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Interim Results Announcement
For the six months ended 30 June 2014

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 2014 together with the comparative figures for the corresponding period in 2013 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

	<i>Notes</i>	Six months ended 30 June	
		2014 (Unaudited) <i>HK\$'000</i>	2013 (Unaudited) <i>HK\$'000</i> <i>(Restated)</i>
Turnover	3	42,628	41,690
Revenue	4	27,199	37,773
Cost of sales		(26,811)	(34,796)
Gross profit		388	2,977
Other income		4,613	1,242
Selling and distribution expenses		(2,191)	(2,618)
Administrative expenses		(31,168)	(13,548)
Decrease in fair value of held for trading investments		(2,511)	-
Gain on disposals of held for trading investments		2,123	754
Change in fair value of convertible bonds designated as financial assets at fair value through profit or loss		104	2,534
Gain on disposal of a subsidiary		-	1,769
Share of result of an associate		12,989	(2,481)
Share of results of joint ventures		88,471	80,706
Finance costs	5	(470)	(2,782)
Profit before taxation		72,348	68,553
Taxation	6	(8,847)	(5,240)
Profit for the period	7	63,501	63,313

		Six months ended 30 June	
		2014	2013
	Note	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
			(Restated)
Other comprehensive income			
Share of other comprehensive income of an associate		519	570
Share of other comprehensive income of joint ventures		1,563	-
Other comprehensive income for the period		2,082	570
Total comprehensive income for the period		65,583	63,883
Profit (loss) for the period attributable to:			
- Owners of the Company		63,501	63,314
- Non-controlling interests		-	(1)
		63,501	63,313
Total comprehensive income (expenses) attributable to:			
- Owners of the Company		65,583	63,884
- Non-controlling interests		-	(1)
		65,583	63,883
Earnings per share	9		
- Basic		HK 0.53cents	HK 0.54cents
- Diluted		HK 0.53cents	HK 0.54cents

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

		30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
	<i>Notes</i>		
Non-Current Assets			
Property, plant and equipment		936	1,674
Available-for-sale investments		2,500	2,500
Interest in an associate		89,777	76,269
Interests in joint ventures		966,484	812,619
Club debentures		350	350
		1,060,047	893,412
Current Assets			
Inventories		9,612	4,585
Trade and bills receivables, other receivables, deposits and prepayments	10	25,341	41,489
Convertible bond designated as financial assets at fair value through profit or loss		34,633	34,529
Amount due from a joint venture		-	317
Held for trading investments		30,019	-
Deposits placed with financial institutions		8,005	115
Bank balances and cash		266,552	394,069
		374,162	475,104
Current Liabilities			
Trade payables, other payables and accruals	11	35,932	45,731
Taxation payable		37,391	37,391
Amount due to an associate		32,000	32,000
Obligations under finance leases		848	542
Other loan		8,700	8,700
		114,871	124,364
Net Current Assets		259,291	350,740
Total Assets less Current Liabilities		1,319,338	1,244,152
Non Current Liabilities			
Obligations under finance leases		1,505	749
Deferred tax liabilities		27,158	18,311
		28,663	19,060
		1,290,675	1,225,092
Capital and Reserves			
Share capital	12	119,192	119,192
Reserves		1,170,638	1,105,055
Equity attributable to owners of the Company		1,289,830	1,224,247
Non-controlling interests		845	845
Total Equity		1,290,675	1,225,092

NOTES

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.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis other than certain financial instruments measured at fair value through profit or loss and investment properties measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has adopted and applied, for the first time, certain new interpretation and amendments to the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period.

The application of these new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in 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 gross proceeds from sales of held for trading investments and interest income during the period.

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sales of polishing materials and equipment	27,199	37,238
Gross proceeds from sales of held for trading investments	15,429	3,917
Interest income	-	535
	<u>42,628</u>	<u>41,690</u>

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

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

	Revenue		Segment result	
	Six months ended 30 June			
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Segments</i>				
Polishing materials and equipment	27,199	37,238	(5,771)	(6,569)
Terminal and logistics services	-	-	69,880	79,827
Investment	-	535	12,699	(1,189)
	<u>27,199</u>	<u>37,773</u>	<u>76,808</u>	<u>72,069</u>
Unallocated corporate expenses			(8,603)	(1,976)
Unallocated other income			4,613	1,242
Unallocated finance costs			(470)	(2,782)
Profit before taxation			<u>72,348</u>	<u>68,553</u>

The analysis of the assets and liabilities of the Group by operating and reporting segments is as follows:

	Assets		Liabilities	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Segments</i>				
Polishing materials and equipment	42,464	51,655	6,731	12,286
Terminal and logistics services	1,098,223	1,012,893	-	-
Investment	161,057	118,458	43,191	41,803
Unallocated corporate items	132,465	185,510	93,612	89,335
	<u>1,434,209</u>	<u>1,368,516</u>	<u>143,534</u>	<u>143,424</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on other loan wholly repayable within one year	391	393
Interest on margin loans	-	23
Effective interest expenses on convertible bonds	-	2,343
Finance lease charges	79	23
	<u>470</u>	<u>2,782</u>

6. TAXATION

Six months ended 30 June	
2014	2013
(Unaudited)	(Unaudited)
HK\$'000	HK\$'000
	(Restated)

The charge comprises:

Current tax		
- Hong Kong profits tax	-	-
Deferred tax		
- Withholding tax on undistributed profits of joint ventures in the PRC	8,847	5,240
	<u>8,847</u>	<u>5,240</u>
	<u>8,847</u>	<u>5,240</u>

Tax charge for the six months ended 30 June 2013 had been restated to provide for the withholding tax on the undistributed profits of the Group's joint ventures in the PRC.

7. PROFIT FOR THE PERIOD

Six months ended 30 June	
2014	2013
(Unaudited)	(Unaudited)
HK\$'000	HK\$'000

Profit for the period has been arrived at after charging (crediting):

Depreciation of property, plant and equipment	788	930
Cost of inventories recognised as expenses	26,811	34,796
Impairment loss on trade receivables	500	1,053
Interest income	(3,658)	(730)
	<u>(3,658)</u>	<u>(730)</u>

8. DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		<i>(Restated)</i>
Profit attributable to owners of the Company for the purpose of earnings per share	63,501	63,314
	Number of shares	
	30 June 2014	30 June 2013
	(Unaudited)	(Unaudited)
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and dilutive earnings per share	11,919,198	11,642,678

Diluted earnings per share for the six months ended 30 June 2014 and 2013 are the same as the basic earnings per share as the computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those options is higher than the average market price of the Company's shares for both periods.

10. TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing average credit period of 0 to 180 days to its trade customers. 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\$19,514,000 (31 December 2013: HK\$35,936,000) which are included in the Group's trade and bills receivables, other receivables, deposits and prepayments is as follows:

	30 June	31 December
	2014	2013
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 30 days	4,213	25,868
31 to 60 days	3,958	9,662
61 to 90 days	5,807	241
Over 90 days	5,536	165
	19,514	35,936
Other receivables, deposits and prepayments	5,827	5,553
	25,341	41,489

11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

The aged analysis of the trade payables of HK\$1,946,000 (31 December 2013: HK\$6,638,000) which are included in the Group's trade payables, other payables and accruals is as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within 30 days	841	2,863
31 to 60 days	397	3,763
61 to 90 days	690	-
Over 90 days	18	12
	<hr/>	<hr/>
	1,946	6,638
Other payables and accruals	33,986	39,093
	<hr/>	<hr/>
	35,932	45,731
	<hr/> <hr/>	<hr/> <hr/>

12. SHARE CAPITAL

	Number of shares of HK\$0.01 each '000	Nominal value HK\$'000
Authorised:		
At 1 January 2013	15,000,000	150,000
Increased on 11 June 2013	25,000,000	250,000
	<hr/>	<hr/>
At 31 December 2013 and 30 June 2014	40,000,000	400,000
	<hr/> <hr/>	<hr/> <hr/>
Issued and fully paid:		
At 1 January 2013	9,404,198	94,042
Issue of shares upon placing of shares in 2013	1,000,000	10,000
Issue of shares upon conversion of convertible bonds in 2013	1,515,000	15,150
	<hr/>	<hr/>
At 31 December 2013 and 30 June 2014	11,919,198	119,192
	<hr/> <hr/>	<hr/> <hr/>

13. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2014 and 31 December 2013.

14. PLEDGE OF ASSETS

At 30 June 2014, the Group's obligation under a finance leases were secured by the lessor's charge over the motor vehicles with carrying value of approximately HK\$400,000 (31 December 2013: approximately HK\$643,000).

15. OPERATING LEASE COMMITMENTS

The Group as lessor

The Group has contracted with tenants to sub-lease the leased premises for future minimum lease payments as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within one year	945	1,189
In the second to fifth year inclusive	385	-
	1,330	1,189

The Group as lessee

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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within one year	1,842	1,861
In the second to fifth year inclusive	498	1,093
	2,340	2,954

16. CAPITAL COMMITMENTS

At 30 June 2014 and 31 December 2013, the Group had no material capital commitments.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Financial Performance

The Group's turnover for the six months ended 30 June 2014 increased by 2.2% to approximately HK\$42.6 million as compared with the corresponding period in 2013. The increase in turnover was mainly due to increase in turnover from gross proceeds from sales of held for trading investments. Segmental revenue of polishing materials and equipment segment decreased by 27.0% to approximately HK\$27.2 million for the six months ended 30 June 2014, as compared with the same period last year. The decrease in the revenue of polishing materials and equipment division was mainly due to decrease in sales in the PRC.

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. Segment profits of the terminal and logistics services division and investment division for the period amounted to approximately HK\$69.9 million and HK\$12.7 million respectively. Segment loss of the polishing materials and equipment division for the period amounted to approximately HK\$5.8 million.

Profit for the six months ended 30 June 2014 attributable to the owners of the Company was approximately HK\$63.5 million (six months ended 30 June 2013: HK\$63.3 million). The profits from share of results of joint ventures were stable for the six months ended 30 June 2013 and 2014. During the six months ended 30 June 2014, the Group used approximately HK\$64.0 million (equivalent to RMB50 million) to increase the capital of Rizhao Lanshan to further develop the terminal and logistics services business.

Liquidity and Financial Resources

As at 30 June 2014, the Group had interest-bearing other loan of approximately HK\$8.7 million (31 December 2013: HK\$8.7 million), which was to mature within one year. The Directors expect that the other loan will be repaid by internally generated funds or rolled over upon maturity and will continue to provide funding to the Group's operations.

As at 30 June 2014, current assets of the Group amounted to approximately HK\$374.2 million (31 December 2013: HK\$475.1 million). The Group's current ratio (measured as total current assets to total current liabilities) was approximately 3.26 times as at 30 June 2014 as compared with 3.82 times as at 31 December 2013. At 30 June 2014, the Group had total assets of approximately HK\$1,434.2 million (31 December 2013: HK\$1,368.5 million) and total liabilities of approximately HK\$143.5 million (31 December 2013: HK\$143.4 million), representing a gearing ratio (measured as total liabilities to total assets) of 10.0% as at 30 June 2014 as compared with 10.5% as at 31 December 2013.

Litigations

The Group has no material litigation as at 30 June 2014.

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.

Outlook

The management is cautious of the outlook of the polishing materials and equipment 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.

Stable operations of the terminal and logistics services segment are expected in the second half of 2014. In order to maintain our traditional position and customer strength, we will perfect construction of terminal facilities and equipment at a reasonable pace in accordance with the situation of the industry and neighboring port markets with a view to ensuring a stable growth in profit of the 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 30 June 2014, the Group had approximately 40 employees. 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 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 2014.

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 Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2014, except for the following deviations:

1. Code Provision A.6.7

A non-executive director of the Company was unable to attend the annual general meeting of the Company held on 11 June 2014 due to his other important commitment.

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.

3. Code Provision E.1.2

The Chairman of the Board was unable to attend the annual general meeting of the Company held on 11 June 2014 due to his other important commitment.

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 six months ended 30 June 2014.

AUDIT COMMITTEE REVIEW

The Company has established an Audit Committee, which consists of three independent non-executive Directors of the Company, namely Mr. Lam Kwok Hing Wilfred, Mr. Goh Choo Hwee and Mr. Ho Hin Yip.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2014.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises (1) Mr. Wong Lik Ping, Ms. Yeung Sau Han Agnes, Mr. Lai Ka Fai, Mr. Wang Liang, Mr. Shi Chong and Mr. Feng Gang as executive Directors; (2) Mr. Cheng Kwok Woo as non-executive Director, and (3) Mr. Lam Kwok Hing Wilfred, Mr. Goh Choo Hwee, Mr. Ho Hin Yip and Mr. U Keng Tin as independent non-executive Directors.

On behalf of the Board
PME Group Limited
Wong Lik Ping
Chairman

Hong Kong, 28 August 2014

* *For identification purpose only*