



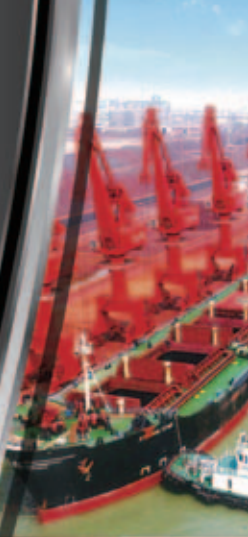
PME GROUP LIMITED

必美宜集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 00379

INTERIM REPORT 2012



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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

The board of directors (“Board” or “Directors”) of PME Group Limited (“Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (“Group”) for the six months ended 30 June 2012 together with the comparative figures for the corresponding period in 2011 as follows:

	Notes	Six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Turnover	3	173,461	93,422
Revenue	4	152,397	93,422
Cost of sales		(93,453)	(71,186)
Gross profit		58,944	22,236
Other income, gain and loss		4,768	30,778
Selling and distribution expenses		(7,255)	(4,812)
Administrative expenses		(22,318)	(28,855)
Change in fair value of held for trading investments		3,181	(18,888)
Gain on disposal of held for trading investments		5,099	–
Loss on disposal of available-for-sale investments		(3,113)	–
Change in fair value of convertible bonds designated as financial assets at fair value through profit or loss		–	(29,636)
Loss on disposals of convertible bonds designated as financial assets at fair value through profit or loss		(7,366)	–
Loss on partial disposal of an associate		(12,907)	–
Change in fair value of derivative financial assets		–	(3,710)
Return on advances and charge over assets granted to an associate		174	392
Share of results of associates		(1,932)	(4,029)
Finance costs	5	(18,027)	(20,327)
Loss before taxation		(752)	(56,851)
Taxation	6	(6,268)	(2,188)
Loss for the period	7	(7,020)	(59,039)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Other comprehensive income (expenses)			
Exchange difference on translating foreign operations		–	55
Share of other comprehensive income of associates		161	–
Recognition of fair value change on available-for-sale investments		–	(32,967)
Other comprehensive income (expenses) for the period		161	(32,912)
Total comprehensive expense for the period		(6,859)	(91,951)
Loss for the period attributable to:			
– Owners of the Company		(7,018)	(59,022)
– Non-controlling interests		(2)	(17)
		(7,020)	(59,039)
Total comprehensive expense attributable to:			
– Owners of the Company		(6,857)	(91,934)
– Non-controlling interests		(2)	(17)
		(6,859)	(91,951)
Loss per share	9		
– Basic		(HK 0.14 cents)	(HK 1.94 cents)
– Diluted		(HK 0.14 cents)	(HK 1.94 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 June 2012

		30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
	Notes		
Non-Current Assets			
Property, plant and equipment		491,877	461,521
Investment property		–	5,200
Available-for-sale investments		2,532	41,038
Interests in associates	10	142,863	155,616
Goodwill	11	39,949	39,949
Sea use rights		110,984	111,452
Prepaid lease payments		18,412	18,624
Club debentures		350	350
		806,967	833,750
Current Assets			
Inventories		25,117	25,509
Trade receivables, bills receivables, deposits and prepayments	12	187,525	92,721
Convertible bonds designated as financial assets at fair value through profit or loss		–	45,179
Amounts due from associates		17,826	19,791
Loan receivables		11,045	21,351
Prepaid lease payments		414	414
Held for trading investments		3,379	10,010
Deposits placed with financial institutions		153	173
Pledged bank deposits		–	63,046
Bank balances and cash		323,617	149,024
		569,076	427,218

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 June 2012

	<i>Notes</i>	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Current Liabilities			
Trade payables and accruals	13	196,748	167,564
Taxation payable		39,860	41,599
Convertible bonds		56,805	–
Promissory note		57,418	–
Obligation under a finance lease		392	568
Bank and other loans		88,386	91,908
		439,609	301,639
Net Current Assets			
		129,467	125,579
Total Assets less Current Liabilities			
		936,434	959,329
Non-Current Liabilities			
Obligation under a finance lease		287	392
Convertible bonds		124,916	194,301
Bank and other loans		95,901	10,633
Deferred tax liabilities		27,703	27,703
Port construction fee refund	14	151,793	151,793
Promissory note		–	55,243
		400,600	440,065
		535,834	519,264
Capital and Reserves			
Share capital	15	59,642	50,842
Reserves		475,345	467,447
Equity attributable to owners of the Company		534,987	518,289
Non-controlling interests		847	975
		535,834	519,264

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 30 June	
	2012	2011
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Total equity attributable to the owners of the Company at 1 January	518,289	880,148
Loss for the period	(7,018)	(59,022)
Other comprehensive income (expense) for the period	161	(32,912)
Total comprehensive expense for the period	(6,857)	(91,934)
Issue of shares upon conversion of convertible bonds	23,555	30,486
Total equity attributable to the owners of the Company at 30 June	534,987	818,700

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2012	2011
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Net cash outflow from operating activities	(10,255)	(6,805)
Net cash inflow (outflow) from investing activities	160,995	(252,378)
Net cash inflow from financing activities	23,853	188,225
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	174,593	(70,958)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	149,024	265,898
CASH AND CASH EQUIVALENTS AT END OF PERIOD	323,617	194,940
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	323,617	194,940

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

Amendments to HKAS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Directors of the Company consider that the application of amendments to HKFRS 7 may increase the disclosure requirements for transactions involving transfers of financial assets in its 2012 annual financial statements. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not early applied new or revised standards, amendments or interpretations that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle ²
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities ²
Amendments to HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition and HKFRS 7 Disclosures ¹
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ²
HKFRS 9	Financial Instruments ¹
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 ³
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 ⁴
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 January 2015.

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 July 2012.

⁴ Effective for annual periods beginning on or after 1 January 2014.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. TURNOVER

Turnover represents the amounts received and receivable from sales of polishing materials and equipment, net of allowances and returns, and provision of terminal and logistics services, gross proceeds from sales of held for trading investments and interest income during the period.

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sales of polishing materials and equipment	42,636	57,601
Provision of terminal and logistics services	109,761	35,821
Gross proceeds from sales of held for trading investments	21,064	–
	173,461	93,422

4. SEGMENTAL INFORMATION

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.

The Group's operating and reportable segments are as follows:

- | | |
|-----------------------------------|--|
| Polishing materials and equipment | – sales of polishing materials and equipment |
| 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 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENTAL INFORMATION (Continued)

The analysis of the revenue and segment result of the Group by reporting segments is as follows:

	Revenue		Segment result	
	Six months ended 30 June			
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Operating Divisions				
Polishing materials and equipment	42,636	57,601	(13,416)	(8,806)
Terminal and logistics services	109,761	35,821	41,266	12,942
Investment	–	–	(11,120)	(38,449)
	152,397	93,422	16,730	(34,313)
Unallocated corporate expenses			(1,342)	(2,668)
Unallocated other income, gain or loss			1,887	457
Finance costs			(18,027)	(20,327)
Loss before taxation			(752)	(56,851)

5. FINANCE COSTS

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
	Interest on bank overdrafts and bank borrowings wholly repayable within five years	1,790
Interest on margin loans	669	180
Effective interest expenses on promissory note wholly repayable within five years	3,670	3,395
Effective interest expenses on convertible bonds	11,870	15,745
Finance lease charges	28	31
	18,027	20,327

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. TAXATION

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Current tax		
– Hong Kong	111	364
– Other jurisdictions	6,157	1,824
	6,268	2,188

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

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

7. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	6,978	4,414
Amortisation of prepaid lease payments	212	107
Amortisation of sea use rights	468	436
Cost of inventories sold	44,384	53,076
Bank interest income	(1,581)	(447)
Impairment loss on trade receivables	1,823	–
Reversal of impairment loss on loan receivable and interest receivable	–	(27,000)

8. DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. LOSS PER SHARE

The calculation of the loss per share is based on the following data:

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Loss attributable to owners of the Company for the purpose of loss per share	(7,018)	(59,022)
	Number of shares	
	30 June 2012 (Unaudited) '000	30 June 2011 (Unaudited) '000
Weighted average number of ordinary shares for the purpose of basic loss per share	5,103,646	3,038,562
Weighted average number of ordinary shares for the purpose of dilutive loss per share	5,103,646	3,038,562

Diluted loss per share for the period ended 30 June 2012 and 2011 are the same as the basic loss per share. The computation of diluted loss per share for the six months ended 30 June 2012 and 2011 does not assume the conclusion of the Company's outstanding convertible bonds and the exercise of the Company's share options since their exercise would result in a reduction in loss per share.

10. INTERESTS IN ASSOCIATES

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Cost less accumulated impairment of investment in associates		
– Listed in Hong Kong	163,814	174,635
– Unlisted	55,926	55,926
Share of post-acquisition results and other comprehensive income	(76,877)	(74,945)
	142,863	155,616

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. GOODWILL

	<i>HK\$'000</i>
Cost	
At 1 January 2011	161,008
Arising on acquisition of a subsidiary	39,949
At 31 December 2011 and 30 June 2012	200,957
Accumulated impairment loss	
At 1 January 2011, 31 December 2011 and 30 June 2012	161,008
Carrying values	
At 30 June 2012	39,949
At 31 December 2011	39,949

12. TRADE RECEIVABLES, BILLS RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing average credit period of 0 to 180 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 receivables of HK\$68,430,000 (31 December 2011: HK\$72,411,000) which are included in the Group's trade receivables, bills receivables, deposits and prepayments is as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within 30 days	27,503	34,846
31 to 60 days	21,856	5,523
61 to 90 days	11,733	31,598
Over 90 days	7,338	444
	68,430	72,411
Bills receivables	55,002	12,903
Other receivables, deposits and prepayments	64,093	7,407
	187,525	92,721

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. TRADE PAYABLES AND ACCRUALS

The aged analysis of the trade payables of HK\$11,315,000 (31 December 2011: HK\$13,995,000) which are included in the Group's trade payables and accruals is as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within 30 days	4,213	6,757
31 to 60 days	3,956	5,160
61 to 90 days	2,190	929
Over 90 days	956	1,149
Other payables and accruals	11,315	13,995
	185,433	153,569
	196,748	167,564

14. PORT CONSTRUCTION FEE REFUND

The port construction fee refund was amounts received from the Ministry of Transport of the PRC. The usage of the amounts of the port construction fee is subject to the approval of the relevant PRC government authority.

15. SHARE CAPITAL

	Number of shares of HK\$0.01 each '000	Nominal value HK\$'000
Authorised:		
At 31 December 2011 and 30 June 2012	15,000,000	150,000
Issued and fully paid:		
At 31 December 2011 and 1 January 2012	5,084,198	50,842
Issue of shares upon conversion of convertible bonds	880,000	8,800
At 30 June 2012	5,964,198	59,642

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2012 and 31 December 2011.

17. CAPITAL COMMITMENTS

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Contracted for but not provided:		
– Capital injection in a jointly controlled entity	–	100,000
– Acquisition of property, plant and equipment	115,967	213,292
	115,967	313,292

18. PLEDGE OF ASSETS

As at 30 June 2012, the Group's property, plant and equipment with carrying value of approximately HK\$226,116,000, sea use rights with carrying value of approximately HK\$15,917,000 and the listed securities held under the margin accounts, with a total market value of approximately HK\$3,379,000 have been pledged to banks and financial institutions to secure the credit facilities granted to the Group.

As at 31 December 2011, the Group's pledged bank deposits with carrying value of approximately HK\$63,000,000, property, plant and equipment with carrying value of HK\$26,800,000 and the listed securities held under the margin accounts, with a total market value of approximately HK\$9,300,000 have been pledged to banks and financial institutions to secure the credit facilities granted to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. OPERATING LEASE COMMITMENTS

As at 30 June 2012, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within one year	851	947
In the second to fifth years inclusive	2,150	2,123
After five years	11,310	11,888
	14,311	14,958

20. RELATED PARTY TRANSACTIONS

- (a) The Group's key management personnel are all Directors and the remuneration of the Directors during the period is as follows:

	Six months ended 30 June 2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Fees	262	225
Salaries and other benefits	1,275	1,397
Retirement benefits scheme contribution	24	66
	1,561	1,688

- (b) The Group paid subcontracting fee of approximately HK\$2,582,000 (six months ended 30 June 2011: HK\$2,882,000) to a connected person during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FINANCIAL PERFORMANCE

The Group's turnover for the six months ended 30 June 2012 increased by 85.7% to HK\$173.5 million as compared with the corresponding period in 2011. The increase in turnover was mainly due to increase in turnover from terminal and logistics services. Segmental revenue of terminal and logistics services increased by 206.4% to HK\$109.8 million for the six months ended 30 June 2012 as compared with the same period last year. As the acquisition of the terminal and logistics services operations completed in April 2011, the division only contributed two-month segmental revenue to the Group's results for the six months ended 30 June 2011. Segmental revenue of polishing materials and equipment division decreased by 26.0% to approximately HK\$42.6 million for the six months ended 30 June 2012, as compared with the same period last year. The decrease in the revenue of polishing materials and equipment division was due to poor performance of the PRC export industries, which led to a decrease in demand for the Group's products.

Rizhao Lanshan Wansheng Harbour Company Limited ("Rizhao Lanshan") is 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. Rizhao Lanshan has contributed revenue of HK\$109.8 million to the Group during the period, representing approximately 72.0% of the Group's total revenue for the period. Segment profit of the terminals and logistics services for the period amounted to approximately HK\$41.3 million.

Loss for the six months ended 30 June 2012 attributable to the owners of the Company was approximately HK\$7.0 million (six months ended 30 June 2011: HK\$59.0 million). Decrease in loss was mainly due to increase in contributions from terminal and logistics services operations during the period and decrease in fair value loss of convertible bonds designated as financial assets at fair value through profit or loss.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, the Group had interest-bearing bank borrowings and other loans of approximately HK\$184.3 million (31 December 2011: HK\$102.5 million), which were to mature within five years. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2012, the Group's property, plant and equipment with carrying value of approximately HK\$226,116,000, sea use rights with carrying value of approximately HK\$15,917,000 and the listed securities held under the margin accounts, with a total market value of approximately HK\$3,379,000 have been pledged to banks and financial institutions to secure the credit facilities granted to the Group.

As at 31 December 2011, the Group's pledged bank deposits with carrying value of approximately HK\$63,000,000, property, plant and equipment with carrying value of HK\$26,800,000 and the listed securities held under the margin accounts, with a total market value of approximately HK\$9,300,000 have been pledged to banks and financial institutions to secure the credit facilities granted to the Group.

As at 30 June 2012, current assets of the Group amounted to approximately HK\$569.1 million (31 December 2011: HK\$427.2 million). The Group's current ratio (measured as total current assets to total current liabilities) was approximately 1.29 times as at 30 June 2012 as compared with 1.42 times as at 31 December 2011. At 30 June 2012, the Group had total assets of approximately HK\$1,376.0 million (31 December 2011: HK\$1,261.0 million) and total liabilities of approximately HK\$840.2 million (31 December 2011: HK\$741.7 million), representing a gearing ratio (measured as total liabilities to total assets) of 61.1% as at 30 June 2012 as compared with 58.8% as at 31 December 2011.

LITIGATIONS

Save as the Company's announcement dated 12 June 2012, the Group has no material litigation.

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 Group's treasury policy is in place to monitor and manage its exposure to fluctuation in exchange rates.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

Looking forward to the second half of 2012, uncertainties in the global macro-economic environment and the intensification of the European debt crisis will dampen consumers' demand for products in various sectors. These will weaken the overall import and export trade in China. China's domestic manufacturing sector will continue to slump. The management expected that demand for the Group's polishing products will continue to decrease. The management is 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 Board expected that global financial market will continue to slump in the second half year due to existence of various adverse factors. The Group will keep on evaluating and restructuring its investment portfolio and strategies in order to improve its financial performance.

The Board expected that terminals and logistics services operations will continue to contribute to the Group with stable revenues and earnings in the second half year. Two new berths currently under construction will commence operation in the fourth quarter of 2012 and make contributions to the Group. However, affected by the slowdown of the import and export trade in China and competition from the newly developed Dongjiakou port and Gangyu port in Qingdao Harbour, growth of the terminals and logistics services operations will be sluggish.

The Board and the Group's management 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.

EMPLOYEES AND REMUNERATION

As at 30 June 2012, the Group had approximately 30 employees (excluding employees of the Company's jointly controlled entities). 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.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 June 2012, the directors and chief executive of the Company have the following interests and short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"):

Long positions in the ordinary shares/underlying shares of the Company:

Directors	Number of shares/underlying shares held			Percentage of interests
	Personal Interests	Corporate interests	Total interests	
Ms. Yeung Sau Han Agnes	202,250,000	–	202,250,000	3.39%
Mr. Cheng Kwok Woo	62,400,000	–	62,400,000	1.05%
Ms. Chan Shui Sheung Ivy	550,000	–	550,000	0.01%

Save as disclosed above, none of the directors, chief executive of the Company and their associates had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, as recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company operates a share option scheme for the purposes to enable the directors of the Company to grant options to certain full-time employees (including executive directors, non-executive directors and independent non-executive directors of the Company) of the Group in recognition of their contributions to the Group.

The movements of share options during the six months ended 30 June 2012 are as follows:

Name of grantee	Exercise price	Exercisable period	As at 1.1.2012	Granted during the period	Exercised during the period	As at 30.6.2012
	<i>HK\$</i>					
Ms. Yeung Sau Han Agnes	0.640	27.5.2010-26.5.2015	175,000,000	-	-	175,000,000
Mr. Cheng Kwok Woo	0.640	27.5.2010-26.5.2015	1,500,000	-	-	1,500,000
			176,500,000	-	-	176,500,000

Save as disclosed above, at no time during the six months ended 30 June 2012 were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any directors, chief executive, or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding company, or subsidiaries a party to any arrangement to enable the directors or chief executive to acquire such rights in any other corporate.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, in accordance with the register of the substantial shareholders kept by the Company under Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules, the following persons were interested in the shares or underlying shares of the Company:

Long positions in the ordinary shares/underlying shares of the Company:

Name	<i>Notes</i>	Number of shares/ underlying shares held	Percentage of interests
Worldkin Development Limited	1	4,860,000,000	81.49%
Mr. Wong Lik Ping	2	4,860,000,000	81.49%
Profit Win International Limited	3	1,000,000,000	16.77%
Mr. Chen Hui	4	1,000,000,000	16.77%
Fortune Finance Limited		600,000,000	10.06%
Fortune Financial (Holdings) Limited	5	600,000,000	10.06%
China Fortune Financial Group Limited	6	600,000,000	10.06%
Mr. Ng Leung Ho		520,000,000	8.72%
CGI (HK) Limited		319,438,000	5.36%
CGI (Offshore) Limited	7	319,438,000	5.36%
Chinese Global Investors Group Limited	8	319,438,000	5.36%
Crown Sunny Limited	9	300,000,000	5.03%
Mr. Wu Jia Neng	10	300,000,000	5.03%
Mr. Kong Xianyong		299,890,000	5.03%

OTHER INFORMATION

Notes:

1. The interests represent the convertible bonds issued by the Company at a principal amount of HK\$100,200,000 at a conversion price of HK\$0.03 per conversion share and 1,520,000,000 shares of the Company.
2. Mr. Wong Lik Ping holds entire equity interests of Worldkin Development Limited and is accordingly deemed to have interests in the shares/underlying shares of the Company that Worldkin Development Limited has interests in. Mr. Wong Lik Ping was appointed as Chairman and executive director of the Company with effective from 9 August 2012.
3. The interests represent the convertible bonds issued by the Company at a principal amount of HK\$30,000,000 at a conversion price of HK\$0.03 per conversion share.
4. Mr. Chen Hui holds entire equity interests of Profit Win International Limited and is accordingly deemed to have interests in the underlying shares of the Company that Profit Win International Limited has interests in.
5. Fortune Financial (Holdings) Limited holds entire equity interests of Fortune Finance Limited and is accordingly deemed to have interests in the shares of the Company that Fortune Finance Limited has interests in.
6. China Fortune Financial Group Limited is the ultimate holding company of Fortune Finance Limited as it holds entire equity interests of Fortune Financial (Holdings) Limited. As such, it is accordingly deemed to have interests in the shares of the Company that Fortune Finance Limited has interests in.
7. CGI (Offshore) Limited holds entire equity interests of CGI (HK) Limited and is accordingly deemed to have interests in the shares of the Company that CGI (HK) Limited has interests in.
8. Chinese Global Investors Group Limited is the ultimate holding company of CGI (HK) Limited as it holds entire equity interests of CGI (Offshore) Limited. As such, it is accordingly deemed to have interests in the shares of the Company that CGI (HK) Limited has interests in.
9. The interests represent the convertible bonds issued by the Company at a principal amount of HK\$60,000,000 at a conversion price of HK\$0.2 per conversion share.
10. Mr. Wu Jia Neng holds entire equity interests of Crown Sunny Limited and is accordingly deemed to have interests in the underlying shares of the Company that Crown Sunny Limited has interests in.

Save as disclosed above, no other parties were recorded in the register required to be kept under Section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 30 June 2012.

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 six months ended 30 June 2012.

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 2012, except for the following deviations:

1. Code Provision A.6.7

Mr. Lam Kwok Hing Wilfred and Mr. Goh Choo Hwee, being independent non-executive Directors of the Company, were not able to attend the annual general meeting of the Company held on 5 June 2012 due to their other important commitments.

2. Code Provision B.1.2

The terms of reference of the Remuneration Committee exclude review of and making recommendations to the Board in relation to senior management remuneration as in the Board's opinion, it was more appropriate for the executive Directors to perform these duties.

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 six months ended 30 June 2012.

OTHER INFORMATION

AUDIT COMMITTEE REVIEW

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

The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2012.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises Mr. Wong Lik Ping, Ms. Yeung Sau Han Agnes, Ms. Chan Shui Sheung Ivy and Mr. Lai Ka Fai as executive directors; Mr. Cheng Kwok Woo as non-executive director; and 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

Yeung Sau Han Agnes

Executive Director and Chief Executive Officer

Hong Kong, 29 August 2012