



# PYI Corporation Limited

*(Incorporated in Bermuda with limited liability)*

(Stock code: 498)

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2006

### HIGHLIGHTS

	2006	2005
• Turnover	HK\$3,540 million	HK\$3,588 million
• Profit after tax	HK\$310 million	HK\$522 million
• Basic EPS	HK22.7 cents	HK38.5 cents
• Special dividend per share	HK70.0 cents	N/A
• Interim dividend per share	HK1.5 cents	HK1.5 cents
• Final dividend per share	HK1.5 cents	HK1.5 cents
• NAV per share	HK\$1.86	HK\$2.32
• Total shareholder return	+32%	+182%

## RESULTS

The board of directors (the “Board”) of PYI Corporation Limited (“PYI” or the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2006, together with the comparative figures for the previous year, as follows:

		<b>For the year ended 31 March</b>	
	<i>Notes</i>	<b>2006 HK\$'000</b>	2005 HK\$'000 (Restated)
Turnover	3	<b>3,540,484</b>	3,588,015
Cost of sales		<b>(3,185,938)</b>	(3,363,119)
Gross profit		<b>354,546</b>	224,896
Other income	4	<b>123,237</b>	84,107
Administrative expenses		<b>(188,890)</b>	(196,920)
Other expenses		<b>(78,862)</b>	(59,574)
Finance costs		<b>(16,710)</b>	(6,266)
Increase in fair value of investment properties		<b>85,400</b>	–
Gain on disposal of investment properties		–	1,129
Increase in fair value of derivative financial instruments		<b>41,060</b>	–
Discount on acquisition of additional interest in subsidiaries		<b>8,461</b>	–
Gain on disposal of subsidiaries		<b>60,756</b>	–
Gain on partial disposal of subsidiaries		–	67,968
Gain on disposal and dilution of interests in associates		–	519,873
Reversal (recognition) of impairment loss on interest in an associate		<b>26,914</b>	(182,087)
Share of results of associates	5	<b>(17,184)</b>	43,310
Share of results of jointly controlled entities		<b>26</b>	727
Profit before taxation	6	<b>398,754</b>	497,163
Taxation	7	<b>(52,804)</b>	23,772
Profit for the year		<b><u>345,950</u></b>	<b><u>520,935</u></b>
Attributable to:			
Equity holders of the Company		<b>310,487</b>	521,920
Minority interests		<b>35,463</b>	(985)
		<b><u>345,950</u></b>	<b><u>520,935</u></b>
Distribution	8	<b><u>998,070</u></b>	<b><u>40,717</u></b>
Earnings per share		<i>HK cents</i>	<i>HK cents</i>
Basic	9	<b><u>22.7</u></b>	<b><u>38.5</u></b>
Diluted		<b><u>22.7</u></b>	<b><u>38.5</u></b>

## **Notes:**

### **1. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS**

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (“INTs”) (hereinafter collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates and jointly controlled entities have been changed. The changes in presentation have been applied retrospectively. In addition, the adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented:

#### **Share-based payment**

In the current year, the Group has applied HKFRS 2 “Share-based Payment” which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares (“equity-settled transactions”). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Group, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 April 2005 (see Note 2 for the financial impact). In relation to share options granted before 1 April 2005, the Group chooses not to apply HKFRS 2 with respect to share options that had vested on or before 1 April 2005 in accordance with the relevant transitional provisions. During the year, the Company repriced its outstanding share options which were granted and vested before 1 April 2005 by a reduction of their exercise prices. The directors, after taking professional advice, considered that the modification did not result in an increase in fair value of the share options. Accordingly, no adjustment for the current and prior years has been required.

#### **Business Combinations**

HKFRS 3 “Business Combinations” is effective for business combinations for which the agreement date is on or after 1 January 2005. The Group has not entered into any agreement between the period from 1 January 2005 to 31 March 2005. On 1 April 2005, the Group has applied the transitional provisions of HKFRS 3. The principal effects of the application of HKFRS 3 to the Group are summarised below:

##### *Goodwill*

In previous periods, goodwill arising on acquisitions before 1 April 2005 was capitalised and amortised over its estimated useful life. In the current year, the Group has applied the relevant transitional provisions in HKFRS 3. On 1 April 2005, the Group has eliminated the related accumulated amortisation of HK\$116,285,000 against the cost of such goodwill in the consolidated balance sheet. The Group has also discontinued amortising such goodwill from 1 April 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year (see Note 2 for the financial impact). Comparative figures have not been restated.

##### *Excess of the Group’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost (previously known as “negative goodwill”)*

In accordance with HKFRS 3, any excess of the Group’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over the cost of acquisition (“discount on acquisition”) is recognised immediately in profit or loss in the period in which the acquisition takes place. Accordingly, discount on acquisition of additional interest in subsidiaries has been recognised in the consolidated income statement for the current year (see Note 2 for the financial impact).

### **Leasehold interest in land use rights**

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 “Leases”. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to “prepaid lease payments” under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see Note 2 for the financial impact).

### **Investment properties**

In the current year, the Group has applied HKAS 40 “Investment Property” and has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the period in which they arise. In previous periods, investment properties under Statement of Standard Accounting Practice (“SSAP”) 13 “Accounting for Investment Properties” were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the consolidated income statement. Where a decrease had previously been charged to the consolidated income statement and a revaluation increase subsequently arose, that increase was credited to the consolidated income statement to the extent of the decrease previously charged. The adoption of HKAS 40 has had no material effect on the results for the current or prior periods. Accordingly, no prior period adjustment has been required.

### **Financial instruments**

In the current year, the Group has applied HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”. HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting years. The principal effects resulting from the implementation of HKAS 39 are summarised below:

#### *Classification and measurement of debt and equity securities*

By 31 March 2005, the Group classified and measured its investments in debt and equity securities in accordance with the benchmark treatment of SSAP 24 “Accounting for Investments in Securities”. Under SSAP 24, the Group’s investments in debt and equity securities are classified as “investment securities” or “other investments” as appropriate. “Investment securities” are carried at cost less impairment losses (if any) while “other investments” are measured at fair value, with unrealised gains or losses included in the profit or loss. From 1 April 2005 onwards, the Group has applied the relevant transitional provisions in HKAS 39 to classify and measure its investments in debt and equity securities. Under HKAS 39, the Group’s investments in debt and equity securities are classified as “financial assets at fair value through profit or loss” or “available-for-sale financial assets”. “Financial assets at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value, with changes in fair values recognised in consolidated income statement and equity, respectively. On 1 April 2005, the Group’s investment securities with carrying amount of HK\$1,778,000 was reclassified to available-for-sale investments and was remeasured at fair value with an increase in fair value of HK\$1,521,000 made to the Group’s investment revaluation reserve as at 1 April 2005, which will be released to the consolidated income statement upon disposal or impairment of the relevant available-for-sale investments (see Note 2 for the financial impact).

#### *Derivatives*

From 1 April 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

As at 31 March 2004, the Group did not recognise the fair value of option to acquire additional interest in subsidiaries on the consolidated balance sheet. From 1 April 2005 onwards, the Group has applied the relevant transitional provisions in HKAS 39. As a result, the option to acquire additional interest in subsidiaries has been measured at fair value with a corresponding increase in the Group’s accumulated profits as at 1 April 2005 (see Note 2 for the financial impact.). Comparative figures have not been restated.

*Financial assets and financial liabilities other than debt and equity securities*

From 1 April 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than investments in debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables” or “held-to-maturity financial assets”. Financial liabilities are generally classified as “financial liabilities at fair value through profit or loss” or “other financial liabilities”. “Other financial liabilities” are carried at amortised cost using the effective interest method after initial recognition. The adoption of HKAS 39 has had no material effect on the Group’s financial assets and financial liabilities other than debts and equity securities and derivatives.

**2. SUMMARY OF THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES**

The financial effects of the changes in accounting policies described above are summarised as follows:

**(a) Effects on the results for the current and prior years:**

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Non-amortisation of goodwill	7,424	–
Recognition of discount on acquisition of additional interest in subsidiaries	8,461	–
Recognition of share-based payment as expense	(5,082)	–
Decrease in share of results of associates	(14,264)	(937)
Increase in fair value of derivative financial instruments	41,060	–
	<u>37,599</u>	<u>(937)</u>

Analysis by line items presented according to their function:

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Decrease in administrative expense	2,342	–
Increase in discount on acquisition of additional interest in subsidiaries	8,461	–
Increase in fair value of derivative financial instruments	41,060	–
Decrease in share of results of an associate	(14,264)	(937)
	<u>37,599</u>	<u>(937)</u>

In addition to the above, the share of tax of associates and jointly controlled entities has been reclassified and included in share of results of associates and jointly controlled entities, respectively. The effects by line items are as follows:

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Increase (decrease) in share of results of associates	1,440	(35,413)
Decrease in share of results of jointly controlled entities	–	(171)
(Increase) decrease in taxation	(1,440)	35,584
	<u>–</u>	<u>–</u>

(b) Effects on the balance sheet as at 31 March 2005 and 1 April 2005:

	As at 31.3.2005 HK\$'000 (Originally stated)	Effect of HKAS 17 HK\$'000	Share of effect of changes in accounting policies on an associate HK\$'000 (Note)	As at 31.3.2005 HK\$'000 (Restated)	Effect of HKAS 39 HK\$'000	Share of effect of changes in accounting policies on an associate HK\$'000 (Note)	As at 1.4.2005 HK\$'000 (Restated)
Effects on assets and liabilities:							
Property, plant and equipment	372,044	(134,766)	-	237,278	-	-	237,278
Prepaid land lease payments							
- non-current	-	131,576	-	131,576	-	-	131,576
- current	-	3,190	-	3,190	-	-	3,190
Interests in associates	382,146	-	(937)	381,209	-	27,363	408,572
Investments in securities							
- non-current	1,778	-	-	1,778	(1,778)	-	-
- current	173,284	-	-	173,284	(173,284)	-	-
Available-for-sale investments	-	-	-	-	3,299	-	3,299
Derivative financial instruments held for trading	-	-	-	-	20,792	-	20,792
Investments held for trading	-	-	-	-	173,284	-	173,284
	<u>929,252</u>	<u>-</u>	<u>(937)</u>	<u>928,315</u>	<u>22,313</u>	<u>27,363</u>	<u>977,991</u>
Effects on equity:							
Investment revaluation reserve	-	-	-	-	991	-	991
Accumulated profits	253,898	-	(937)	252,961	20,792	27,363	301,116
Minority interests	535,895	-	-	535,895	530	-	536,425
	<u>789,793</u>	<u>-</u>	<u>(937)</u>	<u>788,856</u>	<u>22,313</u>	<u>27,363</u>	<u>838,532</u>

Note: The share of effect of changes in accounting policies arose from the adoption of INT 2 "The Appropriate Accounting Policies for Hotel Properties", HKAS 39 "Financial Instruments: Recognition and Measurement" and HKFRS 3 "Business Combinations" by the Group's associate.

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the consolidated financial statements of the Group except for HKAS 39 and HKFRS 4 (Amendments) "Financial Guarantee Contracts" which require all financial guarantee contracts to be initially measured at fair value. The directors consider the impact resulting from this amendment cannot be reasonably estimated as at the balance sheet date.

HKAS 1 (Amendment)	Capital disclosures <sup>1</sup>
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures <sup>2</sup>
HKAS 21 (Amendment)	Net investment in a foreign operation <sup>2</sup>
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions <sup>2</sup>
HKAS 39 (Amendment)	The fair value option <sup>2</sup>
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts <sup>2</sup>
HKFRS 6	Exploration for and evaluation of mineral resources <sup>2</sup>
HKFRS 7	Financial instruments: Disclosures <sup>1</sup>
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease <sup>2</sup>
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds <sup>2</sup>
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market, waste electrical and electronic equipment <sup>3</sup>

HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29
HK(IFRIC) – INT 8	Financial Reporting in Hyperinflationary Economies <sup>4</sup>
HK(IFRIC) – INT 9	Scope of HKFRS 2 <sup>5</sup>
	Reassessment of embedded derivatives <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1 December 2005.

<sup>4</sup> Effective for annual periods beginning on or after 1 March 2006.

<sup>5</sup> Effective for annual periods beginning on or after 1 May 2006.

<sup>6</sup> Effective for annual periods beginning on or after 1 June 2006.

### 3. SEGMENTAL INFORMATION

#### Business segments:

For management purposes, the Group's operations are currently organised into seven operating divisions, namely building construction, civil engineering, project management, facilities management, port and infrastructure development, treasury investment, and property investment. These divisions form the basis on which the Group reports its primary segment information.

Analysis of the Group's turnover and profit before taxation by business segments are as follows:

Turnover:

	2006			2005		
	External HK\$'000	Inter- segment HK\$'000	Total HK\$'000	External HK\$'000 (Restated)	Inter- Segment HK\$'000 (Restated)	Total HK\$'000 (Restated)
Construction and other contracting businesses:						
Building construction	2,219,299	5,649	2,224,948	2,318,792	38,460	2,357,252
Civil engineering	856,572	60,662	917,234	925,121	62,325	987,446
Project management	26,776	–	26,776	3,770	–	3,770
Facilities management	5,516	1,471	6,987	–	–	–
	<u>3,108,163</u>	<u>67,782</u>	<u>3,175,945</u>	<u>3,247,683</u>	<u>100,785</u>	<u>3,348,468</u>
Port and infrastructure development	–	–	–	–	–	–
Treasury investment	386,831	3,481	390,312	271,260	–	271,260
Property investment	45,490	15,515	61,005	69,072	16,532	85,604
Elimination	–	(86,778)	(86,778)	–	(117,317)	(117,317)
	<u>3,540,484</u>	<u>–</u>	<u>3,540,484</u>	<u>3,588,015</u>	<u>–</u>	<u>3,588,015</u>

Profit before taxation:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
Construction and other contracting businesses:		
Building construction	89,916	83,087
Civil engineering	30,293	21,586
Project management	16,049	1,980
Facilities management	1,593	–
	<u>137,851</u>	<u>106,653</u>
Port and infrastructure development	–	–
Treasury investment	79,922	8,159
Property investment	12,161	22,889
	<u>229,934</u>	<u>137,701</u>
Segment results	229,934	137,701
Interest income	26,096	52,236
Allowance for amounts due from associates	–	(40,504)
Increase in fair value of derivative financial instruments	41,060	–
Discount on acquisition of additional interest in subsidiaries	8,461	–
Increase in fair value of investment properties	85,400	–
Unallocated corporate expenses	(45,999)	(95,795)
Finance costs	(16,710)	(6,266)
Gain on disposal of subsidiaries	60,756	–
Gain on partial disposal of subsidiaries	–	67,968
Gain on disposal and dilution of interests in associates	–	519,873
Reversal (recognition) of impairment loss on interest in an associate	26,914	(182,087)
Share of results of associates	(17,184)	43,310
Share of results of jointly controlled entities	26	727
	<u>398,754</u>	<u>497,163</u>

Inter-segment sales are charged at market price or, where no market price was available, at terms determined and agreed by both parties.

#### Geographical segments:

Analysis of the Group's turnover by geographical market is as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
Hong Kong	3,113,854	3,477,040
People's Republic of China and Macau	426,630	110,975
	<u>3,540,484</u>	<u>3,588,015</u>

#### 4. OTHER INCOME

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
Interest income	25,921	52,236
Imputed interest income on deferred consideration receivable	175	–
Recovery of interest and legal expenses in connection with a court action against the vendor of a former associate	82,289	–
Write back of allowance for doubtful debts	14,173	–
Exchange gain on foreign currency	–	31,588
Increase in fair value of listed investments held for trading	636	–
Others	43	283
	<u>123,237</u>	<u>84,107</u>

## 5. SHARE OF RESULTS OF ASSOCIATES

China Strategic Holdings Limited (“China Strategic”), a company listed on The Stock Exchange of Hong Kong Limited with financial year ended 31 December, became a principal associate of the Group on 30 September 2003. Downer EDI Limited (“Downer”), which is listed on the Australian Stock Exchange and the New Zealand Stock Exchange with financial year ended 30 June, ceased to be a principal associate of the Group in December 2004. Since only published financial information of China Strategic and Downer was available and used by the Group for applying the equity method, the Group’s share of results of China Strategic for the current and prior year is calculated based on the turnover and results of China Strategic for the year from 1 January 2005 to 31 December 2005 and from 1 January 2004 to 31 December 2004. The Group’s share of results of Downer for the prior year is calculated based on turnover and results of Downer for the year from 1 January 2004 to 31 December 2004.

On 12 August 2005, the Group entered into agreements to participate into the assets reorganisation of Nantong Port Group Limited (“Nantong Port Group”) which is a state-owned enterprise registered in the People’s Republic of China (“PRC”). Nantong Port Group is principally engaged in providing cargo loading and off loading, storage, shipping agent, cargo agent, ship anchoring, ship repairing, port machinery, shipping logistics and ship piloting services in Nantong Port, Jiangsu Province, PRC. According to the agreements, the Group would inject approximately RMB435 million in cash into Nantong Port Group in return for a 45% interest in its registered capital. Details of the investment were set out in the Company’s circular dated 22 August 2005. As at March 2006, the Group has paid approximately HK\$160 million to Nantong Port Group, representing 22.7% of the equity interest of Nantong Port Group. The Group shall contribute the outstanding HK\$274 million into Nantong Port Group upon the fulfilment of certain conditions as stated in the agreements. The fair value of the contracted commitment is considered insignificant.

## 6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2006 HK\$’000	2005 HK\$’000 (Restated)
Release of prepaid land lease payments	2,677	3,190
Depreciation and amortisation:		
Property, plant and equipment (note below)	29,180	47,249
Goodwill (included in administrative expenses)	–	3,371
<i>Note:</i>		
Owned assets	34,591	49,394
Less: Amount capitalised in respect of contracts in progress and project under development	(5,411)	(2,145)
	<u>29,180</u>	<u>47,249</u>

## 7. TAXATION

	2006 HK\$’000	2005 HK\$’000 (Restated)
The charge (credit) comprises:		
Hong Kong Profits Tax		
Current year	4,101	–
Underprovision in prior years	1,877	21
	<u>5,978</u>	<u>21</u>
Overseas taxation		
Current year	3,332	5,035
Underprovision in prior years	40,000	–
	<u>43,332</u>	<u>5,035</u>
Deferred taxation	3,494	(28,828)
Taxation attributable to the Company and its subsidiaries	<u>52,804</u>	<u>(23,772)</u>

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the year.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

## 8. DISTRIBUTION

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Dividends recognised as distributions to equity holders of the Company during the current year:		
Final dividend paid for 2005 – HK1.5 cents (2004: HK1.5 cents) per share	20,380	20,179
Special dividend paid – HK70 cents (2005: Nil) per share	957,177	–
Interim dividend paid for 2006 – HK1.5 cents (2005: HK1.5 cents) per share	20,513	20,538
	<u>998,070</u>	<u>40,717</u>

On 4 May 2006, the directors of the Company resolved to declare a special dividend by way of distribution of the value to be derived from the Group's divestment of China Strategic Holdings Limited ("China Strategic", an associate) to the Company's shareholders whose names appeared on the register of members of the Company on 26 May 2006 upon the completion of the group restructuring of China Strategic ("Group Restructuring").

On 19 May 2006, China Strategic completed the Group Restructuring which involved (1) the transfer of certain of its subsidiaries to Group Dragon Investments Limited ("GDI"); and (2) the distribution in specie of shares in GDI ("GDI Share") to its shareholders, including the Group, on the basis of one GDI Share for every China Strategic consolidated share held.

On 16 June 2006, the Company announced the payment of a special dividend equivalent to the value derived from 117,143,920 GDI Shares. Details of the special dividend were set out in the announcements of the Company dated 8 May 2006 and 16 June 2006. The directors consider that the fair value of each GDI Share is HK\$2.78 by reference to the valuation on 19 May 2006 prepared by RHL Appraisal Ltd., an independent valuer not connected with the Company. As such, the special dividend is equivalent to about HK22.2 cents per PYI share.

The amount of the final dividend proposed for the year ended 31 March 2006, which will be in cash form with a scrip option, has been calculated by reference to the 1,464,579,910 shares in issue as at the date of this announcement.

## 9. EARNINGS PER SHARE

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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
Earnings:		
Earnings attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	<u>310,487</u>	<u>521,920</u>
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,367,759,328	1,355,352,439
Effect of dilutive potential ordinary shares: Share options	<u>2,861,857</u>	<u>1,398,760</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,370,621,185</u>	<u>1,356,751,199</u>

Pursuant to the adoption of new and revised accounting policies as described in note 1 above, the reported earnings per share for the current year and prior years has been affected. The following table summarises the impact on basic and diluted earnings per share:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
Figures before adjustments	0.200	0.386	0.200	0.385
Adjustments arising from application of new and revised accounting policies	0.027	(0.001)	0.027	–
Reported	<u>0.227</u>	<u>0.385</u>	<u>0.227</u>	<u>0.385</u>

## FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK1.5 cents per share in cash with a scrip option for the year ended 31 March 2006 (2005: HK1.5 cents per share in scrip with a cash option) to shareholders whose names appear on PYI's register of members as at the close of business on 15 September 2006. The final dividend is subject to the approval of PYI shareholders in the 2006 Annual General Meeting to be held on 8 September 2006, and is expected to be paid to shareholders by post on or around 3 October 2006.

The final dividend will be paid in cash, with PYI shareholders being given an option to receive PYI shares in lieu of cash in respect of part or all of such dividend. The market value of the shares to be issued under the scrip dividend proposal will be fixed by reference to the average of the closing prices of PYI shares for the three consecutive trading days ending 15 September 2006 less a discount of five per cent. of such average price or the par value of shares, whichever is the higher. The proposed scrip dividend is conditional upon The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of, and permission to deal in, the new shares to be issued.

A circular giving full details of the scrip dividend proposal and a form of election will be sent to shareholders.

## CLOSURE OF THE REGISTER OF MEMBERS

The register of members of PYI will be closed during the period from 13 September 2006 to 15 September 2006, both dates inclusive, during which period no transfer of share(s) of PYI will be effected. In order to qualify for the final dividend, all transfer of share(s), accompanied by the relevant share certificate(s) with the completed transfer form(s) with overleaf or separately, must be lodged with PYI's share registrars in Hong Kong, Secretaries Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 12 September 2006.

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF FINANCIAL PERFORMANCE AND POSITIONS

For the year ended 31 March 2006, the Group recorded a consolidated turnover of approximately HK\$3,540 million (2005: 3,588 million) which is similar to that of the last corresponding year.

The Group's gross profit rose encouragingly by 58% to some HK\$355 million (2005: HK\$225 million), representing a gross margin of approximately 10% of the consolidated turnover. With the remarkable contribution of profits from the operations and tight cost control, the Group attained a profit before tax of approximately HK\$399 million (2005: HK\$497 million).

The Group's profit before taxation comprised:

- (i) net gain of approximately HK\$138 million in construction and other contracting businesses (2005: HK\$107 million);
- (ii) net gain of approximately HK\$12 million in property investment (2005: HK\$23 million);
- (iii) net gain of approximately HK\$80 million in treasury investment (2005: HK\$8 million);
- (iv) interest income of approximately HK\$26 million (2005: HK\$52 million);
- (v) increase in fair value of derivative financial instruments regarding options to acquire 15% equity interest in subsidiaries engaged in the development of Yangkou Port of approximately HK\$41 million (2005: Nil);

- (vi) discount on acquisition of additional interest in subsidiaries engaged in the development of Yangkou Port of approximately HK\$9 million (2005: Nil);
- (vii) increase in fair value of Paul Y. Centre of approximately HK\$85 million (2005: Nil);
- (viii) net gain on disposal of subsidiaries holding Paul Y. Centre and other non-core assets of approximately HK\$61 million (2005: HK\$68 million);
- (ix) net corporate expenses of approximately HK\$46 million (2005: HK\$96 million);
- (x) finance costs of approximately HK\$17 million (2005: HK\$6 million); and
- (xi) net gain of approximately HK\$10 million (2005: HK\$341 million) from associates and jointly controlled entities.

Profit for the year was approximately HK\$346 million (2005: HK\$521 million) and basic earnings per share was HK22.7 cents (2005: HK38.5 cents).

When compared with the Group's financial position as at last year end, total assets decreased by about 16% to some HK\$5,982 million (2005: HK\$7,110 million) and net current assets decreased by about 38% to some HK\$1,284 million (2005: HK\$2,075 million), mainly due to the payment of a special cash dividend totalling approximately HK\$957 million during the year. Consequently, current assets decreased from 2.1 times to 1.7 times of current liabilities. After accounting for the net profit of approximately HK\$310 million net of dividends paid of approximately HK\$998 million, equity attributable to shareholders of the Company decreased by 19% to some HK\$2,571 million (2005: HK\$3,179 million), representing HK\$1.86 per share as at 31 March 2006 (2005: HK\$2.32 per share).

Net cash inflow from operations was about HK\$23 million, and outflow in respect of investing and financing activities was about HK\$606 million, resulting in a net decrease in available cash and cash equivalents of about HK\$583 million.

The total shareholder return for the year ended 31 March 2006, which is the increase in share price of the Company during the year plus dividends paid during the year, is approximately 32% (2005: 182%).

The Condensed Consolidated Balance Sheet as at 31 March 2006 is as follows:

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
<b>NON-CURRENT ASSETS</b>		
Investment properties, property, plant and equipment	<b>35,800</b>	692,278
Project under development	<b>1,958,869</b>	1,806,466
Goodwill	<b>61,646</b>	61,646
Interests in associates and jointly controlled entities	<b>574,238</b>	390,753
Loans receivable	<b>117,000</b>	–
Other non-current assets	<b>43,047</b>	152,802
	<b><u>2,790,600</u></b>	<u>3,103,945</u>
<b>CURRENT ASSETS</b>		
Amounts due from customers for contract works	<b>163,379</b>	185,188
Properties held for sale	<b>78,245</b>	91,278
Debtors, deposits and prepayments	<b>1,415,407</b>	1,586,246
Investments held for trading	<b>161,693</b>	–
Other investments	–	173,284
Pledged bank deposits	<b>118,622</b>	–
Short term bank deposits, bank balances and cash	<b>666,038</b>	1,254,556
Loans receivable	<b>498,520</b>	672,169
Other current assets	<b>89,174</b>	43,713
	<b><u>3,191,078</u></b>	<u>4,006,434</u>
<b>CURRENT LIABILITIES</b>		
Amounts due to customers for contract works	<b>429,615</b>	435,198
Creditors and accrued expenses	<b>899,829</b>	1,076,195
Amount due to a minority shareholder	<b>4,638</b>	104,833
Loan from minority shareholders	<b>123,439</b>	–
Bank and other borrowings – due within one year	<b>400,158</b>	289,960
Other current liabilities	<b>49,437</b>	25,452
	<b><u>1,907,116</u></b>	<u>1,931,638</u>
<b>NET CURRENT ASSETS</b>	<b><u>1,283,962</u></b>	<u>2,074,796</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b><u>4,074,562</u></b>	<u>5,178,741</u>
<b>NON-CURRENT LIABILITIES</b>		
Loan from minority shareholders	–	241,000
Bank and other borrowings – due after one year	<b>164,625</b>	300,000
Deferred tax liabilities	<b>900,000</b>	923,020
	<b><u>1,064,625</u></b>	<u>1,464,020</u>
	<b><u>3,009,937</u></b>	<u>3,714,721</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>137,880</b>	136,920
Reserves	<b>2,432,752</b>	3,041,906
Equity attributable to equity holders of the Company	<b>2,570,632</b>	3,178,826
Share options reserve of a subsidiary	<b>137</b>	–
Minority interests	<b>439,168</b>	535,895
<b>TOTAL EQUITY</b>	<b><u>3,009,937</u></b>	<u>3,714,721</u>

The Condensed Consolidated Cash Flow Statement is as follows:

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
Net cash from (used in) operating activities	<b>22,862</b>	(157,147)
Net cash from investing activities	<b>645,087</b>	889,151
Net cash (used in) from financing activities	<b>(1,250,933)</b>	282,361
Net (Decrease)/Increase in cash and cash equivalents	<b>(582,984)</b>	1,014,365
Effect on foreign exchange rate changes	<b>1,450</b>	–
Net cash and cash equivalents brought forward	<b>1,247,572</b>	233,207
Net cash and cash equivalents carried forward	<b>666,038</b>	1,247,572
Analysis of the balances of net cash and cash equivalents:		
Short term bank deposits, bank balances and cash	<b>666,038</b>	1,254,556
Bank overdrafts	–	(6,984)
	<b>666,038</b>	1,247,572

## **REVIEW OF OPERATIONS**

### **Port and infrastructure development**

The rapid economic growth of China together with booming international trade has resulted in an increasing demand on its port and logistics sector, now the Group's business focus.

The Group holds equity interests in Yangkou Port and Nantong Port, both located in Nantong, Jiangsu Province.

#### **Yangkou Port**

China's Eleventh Five-Year Plan is in general in favour of the port and logistics sector, and development of Yangkou Port is in line with such Plan.

The Group's Yangkou Port project was generally progressing well. Seawall for the reclamation of some 22 square kilometers of land was completed. Construction of Phase 1 of the Yellow Sea Crossing, which links up the Yangkou Port industrial and logistics park and the man-made island with berths, has commenced in September 2005. Master planning of the port and the industrial park was in progress. In addition, the Group established a property development subsidiary to engage in land and property development in Yangkou Port and its vicinity.

A collaboration agreement for preliminary engineering works was reached between the Group and PetroChina Company Limited ("PetroChina") in May 2006. Such preliminary engineering works, to be jointly carried out by PYI and PetroChina, involve the master planning of Yangkou Port to facilitate smooth operations of the LNG receiving station, as well as various technical aspects of detailed design, engineering and construction methodology for the development of the LNG receiving station. The collaboration with PetroChina signifies an important milestone for the Group's development in Yangkou Port.

Given the satisfactory progress of the Yangkou Port project, in February 2006, PYI (through its 90.1% project subsidiary) exercised the option to acquire a further interest of 15% interest from the PRC partner at a cost of US\$6.75 million and increased its effective interest in the Yangkou Port subsidiaries from 54.06% to 67.6%. This has not only enhanced PYI's share of benefit in the project but also simplified the financing structure in relation to its local PRC partner.

Subsequent to the year end, PYI further increased its stake to 75% by acquiring a 9.9% minority interest held by the strategic investor in the project special purpose vehicle at a consideration of 68.5 million new PYI shares at HK\$2.45 per share.

### ***Nantong Port***

In August 2005, the Group entered into formal agreements to participate into the assets reorganisation of Nantong Port Group Limited (“Nantong Port Group”), a state owned enterprise incorporated in the PRC. Nantong Port Group is principally engaged in providing cargo loading and off loading, storage, shipping agent, cargo agent, ship anchoring, ship repairing, port machinery, shipping logistics and ship piloting services in Nantong Port, Jiangsu Province, China. Pursuant to the reorganisation, the Group would inject about RMB435 million in cash into Nantong Port Group in return for a 45% interest in its registered capital. Full details of the Group’s participation and commitment in the said reorganisation were set out in PYI’s circular to shareholders dated 22 August 2005.

The Group completed its initial injection of about HK\$150 million into Nantong Port Group in late December 2005 and targets to complete all cash injection in July 2006.

The acquisition of Nantong Port Group serves as a spearhead for the Group’s dry bulk operations in the PRC, setting its foothold in this business sector and for the future development of a network along the Yangtze River. Its close proximity to Yangkou Port will allow the Group to build an effective logistics network in the Yangtze Delta.

### **Construction and engineering businesses – Paul Y. Engineering**

Through Paul Y. Engineering Group Limited (“Paul Y. Engineering”) and its subsidiaries (the “Paul Y. Engineering Group”), the Group continues to engage in the construction and other engineering businesses including management contracting, project management and facilities management. During the year, about HK\$138 million (2005: HK\$107 million) of the operating profit was contributed from this business segment.

During the year, Paul Y. Engineering achieved a gross profit of some HK\$230 million as compared with a corresponding gross profit of some HK\$192 million for last year. Net profit after tax for the year was HK\$101 million versus HK\$80 million for last year. In addition, new construction contracts with an aggregate value of approximately HK\$4,195 million were secured. As at the year end, value of contracts on hand was approximately HK\$10,058 million and value of work remaining had increased by 33% to approximately HK\$6,003 million.

Celebrating its 60th anniversary in 2006, Paul Y. Engineering will continue to expand its business to China, Macau, South East Asia and the Middle East, while moving up the value chain to offer value added design, construction and management solutions to it. The uptrend in Paul Y. Engineering’s gross margin is expected to continue. With ongoing vigorous cost saving measures, performance of all business segments of the Paul Y. Engineering Group improves satisfactorily.

### **Property investment**

In November 2005, the Group entered into a conditional sale and purchase agreement with a joint venture company effectively owned by Lehman Brothers Holdings Inc., Capital Strategic Investment Limited and Paul Y. Engineering for the disposal of Paul Y. Centre (through disposing 100% of the subsidiaries owning Paul Y. Centre) at an agreed gross value of HK\$780 million. Such agreed value was derived from a yield rate of 6.28% based on the rental income of about HK\$49 million for the year ended 31 March 2005. The disposal constituted a major transaction of the Company and was duly approved by PYI shareholders in a special general meeting held on 16 January 2006.

The disposal was completed in late January 2006. A net disposal gain of about HK\$62 million was recognised by the Group. Taking into account the revaluation surplus of HK\$85 million recorded at the interim period end, the Group realised a total gain of about HK\$147 million.

During the year, apart from the abovementioned disposal gain and revaluation surplus of Paul Y. Centre, about HK\$12 million (2005: HK\$23 million) of the operating profit was contributed from the business of property investment.

### **Treasury investment**

Total value of the Group’s investment securities held for trading amounted to approximately HK\$162 million (2005: HK\$173 million) as at 31 March 2006, equivalent to about 3% (2005: 2%) of the total assets of the Group. Portfolio of high-yield loans receivable amounted to approximately HK\$616 million (2005: HK\$672 million) as at 31 March 2006, equivalent to about 10% (2005: 9%) of the total assets of the Group.

During the year, about HK\$80 million (2005: HK\$8 million) of the operating profit was contributed from this business segment.

### **Divestment in China Strategic**

The disposal by the Group of a 15.4% interest in China Strategic at a cash consideration of HK\$26 million was completed on 24 May 2006, whereupon China Strategic has ceased to be an associated company of PYI. The remaining 14.05% interest in China Strategic will be held by the Group as an investment.

As a result of the group reorganisation of China Strategic effected prior to completion of the aforesaid disposal, the Group was distributed with GDI Shares which were the subject of a voluntary general offer extended by Hanny Holdings Limited (“Hanny”). Under the Hanny offer, holders of GDI Shares were entitled to accept the offer and receive either Hanny shares plus cash or convertible bonds issued by Hanny.

On 8 May 2006, the Board declared a special dividend to PYI shareholders by way of distribution of the value derived from the GDI Shares held by it. The special dividend was paid to PYI shareholders, at their option, in the form of either Hanny shares plus cash or convertible bonds of Hanny. For every 500 PYI shares held, shareholders were given the choice to elect either (1) 8 Hanny shares plus HK\$14.4 in cash; or (2) 8 Hanny bonds at a face value of HK\$15 each. Full details of this special dividend were set out in PYI’s circular to its shareholders dated 29 May 2006.

As announced by the Board on 16 June 2006, based on the election of PYI shareholders, PYI eventually paid the special dividend in the forms of (1) an aggregate of 4,979,616 Hanny shares plus about HK\$8.9 million in cash; and (2) HK\$276,737,520 Hanny bonds, equivalent to the total fair value of about HK\$326 million (i.e. about HK22.2 cents per PYI share).

Following payment of such special dividend, the Group still holds undistributed Hanny bonds with a face value of about HK\$36.8 million, which will be retained as an investment.

### ***MATERIAL ACQUISITION AND DISPOSAL***

Details of the Group’s acquisition of a 45% equity interest in Nantong Port Group and disposal of Paul Y. Centre were set out in the paragraphs under the section of “REVIEW OF OPERATIONS” above.

### ***MAJOR SUBSEQUENT EVENT***

#### **Hubei Minsheng LPG**

To further pursue liquid bulk terminal opportunities and enhance its capabilities in this business sector, on 12 May 2006 the Group entered into an asset acquisition agreement to acquire assets related to liquid bulk logistics business in Wuhan, including LPG storage facilities, river terminal and jetty, filling stations and equipment. The consideration for the acquisition was RMB470 million, comprising RMB350 million in cash and RMB120 million in the form of a 3-year zero coupon convertible note to be issued by PYI to the vendor at a conversion price of HK\$4.25 per share.

Full details of the acquisition were set out in PYI’s circular to shareholders dated 2 June 2006.

### ***OUTLOOK***

Although crude-oil prices rose substantially during the first quarter, the world’s major economies including China appeared to have absorbed this shock reasonably well, with inflation remaining low by historical standards.

In the latest edition of its biannual World Economic Outlook, published in April, the International Monetary Fund (IMF) revised its growth estimate for 2006 to 4.9% from the 4.3% forecast in September 2005. Its global growth estimate for 2007 is 4.7%, up from the earlier forecast of 4.4%. The IMF expects China’s GDP to grow 9.5% in 2006, following the previous year’s 9.9% achieved expansion rate.

While global economic conditions are likely to remain steady for the foreseeable future, the IMF cautioned that a high and volatile oil price might affect global expansion more strongly in the months ahead than in recent years.

Nonetheless, we believe that the fast and continuing growth of China’s economy will continue to create a favorable environment for our ports and logistics business on the Mainland.

Recently, the PRC government set out its Eleventh Five-Year Plan targeting an average GDP annual growth rate of 7.5% for the national economy from 2006 to 2010. The latest 5-Year Plan also prioritizes accelerated development of the country’s eastern region to stimulate expansion of the national economy. In addition, it encourages further development of inland ports along the Yangtze River for the handling of coal, crude oil, mineral ore and containerized cargo, as well as calling for comprehensive and coordinated development of seaports along the country’s coastal regions.

With development, investment and operation of bulk-cargo ports along the Yangtze being the main thrust of the Group's business and strategic focus, we are optimistic about our business strategy. Our investments in Yangkou Port, Nantong Port, and the Wuhan LPG terminal have already formed a solid foundation for the implementation of our Yangtze strategy. In the coming year, we shall derive our earnings mainly from port and logistic operations. We also intend to accelerate our port investment along this great river, with a view to enhancing our critical mass and to further strengthening our dry and liquid bulk cargo handling capabilities.

#### ***LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING RATIO***

The Group continues to adopt a prudent funding and treasury policy with regard to its overall business operations. A variety of credit facilities are maintained to meet its working capital requirements. The loans of the Group bear interest at market rates and are with terms of repayment ranging from one year to five years.

As at 31 March 2006, the Group's total borrowings amounted to approximately HK\$688 million (2005: HK\$831 million) with HK\$523 million (2005: HK\$290 million) repayable within one year and HK\$165 million (2005: HK\$541 million) repayable after one year. Cash balances at 31 March 2006 amounted to approximately HK\$785 million (2005: HK\$1,255 million) of which approximately HK\$119 million has been pledged to banks to secure general credit facilities granted to the Group (2005: Nil).

As at 31 March 2006, HK\$404 million (2005: HK\$765 million) of the Group's borrowings bear interest at floating rates and are denominated in Hong Kong dollars, HK\$142 million (2005: Nil) of the Group's borrowings bear interest at floating rates and are denominated in Reminbi and HK\$142 million (2005: HK\$66 million) of the Group's borrowings bear interest at a fixed rate and are denominated in Reminbi. The Group's gearing ratio was 0.27 (2005: 0.26) which is calculated based on the total borrowings of HK\$688 million (2005: HK\$831 million) and the Group's shareholders' funds of HK\$2,571 million (2005: HK\$3,179 million).

#### ***CONTINGENT LIABILITIES***

As at 31 March 2006, the Group has contingent liabilities in respect of outstanding performance bonds on construction contracts of the Group's subsidiaries and guarantee given to a bank for banking facilities given to an associate of approximately HK\$361 million (2005: HK\$310 million) and HK\$9 million (2005: Nil) respectively.

The Group has provided rental guarantee ("Rental Guarantee") in respect of properties held by certain former subsidiaries which were disposed of to an associate. Under the Rental Guarantee, the Group has guaranteed that the net rental for each of the three years commencing from 20 January 2006 ("Guaranteed Period") would not be less than HK\$48 million. The Group is entitled to receive 30% of any excess of the net annual rental of the Guaranteed Period received over HK\$48 million. In the opinion of the directors, the fair value of the Rental Guarantee arrangement is insignificant as at 31 March 2006.

#### ***PLEDGE OF ASSETS***

As at 31 March 2006, certain of the Group's properties, bank deposits and investment held for trading with an aggregate value of approximately HK\$319 million (2005: HK\$753 million) and the issued shares of certain subsidiaries of the Company and its benefits under certain construction contracts, have been pledged to banks and financial institutions to secure general credit facilities granted to the Group.

#### ***COMMITMENTS***

As at 31 March 2006, the Group has expenditure contracted but not provided for in the consolidated financial statements in respect of acquisition of certain property, plant and equipment and property under development in the amount of approximately HK\$92 million (2005: HK\$91 million).

#### ***PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES***

During the year, PYI had purchased a total of 10,520,000 ordinary shares of PYI on the Stock Exchange at an aggregate price of HK\$14,477,780, representing an average price of HK\$1.38 paid for each share purchased. All of these shares were cancelled upon repurchase.

## COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE PRACTICES

PYI has, throughout the year ended 31 March 2006, complied with the code provisions and, where applicable, the recommended best practices of the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange except for the following deviation from code provision A.4.2 of the Code:

Under code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The rotation of PYI's directors at the annual general meeting of PYI held on 8 September 2005 was in accordance with PYI's previous bye-laws which stipulated, inter alia, that one-third of the directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) should retire from office by rotation provided that notwithstanding anything therein, the Chairman of the Board and/or the Managing Director of the Company should not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. This deviated from the requirements of code provision A.4.2.

To fully comply with code provision A.4.2, relevant amendments to PYI's bye-laws were proposed and approved by the shareholders at the same aforesaid annual general meeting of PYI, pursuant to which every director shall now be subject to retirement by rotation.

## REVIEW OF ACCOUNTS

The Group's results for the year ended 31 March 2006 has been reviewed by the Audit Committee. The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 March 2006 included in this preliminary results announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary results announcement.

## PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on PYI's corporate website at [www.pyicorp.com](http://www.pyicorp.com) and the website of the Stock Exchange. The Annual Report will be despatched to shareholders and available at the aforesaid websites in due course.

## ANNUAL GENERAL MEETING

The 2006 Annual General Meeting of PYI is scheduled to be held on 8 September 2006. A circular containing the Notice of Annual General Meeting and information concerning, inter alia, re-election of retiring directors, general mandates to issue new shares and repurchase shares and refreshing of 10% scheme limit on share option scheme will be despatched to PYI shareholders in due course.

## APPRECIATION

We would like to take this opportunity to express our appreciation to shareholders for their support, to the management and staff for their dedicated efforts and to our clients, consultants and partners for all their valuable assistance offered during this past year.

## GENERAL

As at the date of this announcement, the composition of the Board is as follows:

Dr. Chow Ming Kuen, Joseph <i>OBE, JP</i>	:	<i>Chairman (Independent Non-Executive Director)</i>
Mr. Lau Ko Yuen, Tom	:	<i>Deputy Chairman and Managing Director</i>
Dr. Chan Kwok Keung, Charles	:	<i>Non-Executive Director</i>
Mr. Kwok Shiu Keung, Ernest	:	<i>Independent Non-Executive Director</i>
Mr. Chan Shu Kin	:	<i>Independent Non-Executive Director</i>

On behalf of the Board

**Dr. Chow Ming Kuen, Joseph** *OBE, JP*  
*Chairman*

Hong Kong, 7 July 2006

Please also refer to the published version of this announcement in The Standard.