of 16,000,000 share options at a subscription price of HK$0.075 per share and an aggregate of 3,000,000 share options at a subscription price of HK$0.64, for a total consideration of HK$3,120,000, resulting in the issue of an aggregate of 19,000,000 new ordinary shares of HK$0.01 each. The new shares rank pari passu with the existing shares in all respect.

(c) During the year ended 31 December 2011, the holders of CB2 have exercised the conversion right to convert an aggregate principal amount of HK$76,200,000 of the convertible bonds into a total 2,540,000,000 ordinary shares in eleven conversions.

On 19 November 2010 and 6 December 2010, the holders of CB2 converted an aggregate principal amount of HK$21,600,000 of CB2 into a total of 720,000,000 ordinary shares of HK$0.01 each in the Company.

These shares rank pari passu with the existing shares in all respects.

16. Operating leases

The Group as lessor

Property rental income earned during the year was approximately HK$497,000 (2010: HK$39,000). The rental yield for the year ended 31 December 2011 is 10% (2010: 1%)

At 31 December 2011, the Group had contracted with tenants for future minimum lease payments of HK$1,437,000 (2010: HK$78,000) for within the next twelve months.

The Group as lessee

At 31 December 2011, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Within one year	**947**	2,092
In the second to fifth year inclusive	**2,123**	4,033
After five years	**11,888**	11,172
	14,958	17,297

Leases were negotiated for a term of two to thirty-six years with fixed rentals over the term of the lease.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Financial Performance

The Group's turnover for the year ended 31 December 2011 increased by 29.9% to HK$266.9 million as compared with last year. The increase in turnover was mainly due to increase in revenue from terminal and logistics services during the year since the business of terminal and logistics services was acquired by the Group during the year. During the year 2011, segmental revenue of polishing materials and equipment decreased by 28.4% as compared with last year and there was no segmental revenue of investment.

Loss for the year ended 31 December 2011 attributable to the shareholders of the Company was approximately HK$432.5 million (2010: HK$93.7 million). The Group's loss increased for the year ended 31 December 2011 mainly due to increase in impairment loss on available-for-sale investments and interests in associates, decrease in fair value of convertible bonds designated as financial assets at fair value through profit or loss, increase in impairment loss on amounts due from associates, decrease in fair value of held for trading investments and increase in loss of share of result of associates.

Segmental loss of the polishing materials and equipments division increased from approximately HK$4.5 million in 2010 to HK$14.9 million in 2011, which was mainly due to decrease in sales of polishing materials and equipments. The gross profit margin of polishing materials and equipments division remained stable.

The investment division recorded a segmental loss of approximately HK$421.6 million, as compared with the segmental profit of approximately HK$6.0 million in 2010, which was mainly due to impairment losses on available-for-sale investments and interests in associates, decrease in fair value of convertible bonds designated as financial assets at fair value through profit or loss, decrease in fair value of held for trading investments and share of losses of associates.

On 28 April 2011, The Group completed the acquisition of entired issued capital of Upmove International Limited ("Upmove") and indirectly own 50% of the equity interests in Rizhao Lanshan. Rizhao Lanshan is a sino-foreign joint venture company established in Mainland China and engaged in provision of terminal and logistics services including loading and discharging, storage and transfer of iron ore, steel products, timber and other goods and leasing of terminal facilities and equipment in Lanshan Harbour, Rizhao Port, Shandong province of the PRC. The terminal and logistics division recorded a segmental profit of approximately HK$60.4 million for the year ended 31 December 2011.

On 30 December 2011, Upmove entered into the agreement with Rizhao Port Company Limited ("Rizhao Port"), pursuant to which each of Upmove and Rizhao Port has agreed to make the capital increase in an amount of RMB80 million each to Rizhao Lanshan to increase registered capital of Rizhao Lanshan from RMB140 million to RMB300 million. The amounts of the capital increase will be used for the construction of two new 70,000-tonne berths of Rizhao Lanshan. The two new berths are expected to be ready for operation before the end of the year 2012. The capital increase of Rizhao Lanshan was completed in January 2012.

Liquidity and Financial Resources

At 31 December 2011, the Group had interest-bearing bank and other loans of approximately HK$102.5 million (31 December 2010: HK$9.4 million), which were of maturity within two years. The Board expects that all bank and other loans will be repaid by internal generated funds or rolled over upon the maturity and continues to provide funding to the Group's operations.

At 31 December 2011, current assets of the Group amounted to approximately HK$427.2 million (31 December 2010: HK$755.1 million). The Group's current ratio was approximately 1.42 as at 31 December 2011 as compared with 10.70 as at 31 December 2010. At 31 December 2011, the Group had total assets of approximately HK$1,261.0 million (31 December 2010: HK$1,232.5 million) and total liabilities of approximately HK$741.7 million (31 December 2010: HK$352.0 million), representing a gearing ratio (measured as total liabilities to total assets) of 58.8% as at 31 December 2011 as compared with 28.6% as at 31 December 2010.

Charge of Assets

At 31 December 2011, the Group's pledged bank deposits with carrying value of HK$63.0 million, property, plant and equipment with carrying value of HK$26.8 million and the listed securities held under the margin accounts, with a total market value of approximately HK$9.3 million have been pledged to banks and financial institutions to secure the credit facilities granted to the Group.

At 31 December 2010, the Group's pledged bank deposits with carrying value of HK$6.2 million and the listed securities held under the margin accounts, with a total market value of approximately HK$40.2 million have been pledged to banks and financial institutions to secure the credit facilities granted to the Group.

Significant Investments

At 31 December 2011, the Group held available-for-sale investments, interests in associates, convertible bonds designated as financial assets at fair value through profit or loss and held for trading investments amounting to approximately HK$41.0 million, HK$155.6 million, HK$45.2 million and HK$10.0 million respectively. During the year, the Group recorded impairment loss on available-for-sale investments amounting to approximately HK$71.8 million, impairment loss on interests in associates amounting to approximately HK$132.3 million, loss on deemed partial disposal of an associate amounting to approximately HK$20.8 million and loss on disposals of held for trading investments amounting to approximately HK$0.5 million.

At 31 December 2010, the Group held available-for-sale investments, interests in associates, convertible bonds designated as financial assets at fair value through profit or loss and held for trading investments amounting to approximately HK$110.2 million, HK$343.7 million, HK$106.7 million and HK$81.6 million respectively. During the year, the Group recorded gain on disposal of subsidiaries amounting to approximately HK$7.5 million, gain on disposal of available-for-sale investments amounting to approximately HK$14.0 million and gain on disposal of held for trading investments amounting to approximately HK$9.0 million.

Foreign Exchange Exposures

The Group's purchases and sales are mainly denominated in United States dollars, Hong Kong dollars and Renminbi. The investments are in Hong Kong dollars. The operating expenses of the Group are either in Hong Kong dollars or Renminbi. The Group's treasury policy is in place to monitor and manage its exposure to fluctuation in exchange rates.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2011 and 2010.

Capital Commitments

At 31 December 2010 and 2011, the Group had capital commitments as follows:

	2011 HK$'000	2010 HK$'000
Contracted for but not provided:		
Acquisition of a subsidiary	-	401,074
Capital injection in a jointly controlled entity	100,000	-
Acquisition of property, plant and equipment	213,292	-
	313,292	401,074

Outlook

The sluggish rebound of the US economy and the endless tribulations and ongoing struggles to provide concrete measures to solve the Eurozone sovereign debt crisis has already had a negative impact on emerging markets. Given that these fundamental problems will continue to prevail and adversely affect the global economy and financial markets, it is expected that the economic prospects in 2012 remains gloomy. The Group would dispose of certain investment portfolio, keep on evaluating and restructuring its investment portfolio, strategies, and business scopes in order to improve its financial performance.

It is expected that there is still full of uncertainty in terms of the economic situation of the United States and Europe. The export of the PRC will be adversely affected due to decrease in demand for consumer goods. The management predicts that demand for the Group's polishing products will continue to decrease. The operational costs have been increasing, but it is difficult to transfer all the cost increases to the customers as the market competition is very keen. The Directors remain cautious of the outlook of the polishing product business. The Group will continue to enforce cost-saving measures, concentrate on selling products with high profit margin, expand its distribution network and develop new products in order to improve the profitability of this business segment.

The newly acquired terminal and port operation performs satisfactorily. It provides stable revenue and profit to the Group. Benefiting from the government's economic policies and the economic development in south Shandong Province, the demand for terminal and logistics services in that area is expected to increase continuously. However, as affected by global economic downturn and the PRC government's policies on inflation control, the growth pace of the import and export will be slowed down. The newly developed Dongjiakou port and Gangyu port in Qingdao Harbour will also increase the competition of terminal and logistics operation in the neighborhood area.

The Board and management of the Group will continue to use their best endeavor to strengthen and strive for improvements in all the Group's business segments and to enhance the long-term growth potential of the Group.

Material Acquisitions

In October 2010, the Group entered into a conditional sale and purchase agreement to acquire the entire issued share capital of Upmove at a consideration of approximately RMB343 million (approximately HK$413 million). Upon the completion of the acquisition of Upmove, the Group indirectly own 50% of the equity interests in Rizhao Lanshan. Rizhao Lanshan is a sino-foreign joint venture company established in the PRC and engaged in provision of terminal and logistics services including loading and discharging, storage and transfer of iron ore, steel products, timber and other goods and leasing of terminal facilities and equipment in Lanshan Harbour, Rizhao Port, Shandong Province of the PRC. Details of the acquisition are disclosed in the Company's circular dated 27 January 2011. The acquisition was completed on 28 April 2011.

Employees and Remuneration

At 31 December 2011, the Group had approximately 160 (2010: 55) 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 Company also operates a share option scheme of which the Board may, at its discretion, grant options to employees of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SHARES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2011.

AUDIT COMMITTEE REVIEW

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The audit committee comprises three independent non-executive directors of the Company. The Group's consolidated financial statements for the year ended 31 December 2011 have been reviewed and approved by the audit committee.

BROAD OF DIRECTORS

As at the date of this announcement, the Board comprises (1) Mr. Cheng Kwok Woo, Ms. Yeung Sau Han Agnes, Ms. Chan Shui Sheung Ivy and Mr. Lai Ka Fai as executive directors; and (2) Mr. Leung Yuen Wing, Mr. Lam Kwok Hing Wilfred and Mr. Goh Choo Hwee as independent non-executive directors.

On behalf of the Board
PME Group Limited
Cheng Kwok Woo
Chairman

Hong Kong, 30 March 2012

** For identification purpose only*