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2014 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 2014 and the comparative figures for last year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Turnover	3	138,309	84,214
Revenue	4	89,797	80,297
Cost of sales		(87,397)	(83,634)
Gross profit (loss)		2,400	(3,337)
Other income and gain	5	15,873	6,243
Selling and distribution expenses		(8,852)	(4,316)
Administrative expenses		(88,814)	(53,949)
Gain on disposal of subsidiaries		–	1,760
Loss on derecognition of an associate		(26,907)	–
Loss on partial disposal of an associate		(14,852)	–
Increase in fair value of convertible bonds designated as financial assets at fair value through profit or loss		10,699	2,529
Decrease in fair value of held for trading investments		(11,626)	–
Share of results of an associate		6,082	(2,233)
Share of results of joint ventures		167,388	175,251
Finance costs	6	(839)	(2,022)
Profit before taxation		50,552	119,926
Taxation	7	(22,945)	(11,419)
Profit for the year	8	27,607	108,507

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Attributable to:			
Owners of the Company		27,607	108,507
Non-controlling interests		–	–
		27,607	108,507
Earnings per share	10	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted		0.23	0.92

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014**

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	27,607	108,507
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	(638)	(175)
Share of other comprehensive income of an associate	550	1,524
Share of other comprehensive income of joint ventures	1,404	18,488
Other comprehensive income for the year (net of tax)	1,316	19,837
Total comprehensive income for the year	28,923	128,344
Total comprehensive income attributable to:		
Owners of the Company	28,923	128,344
Non-controlling interests	–	–
	28,923	128,344

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

	<i>Notes</i>	2014 HK\$'000	2013 <i>HK\$'000</i>
Non-current assets			
Plant and equipment		1,883	1,674
Available-for-sale investments		2,500	2,500
Interests in associates		–	76,269
Interest in joint ventures		874,583	812,619
Club debentures		350	350
		879,316	893,412
Current assets			
Inventories		8,778	4,585
Trade receivables, other receivables, deposits and prepayments	11	28,563	41,489
Convertible bonds designated as financial assets at fair value through profit or loss		45,228	34,529
Amount due from a joint venture		–	317
Held for trading investments		88,485	–
Deposits placed with financial institutions		7,051	115
Bank balances and cash		346,144	394,069
		524,249	475,104
Current liabilities			
Trade and other payables and accruals	12	93,044	45,731
Amount due to an associate		–	32,000
Amount due to a joint venture		75	–
Taxation payable		36,985	37,391
Obligations under finance leases		730	542
Other loans		–	8,700
		130,834	124,364
Net current assets		393,415	350,740
Total assets less current liabilities		1,272,731	1,244,152

	<i>Notes</i>	2014 HK\$'000	2013 <i>HK\$'000</i>
Capital and reserves			
Share capital	13	119,192	119,192
Reserves		1,133,978	1,105,055
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Equity attributable to owners of the Company		1,253,170	1,224,247
Non-controlling interests		845	845
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Total equity		1,254,015	1,225,092
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Non-current liabilities			
Obligations under finance leases		858	749
Deferred tax liabilities		17,858	18,311
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		18,716	19,060
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		1,272,731	1,244,152
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Notes:

1. General

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

Other than the joint ventures established in the People’s Republic of China (“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 HKFRSs

For the purpose of preparing and presenting the consolidated financial statements, the Group has adopted the amended HKFRSs, HKASs and Int, for the first time in this year, which are mandatorily effective for the accounting period beginning on 1 January 2014.

The application of the amended HKFRSs and interpretation in the current year has had no material impact on the Group’s consolidated financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early adopted the following new and revised standards, amendments and interpretations that have been issued by the HKICPA but are not yet effective:

HKFRS 9	Financial Instruments ⁶
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ⁵
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁴
Amendments to HKAS 1	Disclosure Initiative ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ⁴
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁴
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁴

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

³ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

⁴ Effective for annual periods beginning on or after 1 January 2016

⁵ Effective for annual periods beginning on or after 1 January 2017

⁶ Effective for annual periods beginning on or after 1 January 2018

Other than HKFRS 15 disclosed below, the directors of the Company anticipate that the application of other new and revised standards, amendments and interpretations will have no material impact on the Group.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

3. Turnover

Turnover represents the amounts received and receivable from sale of polishing materials and equipment; 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:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of polishing materials and equipment	89,797	80,297
Gross proceeds from sales of held for trading investments	48,512	3,917
	138,309	84,214

4. Segment information

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 and associates

Information regarding the above segments is reported below.

Segment revenue and results

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

	Revenue		Segment result	
	For the year ended 31 December			
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
Polishing materials and equipment	89,797	80,297	(4,470)	(19,338)
Terminal and logistics services	–	–	146,047	174,528
Investment	–	–	(45,003)	(16,162)
			96,574	139,028
Unallocated corporate expenses			(49,778)	(23,333)
Unallocated other income and gain			4,500	6,179
Unallocated finance costs			(744)	(1,948)
Profit before taxation			50,552	119,926

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 the PRC. Terminal and logistics services division is located in the PRC. 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	
	2014	2013
	HK\$'000	HK\$'000
Hong Kong	33,581	35,331
The PRC	49,593	31,316
Other Asian regions	1,982	6,744
North America and Europe	510	986
Other countries	4,131	5,920
	89,797	80,297

5. Other income and gain

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Reversal of impairment loss on trade receivables	3,294	–
Interest income from banks and financial institutions	3,843	1,817
Gain on disposal of held for trading investments	3,030	754
Interest income from convertible bonds designated as financial assets at fair value through profit or loss	2,941	1,070
Net foreign exchange gains	675	505
Rental income	1,206	1,842
Sundry income	884	255
	15,873	6,243

6. Finance costs

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interests on other loans wholly repayable within five years	744	852
Finance lease charges	95	64
Interest on margin loans	–	10
Effective interest expenses on convertible bonds	–	1,096
	839	2,022

7. Taxation

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	27	38
PRC Enterprise Income Tax	152	100
Withholding tax for dividend from PRC joint ventures	23,219	2,711
	23,398	2,849
Deferred taxation	(453)	8,570
	22,945	11,419

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.

8. Profit for the year

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments	49,246	19,148
Contributions to retirement benefits schemes	630	547
	49,876	19,695
Depreciation of plant and equipment	716	1,867
Auditor's remuneration	750	800
Impairment loss on trade receivables	–	1,707
Reversal of allowance for inventories (included in cost of sales)	(4,193)	(1,897)
Allowance for inventories (included in cost of sales)	–	365
Written off of plant and equipment	–	2,828
Cost of inventories recognised as expenses	91,590	85,166
Minimum lease payment in respect of rental premises	2,986	2,021

9. Dividend

No dividend was paid or proposed during the year ended 31 December 2014, nor has any dividend been proposed since the end of the reporting period (2013: Nil).

10. Earnings per share

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<u>Profit</u>		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	27,607	108,507
	2014 <i>'000</i>	2013 <i>'000</i>
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	11,919,198	11,779,709
	2014	2013
Basic and diluted earnings per share (in HK cents)	0.23	0.92

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price per share for both 2014 and 2013.

Diluted earnings per share for 2013 is the same as the basic earnings per share. The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share for 2013.

11. Trade receivables, other receivables, deposits and prepayments

The aging analysis of the trade receivables, net of impairment loss presented based on the invoice date, which approximated the respective revenue recognition dates at the end of the reporting period is as follows.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 30 days	13,697	25,868
31 to 60 days	4,671	9,662
61 to 90 days	4,298	241
Over 90 days	387	165
	23,053	35,936
Other receivables, deposits and prepayments	5,510	5,553
	28,563	41,489

12. Trade and other payables and accruals

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 30 days	2,683	2,863
31 to 60 days	1,439	3,763
61 to 90 days	314	–
Over 90 days	60	12
	4,496	6,638
Other payables and accruals	88,548	39,093
	93,044	45,731

13. Share capital

	Number of ordinary shares of HK\$0.01 each		Share capital	
	2014 <i>'000</i>	2013 <i>'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Issued and fully paid:				
At beginning of year	11,919,198	9,404,198	119,192	94,042
Issue of shares upon conversion of convertible bonds (<i>Note i</i>)	–	1,515,000	–	15,150
Issue of shares upon placing of shares (<i>Note ii</i>)	–	1,000,000	–	10,000
At end of year	11,919,198	11,919,198	119,192	119,192

Notes:

- (i) During the year ended 31 December 2013, the holders of the convertible bonds have exercised the conversion right to convert an aggregate principal amount of HK\$95,600,000 of the convertible bonds into a total 1,515,000,000 ordinary shares.
- (ii) During the year ended 31 December 2013, the Company entered into the subscription agreements with the two subscribers in relation to the subscription of a total of 1,000,000,000 new shares in the share capital of the Company at HK\$0.355 per subscription share.

14. Operating leases

The Group as lessor

Property rental income earned during the year was approximately HK\$1,206,000 (2013: HK\$1,842,000).

At 31 December 2014, the Group had contracted with tenants to sub-lease leased premises for future minimum lease payments as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within one year	–	1,189
In the second to fifth year inclusive	–	–
	–	1,189

The Group as lessee

At 31 December 2014, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within one year	2,445	1,861
In the second to fifth year inclusive	1,299	1,093
	3,744	2,954

Leases were negotiated for a term of two months to fifty-six months 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 2014 increased by 64.2% to approximately HK\$138.3 million and increased by 11.8% to approximately HK\$89.8 million respectively as compared with last year. Revenue for the year was wholly contributed by the polishing materials and equipment division.

Profit for the year ended 31 December 2014 attributable to the shareholders of the Company was approximately HK\$27.6 million (2013: HK\$108.5 million). The Group recorded a decrease in the annual profit for the year ended 31 December 2014 as compared with last year mainly because increase in administrative expenses, loss on partial disposal of an associate, loss on derecognition of an associate and decrease in fair value of held for trading investments.

Segmental loss of the polishing materials and equipment division decreased from approximately HK\$19.3 million in 2013 to HK\$4.5 million in 2014. Segmental loss of the investment division increased from approximately HK\$16.2 million in 2013 to HK\$45.0 million in 2014.

Segment profit of the terminal and logistics services division decreased from HK\$174.5 million in 2013 to HK\$146.0 million in 2014.

Liquidity and Financial Resources

At 31 December 2014, the Group did not have any interest bearing borrowings (31 December 2013: HK\$8.7 million).

At 31 December 2014, current assets of the Group amounted to approximately HK\$524.2 million (31 December 2013: HK\$475.1 million). The Group's current ratio was approximately 4.01 as at 31 December 2014 as compared with 3.82 as at 31 December 2013. At 31 December 2014, the Group had total assets of approximately HK\$1,403.6 million (31 December 2013: HK\$1,368.5 million) and total liabilities of approximately HK\$149.6 million (31 December 2013: HK\$143.4 million), representing a gearing ratio (measured as total liabilities to total assets) of 10.7% as at 31 December 2014 as compared with 10.5% as at 31 December 2013.

Charge of Assets

As at 31 December 2014, the Group did not have any pledge of assets.

Significant Investments

At 31 December 2014, the Group held available-for-sale investments and held for trading investments amounting to approximately HK\$2.5 million and HK\$88.5 million respectively. During the year, the Group recorded loss on partial disposal of an associate of approximately HK\$14.9 million, loss on derecognition of an associate of approximately HK\$26.9 million, increase in fair value of convertible bonds designated as financial assets at fair value through profit or loss of approximately HK\$10.7 million, decrease in fair value of held for trading investments of approximately HK\$11.6 million and gain on disposal of held for trading investments of approximately HK\$3.0 million.

At 31 December 2013, the Group held available-for-sale investments and interests in associates amounting to approximately HK\$2.5 million and HK\$76.3 million respectively. During that year, the Group recorded gain in fair value of convertible bonds designated as financial assets at fair value through profit or loss amounting to approximately HK\$2.5 million and gain on disposal of held for trading investments amounting to approximately HK\$0.8 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 2014 and 2013.

Capital Commitments

The Group had no capital commitments as at 31 December 2014 and 2013.

Outlook

The management believes the year of 2015 will be a year full of challenges. Facing with the continuous slowdown in the economic growth in the PRC, weak corporate demand for bulk raw materials in China and abroad, and intense competition on peripheral terminals and logistics services, the major tasks of the terminal and logistics services division in 2015 include keeping on improving services quality, maintaining traditional position and customer strength, further enhancing the utilisation efficiency of existing terminal facilities, storage facilities and equipment, continuing to perfect construction of terminal facilities, soliciting new customers and supply, improving the management level and controlling production costs so as to strive for steady growth in port throughput and profits.

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 management considers developing of other chemical projects at the appropriate time, such as methanol and other chemical raw materials, and wishes to open another promising business for the Group with its rich chemical industry experience and understanding of the market in China and abroad.

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 2014, the Group had approximately 40 (2013: 40) employees (excluding employees of the Company's joint ventures) in Hong Kong and the PRC. 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 ("CG Code") as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2014, except for the following deviations:

1. Code Provision A.6.7

The 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 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.

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.

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 2014.

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 3 independent non-executive directors of the Company. The Group's consolidated financial statements for the year ended 31 December 2014 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, Mr. Lai Ka Fai, Mr. Feng Gang and Mr. Tao Ke as executive directors; (2) Mr. Cheng Kwok Woo as non-executive director, and (3) 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, 31 March 2015

* *For identification purpose only*