



PME GROUP LIMITED

必美宜集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 00379



INTERIM REPORT 2015



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Wong Lik Ping (*Chairman*)
Mr. Lai Ka Fai
Mr. Feng Gang
Mr. Tao Ke

NON-EXECUTIVE DIRECTORS

Mr. Cheng Kwok Woo
Ms. Yeung Sau Han Agnes

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Goh Choo Hwee
Mr. Ho Hin Yip
Mr. U Keng Tin

JOINT COMPANY SECRETARIES

Mr. Li Chak Hung
Mr. Lai Ka Fai

AUTHORISED REPRESENTATIVES

Mr. Wong Lik Ping
Mr. Lai Ka Fai

AUDIT COMMITTEE

Mr. Ho Hin Yip (*Chairman*)
Mr. Goh Choo Hwee
Mr. U Keng Tin

REMUNERATION COMMITTEE

Mr. Ho Hin Yip (*Chairman*)
Mr. Wong Lik Ping
Mr. Goh Choo Hwee

NOMINATION COMMITTEE

Mr. Wong Lik Ping (*Chairman*)
Mr. Goh Choo Hwee
Mr. Ho Hin Yip

AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and
Shanghai Banking Corporation Limited
Fubon Bank (Hong Kong) Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2203, 22/F.
Kwan Chart Tower
No. 6 Tonnochy Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

379

WEBSITE

<http://www.pme8.com>

The board of directors (“Board” or “Directors”) of PME Group Limited (“Company”) hereby presented 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 AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) 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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Attributable to:			
– Owners of the Company		61,719	63,501
– Non-controlling interests		17	–
		61,736	63,501
Earnings per share	8		
– Basic		HK 0.52 cents	HK 0.53 cents
– Diluted		HK 0.52 cents	HK 0.53 cents
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

	Notes	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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Capital and Reserves			
Share capital	12	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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Total equity attributable to the owners of the Company at 1 January	1,253,170	1,224,247
Change in equity during the period:		
– Share of other comprehensive income of an associate	–	519
– Share of other comprehensive income of joint ventures	815	1,563
– Profit for the period	61,719	63,501
Total comprehensive income for the period	62,534	65,583
Total equity attributable to the owners of the Company at 30 June	1,315,704	1,289,830

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2015	2014
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Net cash outflow from operating activities	(185,030)	(66,507)
Net cash inflow/(outflow) from investing activities	80,723	(62,531)
Net cash inflow from financing activities	1,436	1,521
DECREASE IN CASH AND CASH EQUIVALENTS	(102,871)	(127,517)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	346,144	394,069
CASH AND CASH EQUIVALENTS AT END OF PERIOD	243,273	266,552
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	243,273	266,552

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 (“Stock Exchange”).

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. TURNOVER

Turnover represents the amounts received and receivable from sales of polishing materials and equipment, net of allowances and returns and gross proceeds from sale of held for trading investments during the period.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENTAL INFORMATION (Continued)

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 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Segments				
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
	22,964	27,199	69,771	76,808
Unallocated corporate expenses			(5,879)	(8,603)
Unallocated other income and gain			1,978	4,613
Unallocated finance costs			(29)	(470)
Profit before taxation			65,841	72,348

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

	Assets		Liabilities	
	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
	Segments			
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
	1,428,015	1,403,565	111,449	149,550

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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
	29	470

6. TAXATION

The charge comprises:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
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
	4,105	8,847

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
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. 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

	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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. 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).

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 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) 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
	14,275	23,053
Other receivables, deposits and prepayments	4,367	5,510
	18,642	28,563

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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
	5,702	4,496
Other payables and accruals	45,492	88,548
	51,194	93,044

12. SHARE CAPITAL

	Number of shares of HK\$0.01 each '000	Nominal value HK\$'000
Authorised:		
At 1 January 2014, 31 December 2014 and 30 June 2015	40,000,000	400,000
Issued and fully paid:		
At 1 January 2014, 31 December 2014 and 30 June 2015	11,919,198	119,192

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. CONTINGENT LIABILITIES

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

14. PLEDGE OF ASSETS

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

15. 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
	3,261	3,744

16. CAPITAL COMMITMENTS

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. RELATED PARTY TRANSACTIONS

- (a) The Group had the following transactions with its joint ventures, partners of joint ventures and related company during the period:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Joint ventures:		
Sales of polishing materials	1,551	1,911
Purchases of polishing materials	74	76
Fellow subsidiaries of a partner of a joint venture:		
Service charges paid	61,851	90,612
Leasing income	29,068	29,471
Related company in which a director has beneficial interest:		
Subcontracting fee paid	1,162	1,241

- (b) The Group's key management personnel are all directors of the Company. The remuneration to the directors of the Company during the period is as follows:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fees	270	360
Salaries and other benefits	5,298	5,853
Retirement benefit scheme contributions	69	84
	5,637	6,297

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30 June 2015 HK\$'000	31 December 2014 HK\$'000		
Convertible bonds designated as financial assets at fair value through profit or loss	74,079	45,228	Level 2	Binomial Option Pricing Model Binomial Option Pricing Model is employed in deriving the fair value of the convertible bonds. The main inputs include term to maturity, dividend yield, risk-free rate, credit risk rate of the issuer, spot price as of the valuation date, exercise price and expected volatility of stock price.
Held for trading investments	33,465	88,485	Level 1	Quoted bid prices in active markets

There is no transfer between the different levels of the fair value hierarchy for the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to the Company's share option scheme adopted on 23 October 2002, the Board may, at its discretion, grant options to full-time employees (including executive directors, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than the highest of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares on the date of grant.

Subject to the next paragraph, the maximum number of shares in respect of which options may be granted under the share option scheme shall not, when aggregate with any shares subject to any other schemes, in aggregate exceed 181,469,760 shares, representing approximately 1.52% of the issued share capital of the Company as at 31 March 2015.

The maximum number of shares which may be issued upon exercise of options granted and yet to be exercised under the share option scheme and any other scheme of the Company shall not exceed 30% of the total issued share capital of the Company from time to time.

The maximum number of shares issued and to be issued on the exercise of options granted and to be granted (included both exercised and outstanding options) in any 12 months period up to the date of grant to each eligible person shall not exceed 1% of the total issued share capital of the Company in issue, unless (i) a shareholders' circular is dispatched to the shareholders; (ii) the shareholders approve the grant of the options in excess of the limit referred to herein; and (iii) the relevant eligible person and its associates abstain from the voting on the resolution.

A nominal consideration of HK\$1 is payable on acceptance of each grant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following table discloses the movements of the Company's share options granted during the six months ended 30 June 2015:

Name of participants	Date of grant		Exercisable period	Exercise price	Number of share options			
					Outstanding at 1 January 2015	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2015
Directors								
Yeung Sau Han Agnes	27.5.2010	27.5.2010 – 26.5.2015	HK\$0.64	175,000,000	-	(175,000,000)	-	-
Cheng Kwok Woo	27.5.2010	27.5.2010 – 26.5.2015	HK\$0.64	1,500,000	-	(1,500,000)	-	-
Other employee								
	27.5.2010	27.5.2010 – 26.5.2015	HK\$0.64	1,500,000	-	(1,500,000)	-	-
				178,000,000	-	(178,000,000)	-	-
Weighted average exercise price								HK\$0.64

No share-based payment expense was recognised during the six months ended 30 June 2015. The share option scheme was expired in October 2012.

20. EVENT AFTER REPORTING PERIOD

On 21 July 2015, Harvest Castle Holdings Limited ("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 ("Target Company") and the shareholder loan due by the Target Company to Mr. Wong at total consideration of RMB170,847,000. 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 report, 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 sale 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

Although with the benefit of the depreciation of the 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 measure, concentrate on selling products with high profit margin, expand its distribution networks and maintain its product lines 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 in 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 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.

OTHER INFORMATION

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

At 30 June 2015, the directors and chief executive of the Company and their associates have the following interests and short positions in the ordinary shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"):

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

Directors	Number of ordinary shares/underlying shares held			Percentage of interests
	Personal Interests	Corporate interests	Total interests	
Mr. Wong Lik Ping	466,000,000	1,455,000,000	1,921,000,000	16.12%
Ms. Yeung Sau Han Agnes	27,250,000	–	27,250,000	0.23%
Mr. Cheng Kwok Woo	6,500,000	–	6,500,000	0.05%

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

OTHER INFORMATION

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

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

Details of share options granted to the Company's directors and the movements of share options during the six months ended 30 June 2015 are set out in note 19 to the condensed consolidated financial statements.

Save as disclosed above, at no time during the six months ended 30 June 2015 were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any directors, chief executive, or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding company, or subsidiaries a party to any arrangement to enable the directors or chief executive to acquire such rights in any other corporate.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, in accordance with the register of the substantial shareholders kept by the Company under Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules, the following persons were interested in the shares or underlying shares of the Company:

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

Name	<i>Notes</i>	Number of ordinary shares/ underlying shares held	Percentage of interests
Worldkin Development Limited		1,455,000,000	12.21%
Mr. Wong Lik Ping	1	1,921,000,000	16.12%
Funde Sino Life Insurance Co., Ltd.	2	3,574,430,000	29.99%
Profit Win International Limited		600,000,000	5.03%
Mr. Chen Hui	3	600,000,000	5.03%
Mr. Xu Yufeng		800,000,000	6.71%
Mr. Li Bensheng		600,000,000	5.03%

Notes:

1. Mr. Wong Lik Ping holds entire equity interests of Worldkin Development Limited and is accordingly deemed to have interests in 1,455,000,000 shares of the Company that Worldkin Development Limited has interests in. Mr. Wong personally owns 466,000,000 shares of the Company.
2. On 27 November 2014, Sino Life insurance Co., Ltd. changed its company name to Funde Sino Life Insurance Co., Ltd.
3. Mr. Chen Hui holds entire equity interests of Profit Win International Limited and is accordingly deemed to have interests in 600,000,000 shares of the Company that Profit Win International Limited has interests in.

Save as disclosed above, no other parties were recorded in the register required to be kept under Section 336 of the SFO as having an interest or a short position in the ordinary shares or underlying shares of the Company as at 30 June 2015.

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 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.

OTHER INFORMATION

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.

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

Hong Kong, 28 August 2015