PME GROUP LIMITED
必美宜集團有限公司*
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 379)

2012 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 2012 and the comparative figures for last year as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	**2012** ***HK$'000***	2011 *HK$'000*
Turnover	3	**406,288**	266,890
Revenue	3	**380,661**	265,683
Cost of sales		**(242,292)**	(183,137)
Gross profit		**138,369**	82,546
Other income	4	**7,199**	34,631
Selling and distribution expenses		**(5,675)**	(6,259)
Administrative expenses		**(61,294)**	(63,578)
Change in fair value of investment property		**-**	500
Gain on disposal of subsidiaries		**6,678**	-
Loss on partial disposal of an associate		**(12,742)**	-
Loss on disposal of an associate		**(10,898)**	-
Loss on disposal of convertible bonds designated as financial assets at fair value through profit or loss		**-**	(623)
Loss on disposal of available-for-sale investments		**(3,106)**	-
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		**-**	(20,782)
Gain (loss) on disposal of held for trading investments		**9,514**	(474)
Change in fair value of convertible bonds designated as financial assets at fair value through profit or loss		**(7,366)**	(53,732)
Impairment on amount due from an associate		**-**	(33,000)
Decrease in fair value of held for trading investments		**(177)**	(74,795)
Return on advances and charge over assets granted to an associate		**-**	567
Share of results of associates		**(7,114)**	(35,290)
Finance costs	5	**(32,834)**	(39,105)
Profit (loss) before taxation		**20,554**	(420,477)
Taxation	6	**(22,982)**	(12,112)
Loss for the year	7	**(2,428)**	(432,589)

	Notes	**2012**	2011
		HK$'000	*HK$'000*
Attributable to:			
Owners of the Company		**(2,426)**	(432,451)
Non-controlling interests		**(2)**	(138)
		(2,428)	(432,589)
Loss per share (expressed in HK cents)			
Basic	9	**(0.04)**	(11.14)
Diluted	9	**(0.04)**	(11.14)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	HK$'000	*HK$'000*
Loss for the year	**(2,428)**	(432,589)
Other comprehensive income		
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	**11,460**	9,765
Share of other comprehensive income (expenses) of associates	**399**	(324)
Transfer of investment revaluation reserve to profit or loss upon realisation of available-for-sale investments during the year	**33**	-
Transfer of investment revaluation reserve to profit or loss upon disposal of an associate during the year	**(175)**	-
Net fair value loss on available-for-sale investments	**-**	(69,917)
Other comprehensive income for the year (net of tax)	**11,717**	11,326
Total comprehensive income (expenses) for the year	**9,289**	(421,263)
Total comprehensive income (expenses) attributable to:		
Owners of the Company	**9,291**	(421,125)
Non-controlling interests	**(2)**	(138)
	9,289	(421,263)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Notes	**2012** **HK$'000**	2011 *HK$'000*
Non-Current Assets			
Property, plant and equipment		**684,988**	461,521
Investment property		**-**	5,200
Prepaid lease payments		**18,552**	18,624
Available-for-sale investments		**2,500**	41,038
Goodwill		**39,949**	39,949
Sea use rights		**111,068**	111,452
Interests in associates		**76,844**	155,616
Deposits for acquisition of property, plant and equipment		**1,821**	-
Club debentures		**350**	350
		936,072	833,750
Current Assets			
Inventories		**22,642**	25,509
Trade and bills receivables, other receivables, deposits and prepayments	10	**182,343**	92,721
Convertible bonds designated as financial assets at fair value through profit or loss		**-**	45,179
Amounts due from associates		**-**	19,791
Loan receivables		**-**	21,351
Prepaid lease payments		**422**	414
Held for trading investments		**3,163**	10,010
Deposits placed with financial institutions		**126**	173
Pledged bank deposits		**-**	63,046
Bank balances and cash		**127,599**	149,024
		336,295	427,218
Current Liabilities			
Trade payables and accruals	11	**132,949**	167,564
Amount due to an associate		**34,900**	-
Taxation payable		**42,786**	41,599
Obligation under finance leases		**18,212**	568
Bank and other loans		**20,363**	91,908
Amount due to a fellow subsidiary of a partner of a jointly controlled entity		**74,760**	-
Convertible bonds		**94,410**	-
		418,380	301,639
Net Current (Liabilities) Assets		**(82,085)**	125,579
Total Assets less Current Liabilities		**853,987**	959,329

	Notes	**2012**	2011
		HK$'000	*HK$'000*
Capital and Reserves			
Share capital	12	**94,042**	50,842
Reserves		**552,221**	467,447
Equity attributable to owners of the Company		**646,263**	518,289
Non-controlling interests		**845**	975
Total Equity		**647,108**	519,264
Non-Current Liabilities			
Obligation under finance leases		**76,414**	392
Bank and other loans		**95,722**	10,633
Port construction fee refund		**-**	151,793
Convertible bonds		**-**	194,301
Promissory note		**-**	55,243
Deferred tax liabilities		**34,743**	27,703
		206,879	440,065
		853,987	959,329

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$"). The consolidated financial statements are presented in HK$.

2. Application of new and revised Hong Kong Financial Reporting Standards

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

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets in the current year. 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 entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment property prior to the transfer to property, plant and equipment using the fair value model. As a result of the application of the amendments to HKAS 12, the directors of the Company reviewed the Group's investment property and concluded that the Group's investment property is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Therefore, the directors of the Company have determined that the 'sale' presumption set out in the amendments to HKAS 12 is not rebutted.

The application of the amendments to HKAS 12 has no material impact on the Group's deferred tax balances.

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

Amendments to HKFRSs	Annual improvements 2009 – 2011 Cycle 1[2]
Amendments to HKFRS 1	Government Loans[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial statements, Joint arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
HKFRS 9	Financial Instruments[4]
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]
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 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK (International Financial Reporting Interpretation Committee) – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[2]

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

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009 – 2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 1 Presentation of Financial Statements, the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors do not anticipate that the application of the amendments will have a material effect on the consolidated and the Company's financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 - Income Taxes. The directors anticipate that the amendments to HKAS 32 will have no effect on the consolidated and the Company's financial statements as the Group and the Company has already adopted this treatment.

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 offset of financial assets and financial liabilities 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 amendments to HKFRS 7 are effective 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.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regards to offsetting financial assets and financial liabilities in the future.

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:

- 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.

- With regard to the measurement of financial liabilities designed as at fair value through profit or loss, HKFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in fair value of the financial liability designated as 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 the adoption of HKFRS 9 in the future 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 effect until a detailed 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. HK (SIC) – Int 12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, 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. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) - Int 13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. 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 joint 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 consolidation.

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

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided all of these five standards are applied at the same time.

The directors anticipate that the application of these five standards may have a significant impact on amounts reported in the consolidated financial statements for the annual period beginning 1 January 2013. The application of HKFRS 11 will change the classification and subsequent accounting of the Group's jointly controlled entities. Under HKAS 31, the Group's jointly controlled entities that include Shanghai PME-XINHUA Polishing Materials Systems ("Shanghai PME-XINHUA") and Rizhao Lanshan Wansheng Harbour Company Limited ("Rizhao Lanshan") have been accounted for using proportionate consolidation method. Under HKFRS 11, Shanghai PME-XINHUA and Rizhao Lanshan will be classified as joint ventures and will be accounted for using the equity method, resulting in the aggregation of the Group's proportionate share of Shanghai PME-XINHUA and Rizhao Lanshan respective net assets and items of profit or loss and other comprehensive income into a single line item which will be presented in the consolidated statement of financial position and in the consolidated income statement as "investment in joint ventures" and "share of profits (loss) of joint ventures' respectively. The summarised financial information in respect of Shanghai PME-XINHUA and Rizhao Lanshan and the potential effects of the application of the equity method are disclosed in annual report 2012.

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.

Amendment to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. 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 items of other comprehensive income to be 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 same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods 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 future accounting periods.
The directors of the Company anticipate that the application of other new and revised HKFRSs, will have no material impact on the results and the financial position of the Group.

3. Turnover and segment information

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

	2012 ***HK$'000***	2011 *HK$'000*
Sales of polishing materials and equipment	**95,526**	124,699
Provision of terminal and logistics services	**285,135**	140,984
Gross proceeds from sales of held for trading investments	**25,627**	1,207
	406,288	266,890

Information reported to the Board, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance 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 equipment – sale 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

Segment revenue and results

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

	Revenue		Segment result	
	For the year ended 31 December			
	2012	2011	**2012**	2011
Operating divisions	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Polishing materials and equipment	**95,526**	124,699	**(23,931)**	(14,935)
Terminal and logistics services	**285,135**	140,984	**109,558**	60,406
Investment	**-**	-	**(26,495)**	(421,602)
	380,661	265,683	**59,132**	(376,131)
Unallocated corporate expenses			**(7,458)**	(5,675)
Unallocated other income and gain			**-**	5
Unallocated finance costs			**(31,120)**	(38,676)
Profit (loss) before taxation			**20,554**	(420,477)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit (loss) from each segment without allocation of certain other income, central administration costs, directors' salaries and certain finance costs. 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 equipment division is mainly located in Hong Kong (country of domicile) and Mainland China. Terminal and logistics services 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	
	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**37,096**	41,903
Mainland China	**331,059**	217,898
Other Asian regions	**6,154**	2,767
North America and Europe	**1,236**	1,830
Other countries	**5,116**	1,285
	380,661	265,683

4. Other income

	2012 *HK$'000*	2011 *HK$'000*
Interest income from banks and financial institutions	**1,940**	1,276
Interest income from loan receivables	**687**	4,559
Interest income from amount due from an associate	**1,101**	409
Interest income from convertible bonds designated as financial assets at fair value through profit or loss	**-**	121
Net foreign exchange gains	**124**	13
Rental income	**1,745**	497
Reversal of impairment loss on loan / trade receivables	**59**	27,000
Gain on disposal of a club membership	**840**	-
Sundry income	**703**	756
	7,199	34,631

5. Finance costs

	2012 *HK$'000*	2011 *HK$'000*
Interests on bank loans wholly repayable within five years	**8,158**	4,766
Finance lease charges	**4,946**	55
Interest on margin loans	**125**	374
Effective interest expenses on convertible bonds	**20,592**	27,044
Effective interest expenses on promissory note wholly repayable within five years	**7,339**	6,866
Total borrowing costs	**41,160**	39,105
Less: amounts capitalized	**(8,326)**	-
	32,834	39,105

6. Taxation

	2012 *HK$'000*	2011 *HK$'000*
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	**1,367**	1,292
PRC Enterprise Income Tax	**13,720**	8,208
Withholding tax for dividend from PRC jointly controlled entities	**1,322**	-
	16,409	9,500
Deferred taxation	**6,573**	2,612
	22,982	12,112

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the 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 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 this 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 two years ended 31 December 2012 and 2011.

Shanghai PME-XINHUA is a Sino-foreign equity joint venture engaging in the production of polishing materials business and is exempted from taxation for the first two profitable years starting from 2008 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 2012 and 2011.

7. Loss for the year

	2012	2011
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**20,617**	14,116
Amortisation of prepaid lease payments	**414**	274
Amortisation of sea use rights	**2,439**	1,310
Staff costs, including directors' emoluments	**18,249**	23,271
Retirement benefits scheme contributions	**381**	458
	18,630	23,729
Auditor's remuneration	**1,596**	1,180
Impairment loss on trade receivables	**14,530**	7,098
Reversal of allowance for inventories (included in cost of sales)	**(749)**	-
Allowance for inventories (included in cost of sales)	**4,956**	246
Loss on disposal of property, plant and equipment	**103**	603
Written off of property, plant and equipment	**3,740**	-
Cost of inventories recognised as expenses	**88,499**	179,711
Minimum lease payment in respect of rental premises	**1,586**	2,746

8. Dividend

No dividend was paid or proposed during the year ended 31 December 2012, nor has any dividend been proposed since the end of the reporting period (2011: Nil).

9. 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:

	2012	2011
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(2,426)**	(432,451)

	Number of shares	
	2012	2011
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**6,557,640**	3,883,321

	2012	2011
	HK Cents	*HK Cents*
Basic loss per share	**(0.04)**	(11.14)
Diluted loss per share	**(0.04)**	(11.14)

Diluted loss per share 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 for both 2012 and 2011.

The computation of diluted loss 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 per share for both 2012 and 2011.

10. Trade and bills receivable, other receivables, deposits and prepayments

The aged analysis of the trade receivables, net of impairment loss presented based on the invoice date at the reporting date is as follows.

	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**42,437**	34,846
31 to 60 days	**13,656**	5,523
61 to 90 days	**4,712**	31,598
Over 90 days	**4,657**	444
	65,462	72,411
Bills receivable	**69,876**	12,903
Other receivables from investing transactions	**42,875**	-
Other receivables, deposits and prepayments	**4,130**	7,407
	182,343	92,721

11. Trade payables and accruals

The aged analysis of the trade payables presented based on the invoice date at the reporting date is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**5,557**	6,757
31 to 60 days	**3,587**	5,160
61 to 90 days	**1,988**	929
Over 90 days	**1,390**	1,149
	12,522	13,995
Other payables and accruals	**39,953**	44,541
Construction fee payable	**80,474**	109,028
	132,949	167,564

12. Share Capital

	Number of ordinary shares of HK$0.01 each		Share capital	
	2012	2011	**2012**	2011
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
At 1 January 2011, 31 December 2011 and 31 December 2012	**15,000,000**	**15,000,000**	**150,000**	**150,000**
Issued and fully paid:				
At 1 January	**5,084,198**	**2,544,198**	**50,842**	**25,442**
Issue of shares upon conversion of convertible bonds ("CB") *(Note)*	**4,320,000**	**2,540,000**	**43,200**	**25,400**
At 31 December	**9,404,198**	**5,084,198**	**94,042**	**50,842**

Note:

During the year ended 31 December 2012, the holders of the CB have exercised the conversion right to convert an aggregate principal amount of HK$129,600,000 of the CB into a total 4,320,000,000 ordinary shares in six conversions.

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

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

13. Operating leases

The Group as lessor

Property rental income earned during the year was approximately HK$1,745,000 (2011: HK$497,000).

At 31 December 2012, the Group had contracted with tenants to sub-lease a leased premises for future minimum lease payments as follows:

	2012	2011
	HK$'000	*HK$'000*
Within one year	**1,594**	1,437
In the second to fifth year inclusive	**330**	2,042
	1,924	3,479

The Group as lessee

At 31 December 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:

	2012	2011
	HK$'000	*HK$'000*
Within one year	**823**	947
In the second to fifth year inclusive	**1,949**	2,123
After five years	**12,181**	11,888
	14,953	14,958

Leases were negotiated for a term of two months 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 and revenue for the year ended 31 December 2012 increased by 52.2% to HK$406.3 million and 43.3% to HK$380.7 million respectively as compared with last year. The increase in turnover and revenue was mainly due to increase in revenue from terminal and logistics services during the year. Segmental revenue of polishing materials and equipments division decreased by 23.4% as compared with last year and there was no segmental revenue of investment division.

Loss for the year ended 31 December 2012 attributable to the shareholders of the Company was approximately HK$2.4 million (2011: HK$432.6 million). The Group records a substantial improvement in the annual results for the year ended 31 December 2012 as compared with last year mainly due to increase in revenue, decreases in impairment on interest in associates, impairment on available-for-sale investments and impairment on amount due from an associate, decreases in fair value loss of convertible bonds designated as financial assets at fair value through profit or loss and held for trading investments, and decrease in share of losses of associates.

Segmental loss of the polishing materials and equipment division increased from approximately HK$14.9 million in 2011 to HK$23.9 million in 2012, which was mainly due to decrease in sales of polishing materials and equipment and allowance for obsolete inventories. The gross profit margin of polishing materials and equipment division decreased as compared with last year due to keen competition and slow-down in exports of the PRC during the year.

The investment division recorded a segmental loss of approximately HK$26.5 million which was mainly due to loss on disposal and partial disposal of associates. The segmental loss in 2011 was approximately HK$421.6 million.

The Group holds entire 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 services division recorded a segmental profit of approximately HK$109.6 million (2011: HK$60.4 million) for the year ended 31 December 2012.

On 30 December 2011 and 27 June 2012, Upmove entered into two agreements with Rizhao Port Company Limited ("Rizhao Port") pursuant to which each of Upmove and Rizhao Port has agreed to make the capital injection in an amount of RMB95.0 million each to Rizhao Lanshan to increase registered capital of Rizhao Lanshan from RMB140.0 million to RMB330.0 million. The amounts of the capital increase were used for the construction of two new 70,000-tonne berths of Rizhao Lanshan. The two new berths have commenced operation in October 2012.

Liquidity and Financial Resources

At 31 December 2012, the Group had interest-bearing bank and other loans of approximately HK$116.1 million (31 December 2011: HK$102.5 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 2012, current assets of the Group amounted to approximately HK$336.3 million (31 December 2011: HK$427.2 million). The Group's current ratio was approximately 0.80 as at 31 December 2012 as compared with 1.42 as at 31 December 2011. At 31 December 2012, the Group had total assets of approximately HK$1,272.4 million (31 December 2011: HK$1,261.0 million) and total liabilities of approximately HK$625.3 million (31 December 2011: HK$741.7 million), representing a gearing ratio (measured as total liabilities to total assets) of 49.1% as at 31 December 2012 as compared with 58.8% as at 31 December 2011.

Charge of Assets

At 31 December 2012, the Group's property, plant and equipment with carrying value of HK$25.3 million and the listed securities held under the margin accounts, with a total market value of approximately HK$3.2 million have been pledged to banks and financial institutions to secure the credit facilities granted to the Group.

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.

Significant Investments

At 31 December 2012, the Group held available-for-sale investments, interests in associates and held for trading investments amounting to approximately HK$2.5 million, HK$76.8 million and HK$3.2 million respectively. During the year, the Group recorded loss on partial disposal of an associate amounting to approximately HK$12.7 million, loss on disposal of an associate amounting to approximately HK$10.9 million, change in fair value of convertible bonds designated as financial assets at fair value through profit or loss amounting to approximately HK$7.4 million and gain on disposals of held for trading investments amounting to approximately HK$9.5 million.

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.

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 2012 and 2011.

Capital Commitments

At 31 December 2011 and 2012, the Group had capital commitments as follows:

	2012 *HK$'000*	2011 *HK$'000*
Contracted for but not provided:		
Capital injection in a jointly controlled entity	**-**	100,000
Acquisition of property, plant and equipment	**7,051**	86,100
Authorised but not contracted for		
Acquisition of property, plant and equipment	**52,021**	127,192
	59,072	313,292

Outlook

The Group expected more challenges and complication in the global economy in the year 2013. There will be more unstableness and uncertainty in the recovery of the economy. The global economy is still under structural adjustments, as the recovery of the developed economies continues to be uncertain and the growth rate of the emerging economies remains slow. The continuous deterioration of European debt crisis led to the lack of development momentum and drop of market confidence in the developed countries, the global economy will probably retain a downturn in a long period. Although the growth of China's economy has stabilized, rapid rebound remains unlikely.

Despites the uncertainties, the Group will be proactive in face of challenges. We will continue to realign our business structure, further enhance port functions and broaden our scope of services. By leveraging on the advantages on geographical location and deep water condition, the Group will strengthen marketing activities and co-operation with customers, extend its service scope along the logistics chain and attract customers through working out integrated logistics solutions for customers and building up trade platform for iron ore. The Group will speed up the construction of infrastructure including storage and stacking yards so as to upgrade its hardware and port handling capacity.

The management is cautious of the outlook of the polishing products 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 Group will also keep on evaluating and restructuring its investment portfolio and strategies in order to improve the performance of the investment segment.

The Board and the Group's management will continue to use their best endeavour 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 31 December 2012, the Group had approximately 30 (2011: 30) employees (excluding employees of the Company's jointly controlled entities) 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.

CORPORATE GOVERNANCE PRACTICE

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 Corporate Governance Code and Corporate Governance Report ("CG Code") (previously known as Code on Corporate Governance Practices) as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2012, except for the following deviations:

1. Code Provision A.6.7

Certain 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("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 year ended 31 December 2012.

AUDIT COMMITTEE REVIEW

The Company has an audit committee which was established in accordance with the requirements of the CG Code, for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The audit committee comprises four independent non-executive directors of the Company. The Group's consolidated financial statements for the year ended 31 December 2012 have been reviewed and approved by the audit committee.

BROAD OF DIRECTORS

As at the date of this announcement, the Board comprises (1) Mr. Wong Lik Ping, Ms. Yeung Sau Han Agnes, Ms. Chan Shui Sheung Ivy, Mr. Lai Ka Fai, Mr. Wang Liang and Mr. Shi Chong as Executive Directors; (2) Mr. Cheng Kwok Woo as Non-Executive Director, and (3) Mr. Leung Yuen Wing, Mr. Lam Kwok Hing Wilfred, Mr. Goh Choo Hwee and Mr. Ho Hin Yip 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, 28 March 2013

** For identification purpose only*