



PYI Corporation Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 498)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2007

(Financial figures in this announcement are expressed in Hong Kong Dollar unless the context requires otherwise)

HIGHLIGHTS

	2007	Change
• Turnover	\$4,782 million	+35%
• Profit attributable to shareholders	\$346 million	+24%
• Basic EPS	\$23.6 cents	+16%
• Final DPS	1.5 cents	0%
• Special DPS	22.2 cents	-68%
• Interim DPS	1.5 cents	0%
• NAV/S	\$1.86	0%
• Total shareholder return	38%	+3%

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 2007, together with the comparative figures for the previous year, as follows:

		For the year ended 31 March	
	<i>Notes</i>	2007 \$'000	2006 \$'000 (restated)
Turnover	4	4,781,678	3,540,484
Cost of sales		(4,502,108)	(3,185,938)
Gross profit		279,570	354,546
Other income	5	165,368	226,532
Administrative expenses		(238,936)	(188,890)
Distribution costs		(18,471)	–
Other expenses		(69,068)	(78,862)
Finance costs		(23,597)	(16,710)
Gain on disposal of interest in an associate		5,067	–
Discount on acquisition of business		3,755	–
Gain on disposal of subsidiaries		–	60,756
Reversal of impairment loss on interest in an associate		–	26,914
Share of results of associates		223,549	(17,184)
Share of results of jointly controlled entities		(642)	26
Profit before taxation	6	326,595	367,128
Taxation credit (charge)	7	50,552	(52,804)
Profit for the year		377,147	314,324
Attributable to:			
Equity holders of the Company as originally stated		345,665	310,487
Prior year adjustment	3	–	(31,626)
Equity holders of the Company as restated		345,665	278,861
Minority interests		31,482	35,463
		377,147	314,324
Distribution	8	369,668	998,070
Earnings per share	9	<i>HK cents</i>	<i>HK cents</i>
Basic		23.6	20.4
Diluted		23.3	20.3

The Condensed Consolidated Balance Sheet as at 31 March 2007 is as follows:

	<i>Notes</i>	2007 \$'000	2006 \$'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment		528,203	35,800
Project under development		2,411,680	1,958,869
Properties under development		44,458	–
Prepaid lease payments		67,968	23,136
Goodwill		61,646	61,646
Other intangible assets		55,775	8,035
Interests in associates and jointly controlled entities		712,162	414,027
Deposit for acquisition of an associate		–	160,211
Loans receivable – due after one year		30,956	–
Amount due from an associate – due after one year		–	117,000
Other non-current assets		7,909	11,876
		3,920,757	2,790,600
CURRENT ASSETS			
Properties under development		82,732	–
Properties held for sale		–	78,245
Inventories		23,425	–
Loans receivable – due within one year		181,508	105,886
Amounts due from related companies – due within one year		150,099	251,852
Amounts due from associates – due within one year		187,314	227,776
Amounts due from customers for contract works		223,637	163,379
Debtors, deposits and prepayments	10	1,910,690	1,415,407
Investments held for trading		155,783	161,693
Pledged bank deposits		42,601	118,622
Short term bank deposits, bank balances and cash		736,766	666,038
Other current assets		6,135	2,180
		3,700,690	3,191,078
CURRENT LIABILITIES			
Amounts due to customers for contract works		1,038,548	429,615
Creditors and accrued expenses	11	1,157,990	899,829
Loan from minority shareholders		–	123,439
Taxation payable		61,286	45,759
Bank and other borrowings – due within one year		597,386	400,158
Other current liabilities		21,500	8,316
		2,876,710	1,907,116
NET CURRENT ASSETS		823,980	1,283,962
TOTAL ASSETS LESS CURRENT LIABILITIES		4,744,737	4,074,562

	2007 \$'000	2006 \$'000 (restated)
NON-CURRENT LIABILITIES		
Bank and other borrowings – due after one year	426,751	164,625
Deferred consideration payable	121,213	–
Deferred tax liabilities	947,924	900,000
	<u>1,495,888</u>	<u>1,064,625</u>
	<u>3,248,849</u>	<u>3,009,937</u>
CAPITAL AND RESERVES		
Share capital	149,171	137,880
Reserves	2,622,681	2,432,752
	<u>2,771,852</u>	<u>2,570,632</u>
Equity attributable to equity holders of PYI	2,771,852	2,570,632
Share-based payment reserve of a subsidiary	981	137
Minority interests	476,016	439,168
	<u>3,248,849</u>	<u>3,009,937</u>
TOTAL EQUITY	<u>3,248,849</u>	<u>3,009,937</u>

The Condensed Consolidated Cash Flow Statement is as follows:

	2007 \$'000	2006 \$'000
Net cash from operating activities	375,482	144,821
Net cash (used in) from investing activities	(677,014)	523,128
Net cash from (used in) financing activities	343,962	(1,250,933)
	<u>42,430</u>	<u>(582,984)</u>
Increase/(decrease) in cash and cash equivalents	42,430	(582,984)
Effect on foreign exchange rate changes	7,866	1,450
Cash and cash equivalents brought forward	666,038	1,247,572
	<u>716,334</u>	<u>666,038</u>
Cash and cash equivalents carried forward	<u>716,334</u>	<u>666,038</u>
Analysis of the balances of cash and cash equivalents:		
Short term bank deposits, bank balances and cash	736,766	666,038
Bank overdrafts	(20,432)	–
	<u>716,334</u>	<u>666,038</u>
	<u>716,334</u>	<u>666,038</u>

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standards (“HKASs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. SIGNIFICANT ACCOUNTING POLICIES

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

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), amendments and interpretations (the “new HKFRSs”) issued by the HKICPA that are effective for the Group’s financial year from 1 April 2006 to 31 March 2007. The adoption of the new HKFRSs has no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective. The directors of PYI anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKAS 23 (Revised)	Borrowing Costs ²
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC)-Int 8	Scope of HKFRS 2 ³
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment ⁵
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions ⁶
HK(IFRIC)-Int 12	Service Concession Arrangements ⁷

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 January 2009

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006

⁵ Effective for annual periods beginning on or after 1 November 2006

⁶ Effective for annual periods beginning on or after 1 March 2007

⁷ Effective for annual periods beginning on or after 1 January 2008

3. CHANGE IN ACCOUNTING POLICY

Prior to 1 April 2006, purchase of additional interest in a subsidiary was recognised by calculating the goodwill or discount as the difference between the consideration paid for the additional interest acquired and the carrying amount of the net assets of the subsidiary attributable to the acquired interest. In the current year, management reassessed the Group's accounting policy on purchase of additional interest in a subsidiary. PYI has changed its accounting policy for recognising such acquisition. Under the new accounting policy, the Group revalues, at the date of acquisition, all of the identifiable assets and liabilities of the subsidiary to fair value and recognises the fair value change attributable to the acquired interest by charging such amount to the capital reserve. Goodwill or discount arising on the purchase of the additional interest is calculated as the difference between the additional cost of the interest acquired and the increase in the Group's relevant interest, based on the fair value of all identifiable assets and liabilities of the subsidiary. The directors consider that this policy (fair value for all transactions under business combinations and acquisitions of additional interests in subsidiaries) presents more meaningful information based on the nature of the underlying operations of the subsidiary.

This change in accounting policy had no impact on the profit for the current year.

Prior year adjustments were made to account for the change in accounting policy for the year ended 31 March 2006 in respect of the acquisition of an additional 15% interest in subsidiaries investing in Yangkou Port. The financial effects of the change in accounting policy are summarised as follows:

(a) Effects on the result for the prior year:

	2006 \$'000
Profit attributable to equity holders of the Company, originally stated	310,487
Decrease in recognition of discount on acquisition of additional interest in subsidiaries	(8,461)
Decrease in fair value of derivative financial instruments	(23,165)
Decrease in profit for the year	(31,626)
Profit attributable to equity holders of the Company, as restated	<u>278,861</u>

(b) **Effects on the consolidated balance sheet as at 1 April 2005:**

	As at 1.4.2005 (originally stated) \$'000	Effect of change in accounting policy \$'000	As at 1.4.2005 (restated) \$'000
Effects on asset:			
Derivative financial instruments	<u>20,792</u>	<u>232,917</u>	<u>253,709</u>
Effects on equity:			
Retained profits	<u>301,116</u>	<u>232,917</u>	<u>534,033</u>

4. SEGMENTAL INFORMATION

Business segments:

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

In the previous year, the Group's operations were organised into seven segments, namely building construction, civil engineering, project management, facilities management, port and infrastructure development, treasury investment and property investment. During the year, management has reorganised the operating segments by grouping the building construction and civil engineering segments into the management contracting segment. Comparative segment information has been restated accordingly.

Business segment information for the year ended 31 March 2007 is presented below:

	Management contracting \$'000	Project management \$'000	Facilities management \$'000	Port and infrastructure development and logistics \$'000	LPG distribution \$'000	Treasury investment \$'000	Property investment \$'000	Eliminations \$'000	Consolidated \$'000
TURNOVER									
External sales	4,325,799	9,375	17,204	-	110,414	218,251	100,635	-	4,781,678
Inter-segment sales	1,596	12,215	7,423	1,264	-	-	-	(22,498)	-
Total	<u>4,327,395</u>	<u>21,590</u>	<u>24,627</u>	<u>1,264</u>	<u>110,414</u>	<u>218,251</u>	<u>100,635</u>	<u>(22,498)</u>	<u>4,781,678</u>
RESULTS									
Segment results	<u>58,733</u>	<u>2,797</u>	<u>(3,008)</u>	<u>(14,472)</u>	<u>3,304</u>	<u>173,680</u>	<u>13,863</u>	<u>-</u>	234,897
Unallocated expenses									(158,878)
Interest income									42,444
Finance costs									(23,597)
Discount on acquisition of business	-	-	-	-	3,755	-	-	-	3,755
Gain on disposal of interest in an associate	-	-	-	-	-	5,067	-	-	5,067
Share of results of associates	1,299	681	-	149,717	-	-	71,852	-	223,549
Share of results of jointly controlled entities	(642)	-	-	-	-	-	-	-	(642)
Profit before taxation									326,595
Taxation credit									50,552
Profit for the year									<u>377,147</u>

Business segment information for the year ended 31 March 2006 is presented below:

	Management contracting \$'000	Project management \$'000	Facilities management \$'000	Port and infrastructure development \$'000	Treasury investment \$'000	Property investment \$'000	Eliminations \$'000	Consolidated \$'000
TURNOVER								
External sales	3,075,871	26,776	5,516	-	386,831	45,490	-	3,540,484
Inter-segment sales	283	-	1,471	-	3,481	15,515	(20,750)	-
Total	<u>3,076,154</u>	<u>26,776</u>	<u>6,987</u>	<u>-</u>	<u>390,312</u>	<u>61,005</u>	<u>(20,750)</u>	<u>3,540,484</u>
RESULTS								
Segment results	<u>120,209</u>	<u>16,049</u>	<u>1,593</u>	<u>-</u>	<u>79,922</u>	<u>12,161</u>	<u>-</u>	229,934
Unallocated expenses								(128,288)
Interest income								26,096
Unallocated other income								82,289
Finance costs								(16,710)
Increase in fair value of derivative financial instruments	-	-	-	17,895	-	-	-	17,895
Increase in fair value of investment properties	-	-	-	-	-	85,400	-	85,400
(Loss)/gain on disposal of subsidiaries	(4,456)	-	-	-	-	58,462	-	54,006
Gain on disposal of subsidiaries not attributable to segment	-	-	-	-	-	-	-	6,750
Reversal of impairment loss on interest in an associate	-	-	-	-	26,914	-	-	26,914
Share of results of associates	1,043	1,106	-	-	(27,949)	629	-	(25,171)
Share of results of associates not attributable to segment								7,987
Share of results of jointly controlled entities	26	-	-	-	-	-	-	26
Profit before taxation								367,128
Taxation								(52,804)
Profit for the year								<u>314,324</u>

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

Geographical segments:

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

	2007 \$'000	2006 \$'000
Hong Kong	3,086,507	3,113,854
Macau	1,561,006	389,050
The People's Republic of China other than Hong Kong and Macau (the "PRC")	134,165	37,580
	<u>4,781,678</u>	<u>3,540,484</u>

5. OTHER INCOME

	2007 \$'000	2006 \$'000 (restated)
Interest income	42,070	25,921
Imputed interest income on deferred consideration receivable	374	175
Recovery of interest and legal expenses in connection with a court action against the vendor of a former associate	–	82,289
Reversal of impairment loss on receivables	30,324	14,173
Increase in fair value of listed investments held for trading	83,444	636
Increase in fair value of derivative financial instruments	–	17,895
Increase in fair value of investment properties	–	85,400
Net exchange gain	5,712	–
Others	3,444	43
	<u>165,368</u>	<u>226,532</u>

6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2007 \$'000	2006 \$'000
Depreciation of property, plant and equipment:		
Amount provided for the year	24,255	34,591
<i>Less:</i> Amount capitalised in respect of contracts in progress	(1,490)	(4,106)
Amount capitalised in respect of project under development	(973)	(1,305)
Amount capitalised in respect of properties under development	(13)	–
	<u>21,779</u>	<u>29,180</u>
Amortisation of intangible assets (included in distribution costs)	490	–
Cost of inventories recognised as an expense	174,652	5,149
Release of prepaid lease payments	1,031	2,677
Share of taxation of associates (included in share of results of associates)	16,206	193
and after crediting:		
Gain on disposal of investments held for trading	<u>6,028</u>	<u>13,818</u>

7. TAXATION (CREDIT) CHARGE

	2007 \$'000	2006 \$'000
The (credit) charge comprises:		
Hong Kong Profits Tax:		
Current year	4,325	4,101
(Over)underprovision in prior years	(268)	1,877
	<u>4,057</u>	<u>5,978</u>
Overseas taxation:		
Current year	9,109	3,332
(Over)underprovision in prior years	(565)	40,000
	<u>8,544</u>	<u>43,332</u>
Deferred taxation	(63,153)	3,494
Taxation attributable to PYI and its subsidiaries	<u>(50,552)</u>	<u>52,804</u>

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year.

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

8. DISTRIBUTION

	2007 \$'000	2006 \$'000
Dividends recognised as distributions to equity holders of PYI during the year:		
Interim dividend paid for 2007 – 1.5 cents (2006: 1.5 cents) per share	22,069	20,513
Special cash dividend paid for 2006 – 70 cents per share	–	957,177
Special dividend by way of distribution of the value derived from the Group's divestment of China Strategic Holdings Limited – 22.2 cents (2006: Nil) per share	325,660	–
Final dividend paid for 2006 – 1.5 cents (2005: 1.5 cents) per share	21,939	20,380
	<u>369,668</u>	<u>998,070</u>
Dividends proposed in respect of current year:		
Final dividend proposed for 2007 – 1.5 cents (2006: 1.5 cents) per share	<u>22,393</u>	<u>21,969</u>

The amount of the final dividend proposed for the year ended 31 March 2007, which will be in the form of scrip with a cash option, has been calculated by reference to the 1,492,848,407 issued shares as at the date of this announcement.

On 4 May 2006, the directors of PYI resolved to declare a special dividend by way of distribution ("PYI Distribution Scheme") of the value derived from the Group's divestment of China Strategic Holdings Limited ("China Strategic", an associate of the Group as at 31 March 2006) to PYI's shareholders whose names appeared on the register of members of PYI 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 (i) the transfer of all its subsidiaries carrying on property development and investment holding business and investing in vessels for sand mining and all associates carrying on manufacturing and marketing of tires and providing package tour, travel and other related services to Group Dragon Investments Limited ("GDI"); and (ii) the distribution in specie of shares in GDI ("GDI Shares") to its shareholders, including the Group, on the basis of one GDI Share for every consolidated China Strategic share held.

Upon completion of the Group Restructuring, the Group was entitled to receive 129,409,897 GDI Shares and Hanny Holdings Limited ("Hanny", a then substantial shareholder of China Strategic and a related company of the Group) made a voluntary offer ("GDI Offer") to the shareholders of GDI to acquire all the GDI Shares on the basis of either (a) 1 share in Hanny ("Hanny Share") plus \$1.8 in cash for every 5 GDI Shares; or (b) a 2% 5-year convertible bond issued by Hanny with face value of \$15 each ("Hanny Bonds") for every 5 GDI Shares.

Under the PYI Distribution Scheme, for every 500 shares held, PYI's shareholders were entitled to receive the value derived from 40 GDI Shares in the form of either (a) 8 Hanny Shares plus \$14.4 in cash; or (b) 8 Hanny Bonds.

Based on the election of PYI's shareholders on 16 June 2006, PYI announced that holders of 311,232,201 shares and 1,153,100,543 shares in PYI elected for Hanny Shares plus cash and for Hanny Bonds, respectively. Consequently, PYI accepted the GDI Offer in respect of the entire 129,409,897 GDI Shares held by it and distributed to its shareholders, by way of special dividend, the value derived from 117,143,920 GDI Shares. These GDI Shares entitled the PYI shareholders to receive in total the following:

- (a) an aggregate of 4,979,616 Hanny Shares plus \$8,963,000 in cash; and
- (b) Hanny Bonds in an aggregate face value of \$276,737,000.

The directors consider that the fair value of a GDI Share, when liquidated in the form of Hanny Bond, is \$2.78 by reference to the valuation report dated 19 May 2006 prepared by RHL Appraisal Ltd., an independent valuer not connected with the Group. As such, the special dividend is equivalent to about 22.2 cents per share of PYI.

Details of the above transactions were set out in PYI's circular and announcement dated 29 May 2006 and 16 June 2006, respectively.

9. EARNINGS PER SHARE

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

	2007	2006
	\$'000	\$'000
		(restated)
Earnings attributable to equity holders of PYI for the purposes of basic and diluted earnings per share	<u>345,665</u>	<u>278,861</u>
	2007	2006
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,462,372,940	1,367,759,328
Effect of dilutive potential ordinary shares:		
Share options	<u>19,042,143</u>	<u>2,861,857</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,481,415,083</u>	<u>1,370,621,185</u>

The following table summarised the impact on basic and diluted earnings per share for the year ended 31 March 2006 as a result of change in accounting policy:

	Basic	Diluted
	\$	\$
Reported figures before adjustments	0.227	0.227
Adjustments arising from the change in accounting policy	<u>(0.023)</u>	<u>(0.024)</u>
Restated	<u>0.204</u>	<u>0.203</u>

10. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group's credit terms for its management contracting segment are negotiated at terms determined and agreed with its customers. Credit term for property leasing business is payable monthly in advance and the credit terms granted by the Group to other debtors normally range from 30 to 90 days.

Included in debtors, deposits and prepayments are debtors of about \$1,003,440,000 (2006: \$572,798,000) and their aged analysis is as follows:

	2007 \$'000	2006 \$'000
Within 90 days	935,095	504,584
More than 90 days and within 180 days	19,346	13,704
More than 180 days	48,999	54,510
	<u>1,003,440</u>	<u>572,798</u>

11. CREDITORS AND ACCRUED EXPENSES

Included in creditors and accrued expenses are trade creditors of about \$351,026,000 (2006: \$347,160,000) and their aged analysis is as follows:

	2007 \$'000	2006 \$'000
Within 90 days	329,211	312,038
More than 90 days and within 180 days	8,230	22,037
More than 180 days	13,585	13,085
	<u>351,026</u>	<u>347,160</u>

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of 1.5 cents per share for the year ended 31 March 2007 (2006: 1.5 cents per share) to shareholders whose names appear on PYI's register of members as at the close of business on 10 October 2007. The final dividend is subject to the approval of PYI shareholders in the 2007 Annual General Meeting to be held on 20 September 2007, and is expected to be paid to shareholders by post on or around 8 November 2007.

The final dividend will be paid in the form of scrip, with PYI shareholders being given an option to elect 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 10 October 2007 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 in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of PYI will be closed during the period from 8 October 2007 to 10 October 2007, 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 5 October 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE AND POSITIONS

For the year ended 31 March 2007, the Group recorded a consolidated turnover of about \$4,782 million (2006: 3,540 million), representing an increase of about 35% when compared with that of last corresponding year. The increase was mainly attributable to the increase in the Group's business in management contracting.

Profit before taxation of some \$327 million was achieved as compared with some \$367 million for last year. The Group's profit before taxation was composed of:

- (i) net gain of about \$59 million in management contracting, project management and facilities management businesses (2006: \$138 million);
- (ii) net gain of about \$3 million in LPG distribution (2006: Nil);
- (iii) net gain of about \$174 million in treasury investment (2006: \$80 million);
- (iv) net gain of about \$14 million in property investment (2006: \$12 million);
- (v) interest income and other income of about \$42 million (2006: \$108 million);
- (vi) discount on acquisition of LPG business of about \$4 million (2006: Nil);
- (vii) gain on disposal of interest in an associate of about \$5 million (2006: Nil);
- (viii) net gain of about \$223 million (2006: \$10 million) from associates and jointly controlled entities;
- (ix) development costs of about \$14 million in port and infrastructure development and logistics business (2006: Nil);
- (x) net corporate and other expenses of about \$159 million (2006: \$128 million), of which \$23 million (2006: \$3 million) was attributed to share-based payment expense for share options granted to directors and employees. Higher corporate costs were employed to support the business expansion and the growing turnover during the year; and
- (xi) finance costs of about \$24 million (2006: \$17 million).

The amount of profit before taxation in last year included increase in fair value of derivative financial instruments of about \$18 million, increase in fair value of investment properties of about \$85 million and gain on disposal of subsidiaries of about \$61 million. None of these items occurred in the current year.

Net profit for the year attributable to the shareholders of PYI was about \$346 million (2006: \$279 million) and basic earnings per share was 23.6 cents (2006: 20.4 cents). Such improvement was mainly due to deferred tax credit of \$63 million arising from a reduction of the PRC enterprise income tax rate from 33% to 25% as promulgated in March 2007.

When compared with the Group's financial position as at last year end, total assets increased by 27% to about \$7,621 million (2006: \$5,982 million) and net current assets decreased by 36% to about \$824 million (2006: \$1,284 million). These changes were mainly attributed to the Group's further capital injection into developing projects relating to its port and infrastructure development and logistics business, as well as its fund contribution to the acquisition of LPG distribution business which started to operate during the current year. Consequently, current assets decreased from 1.7 times to 1.3 times of current liabilities. After accounting for the net profit of about \$346 million net of dividends paid/declared of about \$370 million, equity attributable to shareholders of PYI increased by 8% to about \$2,772 million (2006: \$2,571 million), representing \$1.86 per share as at 31 March 2007 (2006: \$1.86 per share).

Net cash inflow from operating activities was about \$375 million, and net cash outflow in respect of investing and financing activities was about \$333 million, resulting in a net increase in available cash and cash equivalents of about \$42 million for the year.

Total shareholder return for the year ended 31 March 2007, representing the increase in share price of PYI during the year plus dividends paid during the year, is about 38% (2006: 37%).

REVIEW OF OPERATIONS

Port & Infrastructure Development & Logistics

The Group has developed a clear strategy to become a regional port player in China, focusing on bulk cargo, infrastructure and logistics in the Yangtze River region. Concentrating on this area of rapid growth, the Group expects its investments in ports and related facilities to drive future business development.

Rapid economic growth in China, combined with booming international trade, has resulted in increasing demand for raw materials, fertilizers, construction materials, foodstuffs and fuel. This demand is in turn creating strong growth in the country's ports and logistics sector, especially in the Yangtze River region.

Development of Yangkou Port, the Group's flagship deep sea port project located at the mouth of the Yangtze River, continues to progress well. In April 2006, PYI raised its stake in Yangkou Port project to 75%, underscoring its commitment in developing the port into a trans-shipment hub in the Yangtze River region. In May 2006, the Group entered into collaboration with PetroChina for conducting preliminary engineering works for the development of a liquefied natural gas (LNG) receiving facility at the man-made island. In December 2006, PetroChina further entrusted the Group to manage, build and transfer a portion of the island planned for its proposed LNG receiving facility. These milestone developments virtually testified the project's technical viability.

Nantong Port Group, in which the Group owns a 45% stake following completion of the acquisition, has recorded significant growth. Expansion of the Langshan Terminal effectively increases throughput capacity by an impressive 54% to nearly 50 million tonnes.

In September 2006, the Group completed acquisition of the assets and business of Minsheng Gas, a mature liquefied petroleum gas (LPG) operator located in Wuhan with proven logistics and operational capabilities. With LPG storage facilities, LPG terminal and jetty, the acquisition provided the Group with an initial foothold in the fast growing oil and gas logistics sectors in Central China and facilitated its development of an integrated transshipment network along the Yangtze River. Further details of this acquisition are described in the paragraph headed "Acquisition of assets and business of Minsheng Gas" under the section headed "MATERIAL ACQUISITION AND DISPOSAL".

The acquisitions of Nantong Port and Minsheng Gas have equipped the Group with professional expertise and on-the-ground operational experience in both dry and liquid bulk cargo operations, which in turn complement its spearheading development in Yangkou Port. The strategic locations of these investments as well as the synergy generated from their operations will form key ingredients for the Group to realize its vision to become a regional port player.

Armed with a continued organic growth strategy supplemented by future strategic acquisitions, the Group is well positioned to benefit from the booming demand for distribution, transportation and logistics services in the Yangtze River region.

Engineering business – Paul Y Engineering

With over 60 years of experience and top quality people, Paul Y Engineering leads the local industry in terms of professionalism and a thorough understanding of its chosen markets. Paul Y Engineering provides integrated solutions to its clients via its three core business, management contracting, project management and facilities management. By participating to develop cities throughout China, it is fully equipped for the provision of property related services to investors from inception, implementation and delivery of property development.

Paul Y Engineering and its subsidiaries (the "Paul Y Engineering Group") achieved gross profit of \$167 million during the year (2006: \$230 million). Net profit attributable to shareholders rose by 12% to \$113 million (2006: \$101 million).

The management contracting division remains the major contributor of operating profit to the Paul Y Engineering Group. During the year, new construction contracts worth over \$5 billion were secured. As at 31 March 2007, the value of contracts on hand was \$12,078 million and the value of work remaining was \$6,872 million. Since 1 April 2007, Paul Y Engineering has secured additional contracts worth approximately \$500 million.

LPG Distribution

The LPG distribution business, acquired by the Group in September 2006, contributed about \$3 million (2006: Nil) to operating profit for the year ended 31 March 2007.

Having occupied a market share of about 40% in Wuhan's LPG market, this newly acquired LPG distribution business provided the Group with not only a new operating skill base but also access to the oil and gas distribution sector in Central China. With a large business stream in converting motor vehicles to LPG users, Minsheng Gas is effectively creating its own market and driving demand, while simultaneously supporting national environmental protection policies that encourage the use of LPG as energy.

Property Development & Investment

Property investment contributed about \$14 million (2006: \$12 million) to operating profit for the year ended 31 March 2007.

After completion of the disposal of Paul Y. Centre in January 2006, the Group sold another property, M. Bux Tower, an industrial building located in Kwai Chung, Hong Kong at a cash consideration of \$98 million in December 2006. The sale price represented a premium of about \$20 million over this property's book value. The disposal of M. Bux Tower marked the completion of the Group's divestment programme, allowing it to focus its future business on developing its regional port strategy in the Yangtze River Delta.

Treasury Investment

The Treasury investment business contributed about \$174 million (2006: \$80 million) towards operating profit during the year ended 31 March 2007.

Total value of the Group's investment securities portfolio amounted to about \$156 million as at 31 March 2007 (2006: \$162 million), equivalent to about 2% of the Group's total assets (2006: 3%). Portfolio of high-yield loans receivable amounted to about \$469 million (2006: \$616 million) as at 31 March 2007, equivalent to about 6% (2006: 10%) of the total assets of the Group.

MATERIAL ACQUISITION AND DISPOSAL

Acquisition of 45% equity interest in Nantong Port Group

During the current year, the Group completed its RMB435 million capital contribution in Nantong Port Group for a 45% equity interest. Nantong Port Group is a core port enterprise owning four major terminals at Nantong Port. Being a major port located at the mouth of the Yangtze River, Nantong Port is a category one national port open to foreign trade and a hub port of the China and the second largest bulk cargo distribution centre down-stream of the Yangtze River.

Acquisition of a further 7.4% indirect interest in Yangkou Port project

During the current year, the Group further increased its indirect interest in the Yangkou Port project from 67.6% to 75% by acquiring the remaining 9.9% interest of Global Achiever Limited, an intermediate holding company of the Yangkou Port project subsidiaries, as held by a minority shareholder at a consideration wholly satisfied by the issue of 68.5 million new shares of PYI at a fair price of about \$2.913 each.

Acquisition of assets and business of Minsheng Gas

On 12 May 2006, the Group entered into an asset acquisition agreement to acquire assets of a liquid bulk logistics and LPG distribution business in Wuhan at a consideration of RMB470 million, payable as to RMB350 million in cash and RMB120 million by way of the issue of certain 3-year, zero coupon, HK\$ denominated convertible notes of PYI at a conversion price of \$4.25 per share (the “Convertible Notes”). The acquisition was completed in September 2006.

Divestment in China Strategic

During the current year, the Group completed disposal of its 15.32% interest in China Strategic Holdings Limited at a cash consideration of \$26 million. The remaining 62 million consolidated shares of China Strategic were classified as investment held for trading as at 31 March 2007.

Disposal of M. Bux Tower

As described in the paragraph headed “Property Development & Investment” under the section headed “REVIEW OF OPERATIONS”, in December 2006, the Group sold M. Bux Tower for a cash consideration of \$98 million.

MAJOR SUBSEQUENT EVENTS

New syndicated loan

Subsequent to the year end, in July 2007, the Group, through a 75% owned subsidiary Jiangsu Yangkou Port Development and Investment Co., Ltd., entered into a 7-year, RMB960 million project loan facility agreement with eight banks led by the Industrial and Commercial Bank of China. This syndicated loan, bearing the current Renminbi long-term loan benchmark interest rate as announced by the People’s Bank of China, will be used to fund construction of the 13-kilometer Yellow Sea Crossing and the 1.4 square kilometers man-made island at Yangkou Port.

Issue of convertible notes

Pursuant to the asset acquisition agreement described in the paragraph headed “Acquisition of assets and business of Minsheng Gas” under the section headed “MATERIAL ACQUISITION AND DISPOSAL”, subsequent to the year end, PYI issued the Convertible Notes. At maturity, the redemption amount payable is 114.167% of par value.

Disposal of 25% interest in Paul Y. Centre

In March 2007, a 25% owned associate of Paul Y Engineering entered into a conditional agreement for the disposal of Paul Y. Centre located at No. 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong at a consideration of \$1,150 million. The disposal was completed in June 2007.

OUTLOOK

China’s track record of strong economic growth looks set to remain steady for the coming financial year ending 31 March 2008. This organic growth, coupled with increasing levels of international trade, has spiked demand for essential raw materials, construction materials and energy resources.

PYI’s business in bulk cargo and ports infrastructure is directly benefiting from this booming demand as China increases its appetite for the resources necessary to support its continued growth.

With our strategic position in the Yangtze River Delta, PYI is focusing on the ongoing development of its flagship project at Yangkou Port, as well as leveraging its operations at Nantong Port and Minsheng Gas for maximum synergies, cross-business opportunities and economies of scale.

Having acquired operational expertise in both dry and liquid bulk cargo, PYI is exploring opportunities for further acquisitions that support its key business operations in the Yangtze River Delta.

The Group is fully committed to deploying its professional capabilities and operational resources to transform China’s ports and logistics sector - and to achieve our vision of becoming the major bulk cargo port investor and operator in the Yangtze River region.

LIQUIDITY AND CAPITAL RESOURCES

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 and committed capital expenditures. The loans of the Group bear interest at market rates and are with terms of repayment ranging from one year to seven years. In an effort to minimize the adverse impact of exchange rate and interest rate fluctuations on the Group’s earnings, assets and liabilities, the Group continues to manage these fluctuation exposures on specific transactions.

As at 31 March 2007, the Group's total borrowings amounted to about \$1,024 million (2006: \$688 million) with \$597 million (2006: \$523 million) repayable within one year and \$427 million (2006: \$165 million) repayable after one year. Out of the Group's total borrowings of about \$1,024 million as at 31 March 2007, about \$226 million was non-recourse to the Group (excluding the Paul Y Engineering Group).

As at 31 March 2007, \$262 million (2006: \$404 million) of the Group's borrowings bore interest at floating rates and were denominated in Hong Kong dollars, \$600 million (2006: \$142 million) bore interest at floating rates and were denominated in Renminbi, and \$162 million (2006: \$142 million) bore interest at a fixed rate and were denominated in Renminbi. The Group's gearing ratio was 0.37 (2006: 0.27), which is calculated based on the total borrowings of \$1,024 million (2006: \$688 million) and the Group's shareholders' fund of \$2,772 million (2006: \$2,571 million).

Cash balances as at 31 March 2007 amounted to about \$779 million (2006: \$785 million), of which about \$43 million (2006: \$119 million) has been pledged to banks to secure general credit facilities granted to the Group. As at the year end, the Group has a net debt position (being cash balances net of bank borrowings) of \$185 million (2006: net cash of \$313 million).

During the current year, PYI issued and allotted 68,500,000 ordinary shares as consideration for acquiring a further 7.4% indirect interest in the Yangkou Port project.

In addition, the Group contracted to pay for the consideration of acquiring the LPG assets and business in Wuhan, as to RMB350 million in cash and RMB120 million by way of the Convertible Notes, which were issued subsequent to the year end. The Group also obtained a 7-year bank term loan in principal amount of RMB300 million as the primary facility to finance this acquisition. As at 31 March 2007, the Group utilised the said bank term loan in an aggregate amount of RMB262 million.

CONTINGENT LIABILITIES

As at 31 March 2007, the Group has contingent liabilities in respect of guarantee given to a bank for banking facilities to an associate of about \$9 million (2006: \$9 million), which was non-recourse to the Group (excluding the Paul Y Engineering Group).

PLEDGE OF ASSETS

As at 31 March 2007, certain property, plant and equipment, land and sea use rights and bank deposits of the Group with an aggregate value of about \$644 million (2006: \$197 million) and benefits under certain construction contracts have been pledged to banks and financial institutions to secure general credit facilities granted to the Group. As at 31 March 2007, about \$53 million (2006: \$76 million) of these pledged assets used to secure credit facilities which were non-recourse to the Group (excluding the Paul Y Engineering Group).

COMMITMENTS

As at 31 March 2007, the Group had expenditure contracted for but not provided for in the consolidated financial statements in respect of acquisition of certain property, plant and equipment, project under development and properties under development in the amount of about \$1,520 million (2006: \$92 million).

HUMAN RESOURCES

At the end of the year under review, the Group employed a total of about 1,927 full-time employees (2006: 1,294 employees). Remuneration packages consisted of salary as well as performance-based and equity-based bonuses. PYI has implemented three share-related incentive schemes to provide alternative means to motivate employees and promote their loyalty in line with the Group's business strategy. Such schemes benefited PYI staff both in Hong Kong and the Mainland.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year, PYI purchased a total of 2,000,000 ordinary shares of PYI on the Stock Exchange at an aggregate consideration of about \$4,381,000 (included transaction costs), representing an average price of \$2.19 paid for each share purchased. All of these shares were cancelled upon repurchase.

CORPORATE GOVERNANCE

PYI is committed to developing and upholding a high standard of corporate governance practices and business ethics appropriate to its growth, in the firm belief that they are indispensable for maintaining and enhancing investors' confidence and maximizing shareholder value.

PYI has complied with all applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2007. Further information on PYI's corporate governance practices is set out in the Corporate Governance Report contained in the 2007 Annual Report.

During the year, the Board welcomed another two valuable members, Mr. Leung Po Wing, Bowen Joseph *GBS, JP*, and Mr. Li Chang An to join PYI as independent non-executive directors in August 2006 and January 2007 respectively, increasing the number of INEDs to five on a 7-member Board. Full biographical details of PYI's directors are set out on PYI's website (www.pyicorp.com) and the 2007 Annual Report.

PYI has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code for dealing in the securities of PYI by its directors and the relevant employees of the Group.

According to specific enquiries made by PYI, all PYI directors and relevant employees of the Group have confirmed compliance with the required standard set out in the Model Code throughout the year.

REVIEW OF ACCOUNTS

The Group's results for the year ended 31 March 2007 have 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 2007 as set out in the 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.

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.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is required to be published on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk under "Latest Listed Company Information" and on PYI's corporate website at www.pyicorp.com under "Investors". The 2007 Annual Report will be despatched to our shareholders by end of July 2007 and will be available at the aforesaid websites.

ANNUAL GENERAL MEETING

The 2007 Annual General Meeting of PYI is scheduled to be held on 20 September 2007. A circular containing the Notice of Annual General Meeting and information concerning, inter alia, the re-election of retiring directors, directors' remuneration, the grant of general mandates to issue new shares and repurchase shares and the refreshing of the 10% scheme limit on share option scheme, will be despatched to PYI shareholders in due course.

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>	: Chairman (Independent Non-Executive Director)
Mr. Lau Ko Yuen, Tom	: Deputy Chairman and Managing Director
Dr. Chan Kwok Keung, Charles	: Non-Executive Director
Mr. Kwok Shiu Keung, Ernest	: Independent Non-Executive Director
Mr. Chan Shu Kin	: Independent Non-Executive Director
Mr. Leung Po Wing, Bowen Joseph <i>GBS, JP</i>	: Independent Non-Executive Director
Mr. Li Chang An	: Independent Non-Executive Director

On behalf of the Board
Chow Ming Kuen, Joseph *OBE, JP*
Chairman

Hong Kong, 20 July 2007