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PME GROUP LIMITED

必美宜集團有限公司*

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

Interim Results Announcement For the six months ended 30 June 2015

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 2015 together with the comparative figures for the corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2015

		Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Turnover	3	197,834	42,628
Revenue	4	22,964	27,199
Cost of sales		(21,775)	(26,811)
Gross profit		1,189	388
Other income and gain		1,978	4,613
Selling and distribution expenses		(2,095)	(2,191)
Administrative expenses		(28,107)	(31,168)
Change in fair value of held for trading investments		25,786	(2,511)
Gain on disposals of held for trading investments		11,941	2,123
Increase in fair value of convertible bonds designated as financial assets at fair value through profit or loss		28,851	104
Share of result of an associate		-	12,989
Share of results of joint ventures		26,327	88,471
Finance costs	5	(29)	(470)
Profit before taxation		65,841	72,348
Taxation	6	(4,105)	(8,847)
Profit for the period	7	61,736	63,501
Attributable to:			
- Owners of the Company		61,719	63,501
- Non-controlling interests		17	-
		61,736	63,501
Earnings per share	9		
- Basic		HK 0.52cents	HK 0.53cents
- Diluted		HK 0.52cents	HK 0.53cents

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	61,736	63,501
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Share of other comprehensive income of an associate	-	519
Share of other comprehensive income of joint ventures	815	1,563
Other comprehensive income for the period	815	2,082
Total comprehensive income for the period	62,551	65,583
Total comprehensive income attributable to:		
- Owners of the Company	62,534	65,583
- Non-controlling interests	17	-
	62,551	65,583

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

	<i>Notes</i>	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Non-Current Assets			
Plant and equipment		1,608	1,883
Available-for-sale investments		2,500	2,500
Interests in joint ventures		901,725	874,583
Club debentures		350	350
		906,183	879,316
Current Assets			
Inventories		7,844	8,778
Trade receivables, other receivables, deposits and prepayments	10	18,642	28,563
Convertible bonds designated as financial assets at fair value through profit or loss		74,079	45,228
Held for trading investments		33,465	88,485
Deposits placed with financial institutions		144,529	7,051
Bank balances and cash		243,273	346,144
		521,832	524,249
Current Liabilities			
Trade and other payables and accruals	11	51,194	93,044
Amount due to a joint venture		73	75
Taxation payable		38,480	36,985
Obligations under finance leases		730	730
		90,477	130,834
Net Current Assets		431,355	393,415
Total Assets less Current Liabilities		1,337,538	1,272,731
Capital and Reserves			
Share capital		119,192	119,192
Reserves		1,196,512	1,133,978
Equity attributable to owners of the Company		1,315,704	1,253,170
Non-controlling interests		862	845
Total Equity		1,316,566	1,254,015
Non Current Liabilities			
Obligations under finance leases		504	858
Deferred tax liabilities		20,468	17,858
		20,972	18,716
		1,337,538	1,272,731

NOTES

1. BASIS OF PRESENTATION

The condensed consolidated financial statements for the six months ended 30 June 2015 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 2015 are the same as those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2014.

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 sale of held for trading investments during the period.

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of polishing materials and equipment	22,964	27,199
Gross proceeds from sale of held for trading investments	174,870	15,429
	<u>197,834</u>	<u>42,628</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 - 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

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			
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Segments</i>				
Polishing materials and equipment	22,964	27,199	(4,739)	(5,771)
Terminal and logistics services	-	-	17,105	69,880
Investment	-	-	57,405	12,699
	<u>22,964</u>	<u>27,199</u>	<u>69,771</u>	<u>76,808</u>
Unallocated corporate expenses			(5,879)	(8,603)
Unallocated other income and gain			1,978	4,613
Unallocated finance costs			(29)	(470)
Profit before taxation			<u>65,841</u>	<u>72,348</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
	2015	2014	2015	2014
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Segments</i>				
Polishing materials and equipment	40,108	44,971	9,879	10,788
Terminal and logistics services	1,050,490	1,021,687	14,756	19,580
Investment	241,080	153,617	68,258	67,046
Unallocated corporate items	96,337	183,290	18,556	52,136
	<u>1,428,015</u>	<u>1,403,565</u>	<u>111,449</u>	<u>149,550</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on other loan wholly repayable within one year	-	391
Finance lease charges	29	79
	<u>29</u>	<u>470</u>

6. TAXATION

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
- Hong Kong profits tax	1,495	-
Deferred tax		
- Withholding tax on undistributed profits of joint ventures in the PRC	2,610	8,847
	<u>4,105</u>	<u>8,847</u>

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	358	788
Cost of inventories recognised as expenses	21,775	26,811
Impairment loss on trade receivables	272	500
Interest income	(1,819)	(3,658)

8. DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share	61,719	63,501
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	Number of shares	
	30 June 2015	30 June 2014
	(Unaudited)	(Unaudited)
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and dilutive earnings per share	11,919,198	11,919,198

Diluted earnings per share for the six months ended 30 June 2015 and 2014 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 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\$14,275,000 (31 December 2014: HK\$23,053,000) which are included in the Group's trade receivables, other receivables, deposits and prepayments is as follows:

	30 June	31 December
	2015	2014
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 30 days	4,574	13,697
31 to 60 days	3,535	4,671
61 to 90 days	4,413	4,298
Over 90 days	1,753	387
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	14,275	23,053
Other receivables, deposits and prepayments	4,367	5,510
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	18,642	28,563

11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

The aged analysis of the trade payables of HK\$5,702,000 (31 December 2014: HK\$4,496,000) which are included in the Group's trade payables, other payables and accruals is as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within 30 days	3,125	2,683
31 to 60 days	2,566	1,439
61 to 90 days	11	314
Over 90 days	-	60
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	5,702	4,496
Other payables and accruals	45,492	88,548
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	51,194	93,044

12. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2015 and 31 December 2014.

13. PLEDGE OF ASSETS

At 30 June 2015, the Group's obligation under finance leases were secured by the lessors' charges over the motor vehicles with carrying value of approximately HK\$941,000 (31 December 2014:HK\$1,263,000).

14. OPERATING LEASE COMMITMENTS

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 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within one year	2,351	2,445
In the second to fifth year inclusive	910	1,299
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	3,261	3,744

15. CAPITAL COMMITMENTS

At 30 June 2015 and 31 December 2014, the Group had no material capital commitments.

16. SUBSEQUENT EVENT

On 21 July 2015, Harvest Castle Holdings Limited (the “Purchaser”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Wong Lik Ping (“Mr. Wong”) in relation to acquisition of the entire issued share capital of China Ever Grand Capital Group Limited (the “Target Company”) and the shareholder loan due by the Target Company to Mr. Wong at total consideration of RMB170,847,000 (equivalent to approximately HK\$208,350,000). Mr. Wong is an executive director, the chairman of the Board and a substantial shareholder of the Company. The transaction constitutes a connected transaction and a very substantial acquisition of the Company under the Listing Rules. Details of the transaction are set out in the Company’s announcements dated 21 and 23 July 2015. As at the date of this announcement, the transaction is not yet completed.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Financial Performance

The Group’s turnover for the six months ended 30 June 2015 increased by 364.1% to approximately HK\$197.8 million as compared with the corresponding period in 2014. The increase in turnover was mainly due to increase in gross proceeds from sales of held for trading investments. Segmental revenue of polishing materials and equipment segment decreased by 15.6% to approximately HK\$23.0 million for the six months ended 30 June 2015, 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\$17.1 million and HK\$57.4 million respectively. Segment loss of the polishing materials and equipment division for the period amounted to approximately HK\$4.7 million.

Profit for the six months ended 30 June 2015 attributable to the owners of the Company was approximately HK\$61.7 million (six months ended 30 June 2014: HK\$63.5 million). The profits from share of results of joint ventures were decreased from approximately HK\$88.5 million for the six months ended 30 June 2014 to approximately HK\$26.3 million for the six months ended 30 June 2015, mainly due to decrease in profit of Rizhao Lanshan. During the six months ended 30 June 2015, the Group records gain on disposals of held for trading investments of approximately HK\$11.9 million, increase in fair value of held for trading investments of approximately HK\$25.8 million and increase in fair value of convertible bonds designated as financial assets at fair value through profit or loss of approximately HK\$28.9 million.

Liquidity and Financial Resources

As at 30 June 2015, the Group had no interest-bearing loans (31 December 2014: nil).

As at 30 June 2015, current assets of the Group amounted to approximately HK\$521.8 million (31 December 2014: HK\$524.2 million). The Group’s current ratio (measured as total current assets to total current liabilities) was approximately 5.77 times as at 30 June 2015 as compared with 4.01 times as at 31 December 2014. At 30 June 2015, the Group had total assets of approximately HK\$1,428.0 million (31 December 2014: HK\$1,403.6 million) and total liabilities of approximately HK\$111.4 million (31 December 2014: HK\$149.6 million), representing a gearing ratio (measured as total liabilities to total assets) of 7.8% as at 30 June 2015 as compared with 10.7% as at 31 December 2014.

Litigations

The Group has no material litigation as at 30 June 2015 and 31 December 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

Although with the benefit of the depreciation of RMB recently, the management of the Group is still cautious of the outlook of the polishing materials and equipment business locally and internationally. The Group will continue to explore effective cost-saving measures, concentrate on selling products with high profit margin, expand its distribution networks and develop new products in order to improve the profitability of the business segment.

Due to the recent extreme unstable market conditions, the Group will take a conservative approach towards its investment portfolio and strategies in order to improve the performance of the investment segment.

Due to the slowdown of China economy and the rather weak performance of China import and export industry, the performance of terminal and logistics services segment for the first six months was disappointing and it is expected that with the benefit of depreciation of RMB and the support of import and export policy of the PRC government, the performance of the terminal and logistics services segment will slowly pick up for the second half year.

As announced by the Group previously, it will expand its business into the finance lease industry by acquiring interests in a PRC finance lease company. If the acquisition is successful, it is expected that the business will generate a positive contribution to the Group's overall performance and will be beneficial to the shareholders.

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

Employees and Remuneration

As at 30 June 2015, the Group had 37 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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 2015.

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 2015, except for the following deviations:

1. Code Provision A.6.7

A non-executive director and an independent non-executive director of the Company were unable to attend the annual general meeting of the Company held on 11 June 2015 due to their other important commitments.

A non-executive director and three independent non-executive directors were unable to attend the extraordinary general meeting of the Company held on 7 January 2015 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.

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 2015 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 2015.

AUDIT COMMITTEE REVIEW

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

The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2015.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises (1) Mr. Wong Lik Ping, Mr. Lai Ka Fai, Mr. Feng Gang and Mr. Tao Ke as executive directors; (2) Mr. Cheng Kwok Woo and Ms. Yeung Sau Han Agnes as non-executive directors, 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, 28 August 2015

* *For identification purpose only*