



INTERIM REPORT

2013



PME GROUP LIMITED

必美宜集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 00379



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Wong Lik Ping (*Chairman*)

Ms. Yeung Sau Han Agnes
(*Chief Executive Officer*)

Ms. Chan Shui Sheung Ivy

Mr. Lai Ka Fai

Mr. Wang Liang

Mr. Shi Chong

NON-EXECUTIVE DIRECTOR

Mr. Cheng Kwok Woo

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Kwok Hing Wilfred

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

Ms. Yeung Sau Han Agnes

AUDIT COMMITTEE

Mr. Ho Hin Yip (*Chairman*)

Mr. Lam Kwok Hing Wilfred

Mr. Goh Choo Hwee

REMUNERATION COMMITTEE

Mr. Ho Hin Yip (*Chairman*)

Mr. Wong Lik Ping

Mr. Lam Kwok Hing Wilfred

Mr. Goh Choo Hwee

NOMINATION COMMITTEE

Mr. Wong Lik Ping (*Chairman*)

Mr. Lam Kwok Hing Wilfred

Mr. Goh Choo Hwee

Mr. Ho Hin Yip

AUDITOR

SHINEWING (HK) CPA Limited

Certified Public Accountants

PRINCIPAL BANKERS

Standard Chartered Bank

(Hong Kong) Limited

The Hongkong and

Shanghai Banking Corporation Limited

Fubon Bank (Hong Kong) Limited

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STOCK CODE

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WEBSITE

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The board of directors (“Board” or “Directors”) of PME Group Limited (“Company”) hereby presents the unaudited consolidated results of the Company and its subsidiaries (“Group”) for the six months ended 30 June 2013 together with the comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited and restated) HK\$'000
Turnover	3	41,690	56,070
Revenue	4	37,773	35,006
Cost of sales		(34,796)	(32,672)
Gross profit		2,977	2,334
Other income, gain or loss		1,242	4,626
Selling and distribution expenses		(2,618)	(7,085)
Administrative expenses		(13,548)	(15,181)
Change in fair value of held for trading investments		–	3,181
Gain on disposals of held for trading investments		754	5,099
Loss on disposals of available-for-sale investments		–	(3,113)
Fair value change of convertible bonds designated as financial assets at fair value through profit or loss		2,534	–
Loss on disposals of convertible bonds designated as financial assets at fair value through profit or loss		–	(7,366)
Loss on partial disposal of an associate		–	(12,907)
Gain on disposal of a subsidiary		1,769	–
Return on advances and charge over assets granted to an associate		–	174
Share of results of associates		(2,481)	(1,932)
Share of results of joint ventures		80,706	43,079
Finance costs	5	(2,782)	(17,818)
Profit (loss) before taxation		68,553	(6,909)
Taxation	6	–	(111)
Profit (loss) for the period	7	68,553	(7,020)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME*For the six months ended 30 June 2013*

	<i>Note</i>	Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Other comprehensive income			
Share of other comprehensive income of associates		570	161
Other comprehensive income for the period		570	161
Total comprehensive income (expense) for the period		69,123	(6,859)
Profit (loss) for the period attributable to:			
– Owners of the Company		68,554	(7,018)
– Non-controlling interests		(1)	(2)
		68,553	(7,020)
Total comprehensive income (expense) attributable to:			
– Owners of the Company		69,124	(6,857)
– Non-controlling interests		(1)	(2)
		69,123	(6,859)
Earnings (loss) per share	<i>9</i>		
– Basic		HK 0.59 cents	(HK 0.14 cents)
– Diluted		HK 0.59 cents	(HK 0.14 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2013*

	30 June 2013 (Unaudited) Notes	31 December 2012 (Restated)
	HK\$'000	HK\$'000
Non-Current Assets		
Property, plant and equipment	4,155	4,875
Available-for-sale investments	2,500	2,500
Interest in an associate	74,933	76,844
Interests in joint ventures	693,612	666,703
Deferred tax assets	51	51
Club debentures	350	350
	775,601	751,323
Current Assets		
Inventories	17,539	18,394
Trade and bills receivables, other receivables, deposits and prepayments	34,421	79,612
Convertible bond designated as financial assets at fair value through profit or loss	34,534	–
Amount due from a joint venture	579	294
Held for trading investments	–	3,163
Deposits placed with financial institutions	120	126
Bank balances and cash	419,671	12,311
	506,864	113,900

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2013*

		30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Restated) HK\$'000
	<i>Notes</i>		
Current Liabilities			
Trade payables, other payables and accruals	12	37,632	39,306
Taxation payable		37,303	37,303
Convertible bonds		–	94,410
Amount due to an associate		32,000	34,900
Obligation under finance leases		99	393
Bank and other loans		8,700	11,803
		115,734	218,115
Net Current Assets (Liabilities)		391,130	(104,215)
Total Assets less Current Liabilities		1,166,731	647,108
Capital and Reserves			
Share capital	14	119,192	94,042
Reserves		1,046,695	552,221
Equity attributable to owners of the Company		1,165,887	646,263
Non-controlling interests		844	845
Total Equity		1,166,731	647,108

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 30 June	
	2013	2012
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Total equity attributable to the owners of the Company at 1 January	646,263	518,289
Change in equity during the period:		
– Share of other comprehensive income of associates	570	161
– Profit (loss) for the period	68,554	(7,018)
Total comprehensive income (expense) for the period	69,124	(6,857)
Issue of shares upon placing of shares	354,900	–
Issue of shares upon exercises of convertible bonds	95,600	23,555
	450,500	23,555
Total equity attributable to the owners of the Company at 30 June	1,165,887	534,987

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited and restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow from operating activities	(3,392)	(13,752)
Net cash inflow (outflow) from investing activities	55,852	(10,820)
Net cash inflow from financing activities	354,900	23,853
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	407,360	(719)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	12,311	9,452
CASH AND CASH EQUIVALENTS AT END OF PERIOD	419,671	8,733
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	419,671	8,733

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 (“Stock Exchange”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Company’s consolidated financial statements for the year ended 31 December 2012.

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

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for ‘fair value’ and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in the note 19.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 11 Joint arrangements

Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31.

The Group's joint arrangements are structured as a limited company and provide the Group and the parties to the agreements with rights to the net assets of the limited company under the arrangements. Therefore, the Group's joint arrangements are classified as joint ventures of the Group.

Before 1 January 2013, the Group's interests in its joint ventures were proportionately consolidated. HKFRS 11 does not permit proportionate consolidation of joint ventures and requires equity accounting. The Group has applied the new policy for interests in joint ventures occurring on or after 1 January 2012 in accordance with the transition provisions of HKFRS 11. The Group recognised its interests in a joint venture at the beginning of the earliest period presented (1 January 2012), as the total of the carrying amounts of the assets and liabilities previously proportionately consolidated by the Group. This is the deemed cost of the Group's interests in a joint venture for applying equity accounting.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition of profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint venture have been changed where necessary to ensure consistency with the policies adopted by the Group. The change in accounting policy has been applied as from 1 January 2012. There is no impact on the net assets of the periods presented.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 11 Joint arrangements (Continued)

The effect of adopting equity accounting method for joint ventures under HKFRS 11 on the condensed consolidated statement of financial position of the Group at 31 December 2012 is as follows:

	At 31 December 2012		
	Original stated <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Restated <i>HK\$'000</i>
Property, plant and equipment	684,988	(680,113)	4,875
Prepaid lease payments – non-current	18,552	(18,552)	–
Prepaid lease payments – current	422	(422)	–
Goodwill	39,949	(39,949)	–
Sea use rights	111,068	(111,068)	–
Interests in joint ventures	–	666,703	666,703
Deposits for acquisition of property, plant and equipment	1,821	(1,821)	–
Inventories	22,642	(4,248)	18,394
Trade and bills receivables, other receivables, deposits and prepayments	182,343	(102,731)	79,612
Amount due from a joint venture	–	294	294
Bank balances and cash	127,599	(115,288)	12,311
Trade payables, other payables and accruals	(132,949)	93,643	(39,306)
Taxation payable	(42,786)	5,483	(37,303)
Obligations under finance leases – current	(18,212)	17,819	(393)
Obligations under finance leases – non-current	(76,414)	76,414	–
Bank and other loans – current	(20,363)	8,560	(11,803)
Bank and other loans – non-current	(95,722)	95,722	–
Amount due to a fellow subsidiary of a partner of a joint venture	(74,760)	74,760	–
Deferred tax (liabilities) assets	(34,743)	34,794	51

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 11 Joint arrangements (Continued)

The effect of adopting equity accounting method for joint ventures under HKFRS 11 on the condensed consolidated statement of profit or loss of the Group for the six months ended 30 June 2012 is as follows:

	For the six months ended 30 June 2012		
	Original stated HK\$'000	Adjustments HK\$'000	Restated HK\$'000
Turnover	173,461	(117,391)	56,070
Revenue	152,397	(117,391)	35,006
Cost of sales	(93,453)	60,781	(32,672)
Gross profit	58,944	(56,610)	2,334
Other income, gain or loss	4,768	(142)	4,626
Selling and distribution expenses	(7,255)	170	(7,085)
Administrative expenses	(22,318)	7,137	(15,181)
Change in fair value of held for trading investments	3,181	–	3,181
Gain on disposals of held for trading investments	5,099	–	5,099
Loss on disposals of available-for-sale investments	(3,113)	–	(3,113)
Loss on disposals of convertible bonds designated as financial assets at fair value through profit or loss	(7,366)	–	(7,366)
Loss on partial disposal of an associate	(12,907)	–	(12,907)
Return on advances and charge over assets granted to an associate	174	–	174
Share of results of associates	(1,932)	–	(1,932)
Share of results of joint ventures	–	43,079	43,079
Finance costs	(18,027)	209	(17,818)
Loss before taxation	(752)	(6,157)	(6,909)
Taxation	(6,268)	6,157	(111)
Loss for the period	(7,020)	–	(7,020)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 11 Joint arrangements (Continued)

The effect of adopting equity accounting method for joint ventures under HKFRS 11 on the condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2012 is as follows:

	For the six months ended 30 June 2012		
	Original stated	Adjustments	Restated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow from operating activities	(10,255)	(3,497)	(13,752)
Net cash inflow (outflow) from investing activities	160,995	(171,815)	(10,820)
Increase (decrease) in cash and cash equivalents	174,593	(175,312)	(719)
Cash and cash equivalents at beginning of period	149,024	(139,572)	9,452
Cash and cash equivalents at end of period	323,617	(314,884)	8,733

There had no impacts on basic and diluted loss per share attributable to the owners of the Company and the result of the Group for the six months ended 30 June 2012 upon adopting equity accounting method under HKFRS 11.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported 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 sales of held for trading investments and interest income during the period.

	Six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited and restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of polishing materials and equipment	37,238	35,006
Gross proceeds from sales of held for trading investments	3,917	21,064
Interest income	535	–
	41,690	56,070

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

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			
	2013	2012	2013	2012
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segments				
Polishing materials and equipment	37,238	35,006	(6,569)	(13,505)
Terminal and logistics services	–	–	79,827	34,989
Investment	535	–	(1,189)	(11,120)
	37,773	35,006	72,069	10,364
Unallocated corporate expenses			(1,976)	(1,342)
Unallocated other income, gain or loss			1,242	1,887
Unallocated finance costs			(2,782)	(17,818)
Profit (loss) before taxation			68,553	(6,909)

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
	2013	2012	2013	2012
	(Unaudited)	(Restated)	(Unaudited)	(Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segments				
Polishing materials and equipment	63,960	70,593	12,455	13,526
Terminal and logistics services	1,099,598	616,244	821	988
Investment	116,937	177,100	77,608	50,748
Unallocated corporate items	1,970	1,286	24,850	152,853
	1,282,465	865,223	115,734	218,115

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. FINANCE COSTS

	Six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited and restated)
	HK\$'000	HK\$'000
Interest on bank overdrafts, bank borrowings and other loans wholly repayable within five years	393	1,581
Interest on margin loans	23	669
Effective interest expenses on promissory note wholly repayable within five years	–	3,670
Effective interest expenses on convertible bonds	2,343	11,870
Finance lease charges	23	28
	2,782	17,818

6. TAXATION

	Six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited and restated)
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
– Hong Kong	–	111

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited and restated)
	HK\$'000	HK\$'000
Profit (loss) for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	930	1,980
Cost of inventories recognised as expenses	34,796	32,672
Impairment loss on trade receivables	1,053	1,823
Interest income	(730)	(1,581)

8. DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

9. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit (loss) attributable to owners of the Company for the purpose of earning (loss) per share	68,554	(7,018)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. EARNINGS (LOSS) PER SHARE (Continued)

	Number of shares	
	30 June 2013 (Unaudited) '000	30 June 2012 (Unaudited) '000
Weighted average number of ordinary shares for the purpose of basic earning (loss) per share	11,642,678	5,103,646
Weighted average number of ordinary shares for the purpose of dilutive earning (loss) per share	11,642,678	5,103,646

Diluted earning per share for the period ended 30 June 2013 is the same as the basic earning per share as there is no outstanding convertible bonds of the Company at 30 June 2013 and 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 the period.

Diluted loss per share for the period ended 30 June 2012 was the same as the basic loss per share. The computation of diluted loss per share for the six month ended 30 June 2012 did not assume the conclusion of the Company's outstanding convertible bonds and the exercise of the Company's share options since their exercise would result in a reduction in loss per share.

10. INTERESTS IN JOINT VENTURES

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Restated) HK\$'000
Cost less accumulated impairment of investment in joint ventures:		
–Unlisted	536,498	536,498
Share of post-acquisition results and other comprehensive income less dividends received	157,114	130,205
	693,612	666,703

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. 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 receivables. 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\$27,670,000 (31 December 2012: HK\$35,151,000) which are included in the Group's trade and bills receivables, other receivables, deposits and prepayments is as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Restated) HK\$'000
Within 30 days	8,560	17,945
31 to 60 days	7,215	11,006
61 to 90 days	8,773	3,864
Over 90 days	3,122	2,336
	27,670	35,151
Other receivables, deposits and prepayments	6,751	44,461
	34,421	79,612

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

The aged analysis of the trade payables of HK\$5,719,000 (31 December 2012: HK\$8,553,000) which are included in the Group's trade payables, other payables and accruals is as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Restated) HK\$'000
Within 30 days	1,586	1,658
31 to 60 days	1,236	3,585
61 to 90 days	598	1,980
Over 90 days	2,299	1,330
	5,719	8,553
Other payables and accruals	31,913	30,753
	37,632	39,306

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2013 and 31 December 2012.

14. SHARE CAPITAL

	Number of shares of HK\$0.01 each <i>'000</i>	Nominal value <i>HK\$'000</i>
Authorised:		
At 1 January 2012 and 31 December 2012	15,000,000	150,000
Increased on 11 June 2013	25,000,000	250,000
At 30 June 2013	40,000,000	400,000
Issued and fully paid:		
At 1 January 2012	5,084,198	50,842
Issue of shares upon conversion of convertible bonds	4,320,000	43,200
At 31 December 2012	9,404,198	94,042
Issue of shares upon placing of shares	1,000,000	10,000
Issue of shares upon conversion of convertible bonds	1,515,000	15,150
At 30 June 2013	11,919,198	119,192

15. PLEDGE OF ASSETS

At 30 June 2013, the Group had no assets pledged.

At 31 December 2012, the Group's listed securities held under the margin accounts with a total market value of approximately HK\$3,200,000 have been pledged to financial institutions to secure the credit facilities granted to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. OPERATING LEASE COMMITMENTS

The Group as lessor

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

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Restated) HK\$'000
Within one year	1,089	1,519
In the second to fifth years inclusive	–	330
	1,089	1,849

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 2013 (Unaudited) HK\$'000	31 December 2012 (Restated) HK\$'000
Within one year	895	152

17. CAPITAL COMMITMENTS

At 30 June 2013, the Group had commitments for capital expenditure of approximately HK\$808,000 (31 December 2012: HK\$Nil) in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. RELATED PARTY TRANSACTIONS

- (a) The Group's key management personnel are all Directors and the remuneration of the Directors during the period is as follows:

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fees	421	262
Salaries and other benefits	1,630	1,275
Retirement benefits scheme contribution	42	24
	2,093	1,561

- (b) The Group had the following transactions with its related parties during the period:

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Subcontracting fees paid to a related company in which a Director has beneficial interest	2,321	2,582
Sales of polishing materials to a joint venture	1,141	2,188
Purchases of polishing materials from a joint venture	73	72
Dividends received from a joint venture	53,797	–

- (c) Outstanding balances with a joint venture and an associate at the period end are disclosed in the condensed consolidated statement of financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets and financial liabilities 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 and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in activemarket for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30 June 2013 HK\$'000	31 December 2012 HK\$'000				
Available-for-sale investments	2,500	2,500	Level 2	Discounted cash flows Future cash flows are estimated based on certain assumptions.	N/A	N/A
Convertible bonds designated as financial assets at fair value through profit or loss	34,534	Nil	Level 3	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.	company specific discounted rate (the "Rate")	the higher the Rate, the lower the fair value

The Board considers that the carrying amounts of available-for-sale investments recorded at fair value.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FINANCIAL PERFORMANCE

The Group's turnover for the six months ended 30 June 2013 decreased by 25.6% to approximately HK\$41.7 million as compared with the corresponding period in 2012. The decrease in turnover was mainly due to decrease in turnover from investment segment. Segmental revenue of polishing materials and equipment segment increased by 6.4% to approximately HK\$37.2 million for the six months ended 30 June 2013, as compared with the same period last year. The increase in the revenue of polishing materials and equipment division was mainly due to improvement of 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 profit of the terminal and logistics services for the period amounted to approximately HK\$79.8 million. Segment losses of the polishing materials and equipment and investment amounted to approximately HK\$6.6 million and HK\$1.2 million respectively for the period.

Profit for the six months ended 30 June 2013 attributable to the owners of the Company was approximately HK\$68.6 million (six months ended 30 June 2012: loss of HK\$7.0 million). Profit for the six months ended 30 June 2013 was recorded mainly because there were increase in share of results of joint ventures, and decreases in finance costs and loss on partial disposal of interests in an associate. The increase in share of results of joint ventures is mainly due to increase in profit of Rizhao Lanshan, as a result of the commencement of operation of its two new berths with total capacity of 140,000-tonne since October 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, the Group had interest-bearing bank borrowings and other loans of approximately HK\$8.7 million (31 December 2012: HK\$11.8 million), which were to mature within one year. The Directors expect that all the bank borrowings and other loans 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 2013, current assets of the Group amounted to approximately HK\$506.9 million (31 December 2012: HK\$113.9 million). The Group's current ratio (measured as total current assets to total current liabilities) was approximately 4.38 times as at 30 June 2013 as compared with approximately 0.52 time as at 31 December 2012. At 30 June 2013, the Group had total assets of approximately HK\$1,282.5 million (31 December 2012: HK\$865.2 million) and total liabilities of approximately HK\$115.7 million (31 December 2012: HK\$218.1 million), representing a gearing ratio (measured as total liabilities to total assets) of 9.0% as at 30 June 2013 as compared with 25.2% as at 31 December 2012.

LITIGATIONS

Save as disclosed in the Company's announcements dated 12 June 2012 and 8 August 2013, the Group has no material litigation.

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

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 2013. 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, to improve the availability of the two 70,000-tonne berths which had commenced production since late 2012, 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 2013, 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.

OTHER INFORMATION

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

At 30 June 2013, the Directors and chief executive of the Company and their associates have the following interests and short positions in 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 Issuers ("Model Code"):

Long and short positions in the ordinary shares/underlying shares of the Company:

Directors	Number of shares/underlying shares held			Percentage of interests
	Personal Interests	Corporate interests	Total interests	
Mr. Wong Lik Ping	366,000,000	2,860,000,000	3,226,000,000 (L) 2,860,000,000 (S)	27.07% 23.99%
Ms. Chan Shui Sheung Ivy	550,000	–	550,000 (L)	0.00%
Ms. Yeung Sau Han Agnes	202,250,000	–	202,250,000 (L)	1.70%
Mr. Cheng Kwok Woo	8,000,000	–	8,000,000 (L)	0.07%

L/S: Long position/short position

Save as disclosed above, none of the 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.

The movements of share options during the six months ended 30 June 2013 are as follows:

Name of grantee	Exercise price	Exercisable period	As at 1.1.2013	As at 30.6.2013
	<i>HK\$</i>			
Mr. Cheng Kwok Woo	0.640	27.5.2010-26.5.2015	1,500,000	1,500,000
Ms. Yeung Sau Han Agnes	0.640	27.5.2010-26.5.2015	175,000,000	175,000,000
Other employee	0.640	27.5.2010-26.5.2015	1,500,000	1,500,000
			178,000,000	178,000,000

Save as disclosed above, at no time during the six months ended 30 June 2013 were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any Directors and chief executive of the Company, 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 of the Company to acquire such rights in any other corporate.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, 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 and short positions in the ordinary shares/underlying shares of the Company:

Name	Notes	Number of shares/ underlying shares held	Percentage of interests
Worldkin Development Limited	1	2,860,000,000 (L)	23.99%
		2,860,000,000 (S)	23.99%
Mr. Wong Lik Ping	1	3,226,000,000 (L)	27.07%
		2,860,000,000 (S)	23.99%
Mr. Chan Kin Sun	2	2,860,000,000 (L)	23.99%
Yardley Finance Limited	2	2,860,000,000 (L)	23.99%
Sino Life Insurance Co., Ltd		1,720,000,000 (L)	14.43%
Mr. Chen Hui	3	1,200,000,000 (L)	10.07%
Profit Win International Limited	3	1,200,000,000 (L)	10.07%
Mr. Xu Yufeng		800,000,000 (L)	6.71%

L/S: Long position/Short position

Notes:

- 1 Mr. Wong Lik Ping holds entire equity interests of Worldkin Development Limited and is accordingly deemed to have interests in the shares of the Company that Worldkin Development Limited has interests in.
- 2 Mr. Chan Kin Sun holds entire equity interests of Yardley Finance Limited and is accordingly deemed to have interests in the shares of the Company that Yardley Finance Limited has interests in.
- 3 Mr. Chen Hui holds entire equity interests of Profit Win International Limited and is accordingly deemed to have interests in the 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, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules, as having an interest or a short position in the shares or underlying shares of the Company as at 30 June 2013.

OTHER INFORMATION

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 2013.

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 as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2013, except for the following deviation:

1. Code Provision A.6.7

Certain independent non-executive directors of the Company were not able to attend the annual general meeting of the Company held on 11 June 2013 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 2013 due to his other important commitment.

OTHER INFORMATION

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the 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 2013.

CHANGES OF DIRECTOR'S INFORMATION

Mr. Ho Hin Yip, an independent non-executive director of the Company, has been appointed as the Chairman of Audit Committee and Remuneration Committee with effect from 11 June 2013.

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. Lam Kwok Hing Wilfred and Mr. Goh Choo Hwee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2013.

OTHER INFORMATION

BOARD OF DIRECTORS

As at the date of this report, the Board comprises (1) Mr. Wong Lik Ping, Ms. Yeung Sau Han Agnes, Ms. Chan Shui Sheung Ivy, Mr. Lai Ka Fai, Mr. Wang Liang and Mr. Shi Chong as executive Directors; (2) Mr. Cheng Kwok Woo as non-executive Director, and (3) Mr. 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, 29 August 2013