



PYI Corporation Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 498)

2008 INTERIM RESULTS

(Financial figures in this announcement are expressed in Hong Kong dollars (“\$”) unless the context requires otherwise)

HIGHLIGHTS

	2007	Change
• Turnover	\$2,548 million	+49%
• Profit attributable to shareholders	\$312 million	+34%
• EPS – Basic	20.9 cents	+31%
• Interim DPS	1.5 cents	—
• NAV/S	\$2.09	+20%

RESULTS

The board of directors (the “Board”) of PYI Corporation Limited (“PYI” or the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2007, together with the comparative figures for the corresponding period in 2006. The consolidated income statement and consolidated cash flow statement of the Group for the six months ended 30 September 2007 and the consolidated balance sheet as at 30 September 2007 of the Group, all of which are unaudited and condensed, along with selected explanatory notes have been reviewed by the Company’s audit committee and external auditors.

Condensed Consolidated Income Statement

For the six months ended 30 September 2007

	<i>Notes</i>	Unaudited Six months ended 30 September 2007 \$'000	2006 \$'000
Turnover	3	2,547,675	1,705,969
Cost of sales		(2,378,348)	(1,584,729)
Gross profit		169,327	121,240
Other income	4	45,742	84,917
Administrative expenses		(135,763)	(109,309)
Distribution costs		(22,199)	—
Other expenses		(4,890)	(19,566)
Finance costs		(23,630)	(7,254)
Gain on disposal of interest in an associate		3,459	5,067
Gain from fair value adjustments in respect of investment properties	9	628,449	—
Share of results of associates		35,341	178,443
Share of results of jointly controlled entities		28	(1)
Profit before taxation	5	695,864	253,537
Taxation	6	(268,827)	(3,194)
Profit for the period		427,037	250,343
Attributable to:			
Equity holders of the Company		312,160	231,631
Minority interests		114,877	18,712
		427,037	250,343
Distribution	7	22,467	347,599
Earnings per share	8	<i>cents</i>	<i>cents</i>
Basic		20.9	16.0
Diluted		20.5	15.8

Condensed Consolidated Balance Sheet
At 30 September 2007

	<i>Notes</i>	Unaudited 30.9.2007 \$'000	Audited 31.3.2007 \$'000
NON-CURRENT ASSETS			
Investment properties	9	1,007,000	—
Property, plant and equipment	10	654,546	528,203
Project under development	11	2,691,738	2,411,680
Properties under development		87,313	44,458
Prepaid lease payments		68,103	67,968
Goodwill		63,823	61,646
Other intangible assets		56,173	55,775
Interests in associates	12	668,189	710,234
Interests in jointly controlled entities		1,956	1,928
Available-for-sale investments		332	1,312
Loans receivable – due after one year		31,581	30,956
Deferred consideration receivable		6,696	6,597
		5,337,450	3,920,757
CURRENT ASSETS			
Properties under development		107,707	82,732
Prepaid lease payments		1,793	1,766
Inventories		27,871	23,425
Loans receivable – due within one year		213,081	181,508
Amounts due from related companies		172,416	150,099
Amounts due from associates		44,142	187,314
Amounts due from customers for contract works		250,745	223,637
Debtors, deposits and prepayments	13	1,972,174	1,910,690
Conversion option embedded in loan receivable		1,427	1,427
Investments held for trading		75,724	155,783
Derivative financial instruments		20,661	—
Taxation recoverable		3,380	2,942
Pledged bank deposits		41,355	42,601
Short term bank deposits		393,921	441,769
Bank balances and cash		285,231	294,997
		3,611,628	3,700,690
CURRENT LIABILITIES			
Amounts due to customers for contract works		808,500	1,038,548
Creditors and accrued expenses	14	1,516,430	1,157,990
Amounts due to related companies		1,931	—
Amounts due to associates		26,207	17,429
Amounts due to minority shareholders		1,041	4,071
Dividend payable		22,467	—
Taxation payable		68,348	61,286
Bank and other borrowings – due within one year		907,498	597,386
		3,352,422	2,876,710
NET CURRENT ASSETS		259,206	823,980
TOTAL ASSETS LESS CURRENT LIABILITIES		5,596,656	4,744,737

	<i>Notes</i>	Unaudited 30.9.2007 \$'000	Audited 31.3.2007 \$'000
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year		460,261	426,751
Convertible notes payable	15	116,557	—
Deferred consideration payable		—	121,213
Deferred tax liabilities		1,231,922	947,924
		1,808,740	1,495,888
		3,787,916	3,248,849
CAPITAL AND RESERVES			
Share capital	16	149,784	149,171
Reserves		2,985,843	2,622,681
Equity attributable to equity holders of the Company		3,135,627	2,771,852
Share-based payment reserve of a subsidiary		3,274	981
Minority interests		649,015	476,016
TOTAL EQUITY		3,787,916	3,248,849

The Condensed Consolidated Cash Flow Statement is as follows:

	Unaudited Six months ended 30 September 2007 \$'000	2006 \$'000 (restated)
Net cash (used in) from operating activities	(25,891)	266,994
Net cash used in investing activities	(394,182)	(511,889)
Net cash from financing activities	375,339	230,873
Net decrease in cash and cash equivalents	(44,734)	(14,022)
Effect of foreign exchange rate changes	2,769	4,282
Cash and cash equivalents brought forward	716,334	666,038
Cash and cash equivalents carried forward	674,369	656,298
Analysis of the balances of cash and cash equivalents		
Short term bank deposits	393,921	277,364
Bank balances and cash	285,231	379,138
Bank overdrafts	(4,783)	(204)
	674,369	656,298

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 Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 March 2007. Details of the accounting policies of investment properties and convertible notes payable are set out in notes 9 and 15 respectively.

In the current interim period, the Group has applied, for the first time, certain new standard, amendment and interpretations (“new HKFRSs”) issued by HKICPA, which are effective for the Group’s financial year beginning 1 April 2007. The adoption of the new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) - INT 12	Service Concession Arrangements ²
HK(IFRIC) - INT 13	Customer Loyalty Programmes ³
HK(IFRIC) - INT 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ²

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

² Effective for annual periods beginning on or after 1 January 2008

³ Effective for annual periods beginning on or after 1 July 2008

3. SEGMENTAL INFORMATION

For management purposes, the Group's operations are currently organised into six operating divisions, namely management contracting, property development 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.

During the six months ended 30 September 2006, the Group's operations were organised into six segments, namely management contracting, project management, facilities management, port and infrastructure development, treasury investment and property investment. During the period, management has reorganised the operating segments by grouping the project management and facilities management segments into the property development management segment. Comparative segment information has been restated accordingly.

Business segment information for the six months ended 30 September 2007 is presented below:

	Management contracting \$'000	Property development 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	2,187,617	26,181	31,425	154,156	148,296	—	—	2,547,675
Inter-segment sales	—	2,751	1,194	—	—	—	(3,945)	—
	2,187,617	28,932	32,619	154,156	148,296	—	(3,945)	2,547,675
RESULTS								
Segment results	44,255	4,546	(6,668)	(3,095)	36,031	712	—	75,781
Unallocated expenses								(61,180)
Interest income								27,285
Finance costs								(23,630)
Increase in fair value of derivative financial instruments	—	—	—	—	—	10,331	—	10,331
Gain from fair value adjustments in respect of investment properties	—	—	—	—	—	628,449	—	628,449
Gain on disposal of interest in an associate	3,459	—	—	—	—	—	—	3,459
Share of results of associates	20	83	19,139	—	—	16,099	—	35,341
Share of results of jointly controlled entities	28	—	—	—	—	—	—	28
Profit before taxation								695,864
Taxation								(268,827)
Profit for the period								427,037

Business segment information for the six months ended 30 September 2006 is presented below:

	Management contracting \$'000	Property development management \$'000	Port and infrastructure development \$'000	Treasury investment \$'000	Property investment \$'000	Eliminations \$'000	Consolidated \$'000
TURNOVER							
External sales	1,558,423	11,313	—	134,421	1,812	—	1,705,969
Inter-segment sales	—	4,086	—	—	—	(4,086)	—
	1,558,423	15,399	—	134,421	1,812	(4,086)	1,705,969
RESULTS							
Segment results	31,329	1,716	—	75,084	360	—	108,489
Unallocated expenses							(53,868)
Interest income							22,661
Finance costs							(7,254)
Gain on disposal of interest in an associate	—	—	—	5,067	—	—	5,067
Share of results of associates	1,139	—	145,023	—	32,281	—	178,443
Share of results of jointly controlled entities	(1)	—	—	—	—	—	(1)
Profit before taxation							253,537
Taxation							(3,194)
Profit for the period							250,343

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

4. OTHER INCOME

The following items are included in other income:

	Six months ended 30 September	
	2007 \$'000	2006 \$'000
Interest income	27,285	22,661
Increase in fair value of derivative financial instruments	10,331	—

5. PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2007	2006
	\$'000	\$'000
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of intangible assets	690	—
Cost of construction works recognised as an expense	2,109,799	1,488,993
Cost of inventories recognised as an expense	144,889	—
Depreciation of property, plant and equipment		
Amount provided for the period	35,435	5,508
Less: Amount capitalised in respect of contracts in progress	(949)	(677)
Amount capitalised in respect of project under development	(826)	(786)
Amount capitalised in respect of properties under development	(160)	(10)
	33,500	4,035
Impairment loss on an available-for-sale investment	1,389	—
Impairment loss on debtors	10,100	18,000
Increase in fair value of listed investments held for trading	(5,065)	(29,119)
Release of prepaid lease payments	20,786	17,759
Less: Amount capitalised in respect of project under development	(18,939)	(17,162)
Less: Amount capitalised in respect of properties under development	(950)	(310)
	897	287
Share of taxation of associates (included in share of results of associates)	(49)	7,283

6. TAXATION

	Six months ended 30 September	
	2007	2006
	\$'000	\$'000
The charge for the period comprises:		
Taxation outside Hong Kong	6,370	3,194
Deferred taxation	262,457	—
Taxation attributable to the Company and its subsidiaries	268,827	3,194

Taxation outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

7. DISTRIBUTION

	Six months ended 30 September 2007 \$'000	2006 \$'000
Dividends recognised as distributions to equity holders of the Company during the current period:		
Final dividend declared for the year ended 31 March 2007 – 1.5 cents (2006: 1.5 cents for year ended 31 March 2006) per share	22,467	21,939
Special dividend by way of distribution of the value derived from the Group's divestment of China Strategic Holdings Limited in 2006: 22.2 cents per share	—	325,660
	22,467	347,599
Dividends proposed:		
Interim dividend proposed for the current period – 1.5 cents (2006: 1.5 cents) per share	22,585	22,069

The amount of the interim dividend proposed for the six months ended 30 September 2007, which will be in the form of scrip with a cash option, has been calculated by reference to the 1,505,654,673 issued shares as at the date of this announcement.

8. EARNINGS PER SHARE

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

	Six months ended 30 September 2007 \$'000	2006 \$'000
Earnings attributable to equity holders of the Company for the purposes of basic earnings per share	312,160	231,631
Effect of dilutive potential ordinary shares: Interest on convertible notes	3,518	—
Earnings attributable to equity holders of the Company for the purposes of diluted earnings per share	315,678	231,631

	2007 <i>Number of shares</i>	2006 <i>Number of shares</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,492,852,828	1,448,234,817
Effect of dilutive potential ordinary shares:		
Share options	19,822,690	18,192,825
Convertible notes	25,216,275	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,537,891,793	1,466,427,642

9. INVESTMENT PROPERTIES

During the period, the Group completed the reclamation of certain sea area and obtained the certificate of completion of land reclamation (the “Formed Land”) in respect of certain land area in Jiangsu Province in the People’s Republic of China (the “PRC”). Such Formed Land, the future use of which is currently undetermined, has been recognised as investment properties upon the obtaining of the relevant certificate. The relevant costs, which include the cost of sea use rights, development expenditure, borrowing costs capitalised and other directly attributable expenses amounting to a total of \$378,551,000, have been reclassified from project under development.

The fair value of the Group’s investment properties as at 30 September 2007 has been arrived at on the basis of a valuation carried out as at that date by Greater China Appraisal Limited, an independent qualified professional valuer not connected with the Group. In valuing the fair value of the investment properties, the comparison method is adopted where comparison based on prices information on comparable property is made. Comparable properties of similar size, character and location are analysed in order to arrive at a fair comparison of capital values. The gain from fair value adjustment amounted to \$628,449,000 had been recognised in the profit or loss during the current period.

Accounting policy on investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenses. Subsequent to initial recognition, investment properties are measured using the fair value model.

Gain arising from change in the fair value of investment property is included in profit for the period in which they arise.

The investment properties are derecognised upon disposal or when the investment properties are permanently withdrawn from use or no future economic benefits are expected from their disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Deferred tax consequences in respect of the revalued investment properties are assessed on the basis that reflects the tax consequences that would follow from the manner in which the Group expects to recover the carrying amounts of the property at each balance sheet date. For Formed Land held for undetermined future use located in the PRC, management of the Company, for the purpose of deferred tax calculation, has made a best estimate that half of the Formed Land will be realised through sale in the long term. The relevant temporary difference between the tax base of the revalued investment properties and their carrying amounts therefore would be subject to PRC Land Appreciation Tax.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the additions of the Group's property, plant and equipment amounted to approximately \$152,303,000 (2006: \$463,507,000), which mainly represented the port facilities transferred from project under development. The port facilities are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost of items of port facilities over their estimated useful lives ranged from 5 years to 49 years and after taking into account of their estimated residual value, using the straight-line method.

For the prior period, assets acquired were mainly related to liquid bulk logistics business located in Wuhan, the PRC, through the acquisition of business.

11. PROJECT UNDER DEVELOPMENT

	30.9.2007 \$'000	31.3.2007 \$'000
Sea use rights	1,537,182	1,747,484
Development costs	1,154,556	664,196
	2,691,738	2,411,680

The amount relates to a development project located in Jiangsu Province, the PRC. The Group is undergoing the reclamation of certain area of the sea. According to the sea area use certificates, the sea use rights are granted for a term of not less than 50 years commencing 2004.

12. INTERESTS IN ASSOCIATES

	30.9.2007 \$'000	31.3.2007 \$'000
Cost of unlisted investments in associates, less impairment (Note)	503,716	503,716
Share of post-acquisition results, net of dividends received	164,473	206,518
	668,189	710,234

Note:

As at 30 September 2007, the unlisted investment includes the Group's 45% equity interest in Nantong Port Group Limited ("Nantong Port Group"), which is a sino-foreign joint venture enterprise registered 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, the PRC.

Subsequent to the balance sheet date, the Group announced its intention to acquire a further 12.32% equity interest in Nantong Port Group. The interest will be acquired through a public tender and bidding process in the PRC. A special general meeting will be convened to poll for the grant of a mandate by the Company's shareholders to proceed with the acquisition. Details of the above are set out in the Company's announcement dated 2 November 2007.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group's credit terms for management contracting segment and LPG distribution segment are negotiated at terms determined and agreed with its customers. Credit terms of property leasing business are governed by the rental agreements. The credit terms granted by the Group normally range from 30 days to 90 days.

Included in debtors, deposits and prepayments are trade debtors of about \$752,697,000 (31.3.2007: \$1,003,440,000) and their aged analysis is as follows:

	30.9.2007 \$'000	31.3.2007 \$'000
Within 90 days	675,958	935,095
More than 90 days and within 180 days	5,967	19,346
More than 180 days	70,772	48,999
	752,697	1,003,440

14. CREDITORS AND ACCRUED EXPENSES

Included in creditors and accrued expenses are trade creditors of approximately \$220,500,000 (31.3.2007: \$351,026,000) and their aged analysis is as follows:

	30.9.2007 \$'000	31.3.2007 \$'000
Within 90 days	202,088	329,211
More than 90 days and within 180 days	4,090	8,230
More than 180 days	14,322	13,585
	220,500	351,026

15. CONVERTIBLE NOTES PAYABLE

During the period, the Company issued zero coupon convertible notes with an aggregate face value of \$121,521,000 for settlement of the consideration for the LPG assets acquired during the year ended 31 March 2007. The convertible notes are denominated in Hong Kong dollars. The notes entitled the holders to convert them into ordinary shares of the Company at any time between 15th day after the date of issue of the notes and 15 days prior to their respective maturity dates on 18 April 2010 and 31 May 2010 at a conversion price of \$4.25 per share subject to adjustment in accordance with the agreement. If the notes are not converted, they will be redeemed on maturity date at 114.167% of the principal amount of the notes outstanding. The Company may at any time and from time to time purchase the convertible notes at any price as agreed between the Company and the noteholder. The effective interest rate of the liability component of notes issued on 19 April 2007 and 1 June 2007 are 7.02% and 7.58%, respectively.

Accounting policy of the convertible notes payable

Convertible notes payable issued by the Company that contain both liability and equity components are classified separately into respective liability and equity components on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes payable and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in convertible notes reserve.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes reserve until the option is exercised in which case the balance stated in convertible notes reserve will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in convertible notes reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes payable are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes payable using the effective interest method.

The movement of the liability component of the convertible notes for the period is set out below:

	30.9.2007 \$'000
Issued during the period	113,039
Interest charge	3,518
Carrying amount at the end of the period	116,557

16. SHARE CAPITAL

	Number of shares	Value \$'000
Ordinary shares of \$0.10 each:		
Authorised:		
At 1 April 2007 and 30 September 2007	3,000,000,000	300,000
Issued and fully paid:		
At 1 April 2007	1,491,713,407	149,171
Issue of shares under share option scheme	7,960,000	796
Shares repurchased	(1,834,000)	(183)
At 30 September 2007	1,497,839,407	149,784

During the period, the Company granted 29,650,000 share options to the directors, employees and certain other eligible persons at an exercise price ranging from \$3.50 to \$4.50. The fair value of the share options granted during the period is about \$8,707,000. The share options granted are subject to vesting conditions from zero to two years with or without certain performance conditions.

INTERIM DIVIDEND

The Board has resolved to pay an interim dividend of 1.5 cents per share for the six months ended 30 September 2007 (2006: 1.5 cents per share) to shareholders whose names appear on the register of members of PYI as at the close of business on 18 January 2008. The interim dividend is expected to be paid to shareholders by post on or around 22 February 2008.

The interim dividend will be paid in the form of scrip, with an option to elect cash in respect of all or part 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 the PYI shares for the three consecutive trading days ending 18 January 2008 less a discount of five per cent to such average price. 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.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of PYI will be closed during the period from 16 January 2008 to 18 January 2008, both dates inclusive, during which period no transfer of share(s) of PYI will be effected. In order to qualify for the interim 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, Tricor 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 15 January 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE AND POSITION

For the six months period under review, the Group recorded a consolidated turnover of about \$2,548 million (2006: \$1,706 million), representing an increase of about 49% when compared with that of last corresponding period. The increase was mainly attributable to the increase in the Group's business in management contracting.

The Group's gross profit increased by 40% to about \$169 million (2006: \$121 million) as compared with the corresponding period last year. Such gross profit represented a gross margin of 7% (2006: 7%) of the consolidated turnover. Profit before taxation of about \$696 million was achieved as compared with about \$254 million for the corresponding period last year. The Group's profit before taxation was composed of:

- (i) net gain of about \$49 million in management contracting and property development management businesses (2006: \$33 million);
- (ii) net loss of about \$7 million in port and infrastructure development and logistics business (2006: Nil);
- (iii) net loss of about \$3 million in LPG distribution (2006: Nil);
- (iv) net gain of about \$36 million in treasury investment (2006: \$75 million);
- (v) net gain of about \$1 million in property investment (2006: \$1 million);
- (vi) interest income and other income of about \$37 million (2006: \$23 million);
- (vii) gain on disposal of interests in associates of about \$4 million (2006: 5 million);
- (viii) increase in fair value of investment properties of about \$628 million (2006: Nil);
- (ix) net gain of about \$35 million (2006: \$178 million) from associates and jointly controlled entities;
- (x) net corporate and other expenses of about \$61 million (2006: \$54 million), of which \$12 million (2006: \$12 million) was attributed to share-based payment expense for share options granted; and
- (xi) finance costs of about \$23 million (2006: \$7 million).

Net profit for the period attributable to the shareholders of PYI was about \$312 million (2006: \$232 million) and basic earnings per share was 20.9 cents (2006: 16.0 cents). Such improvement was mainly due to the net gain in fair value appreciation of about \$365 million (comprising an increase in fair value of \$628 million net of deferred tax charge of \$263 million) on a parcel of 4.16 km² of formed and serviced land located in Yangkou Port that was reclassified as investment properties.

When compared with the Group's financial position as at 31 March 2007, total assets increased by 17% to about \$8,949 million (31.3.2007: \$7,621 million) and net current assets decreased by 69% to about \$259 million (31.3.2007: \$824 million). These changes were mainly attributable to the Group's further capital injection into developing projects of the port and infrastructure business. Consequently, current assets decreased from 1.3 times to 1.1 times of current liabilities. After accounting for the net profit of about \$312 million net of dividends declared of about \$22 million, equity attributable to shareholders of PYI increased by 13% to about \$3,136 million, representing \$2.09 per share as at 30 September 2007 (31.3.2007: \$1.86 per share).

Net cash outflow from operating activities and investing activities were about \$420 million, and net cash inflow from financing activities was about \$375 million, resulting in a net decrease in available cash and cash equivalents of about \$45 million for the period under review.

REVIEW OF OPERATIONS

Port and Infrastructure Development and Logistics

PYI has succeeded in expanding its scope of operations to the middle and upper reaches of the Yangtze River, and has in the process further consolidated its Yangtze Strategy.

Yangkou Port

The 1.4 km² man-made island was partially completed with 0.3 km² of land handed over to PetroChina in November 2007 for the building of its LNG facility. The surplus arising from this handover will be recognised in the second half of this year. The entire man-made island is scheduled for completion at the end of 2008. The construction of the Yellow Sea Crossing was also well under way during the period, and is scheduled for opening to traffic by the end of 2008.

Other plans related to the development of Yangkou Port also made good headway in the same period. The master plan for Yangkou Port passed assessment of the Transport Authorities and experts. Official approval was obtained from Customs Authorities for the formal incorporation of the development of Yangkou Port into the open port development plan under the 11th Five-Year Plan.

With the planning for land use taking shape, the period under review saw the successful reclamation of about 10 km² of harbour-front land for industrial use and the commencement of preliminary work for reclamation of Phases 2 and 3 for additional land of about 20 km². These two phases are scheduled for completion by the end of 2008. In addition, about 4.16 km² of our land bank, having reached the formed and serviced stage, obtained the certificate of completion of land reclamation. This parcel of formed and serviced land has been reclassified as investment properties and revalued and recognised at fair value. As at 30 September 2007, fair value of the 4.16 km² formed and serviced land was about \$1 billion and a revaluation gain of \$628 million net of relevant deferred tax charge of \$263 million was recognised in the income statement.

During the six months period ended 30 September 2007, rental income on port facilities of RMB30 million was recorded which was derived from the rental agreement entered into between Rudong Government and our Yangkou Port subsidiary for non-exclusive access right of temporary bridge and land-side causeway of Yangkou Port for 2007 and 2008.

Associated highways, railway, canal and utility connections are being developed by others. With the materialization of all the above facilities and plans, Yangkou Port is poised to become a major deep-sea hub port in Eastern China specializing in raw materials, coal, petroleum and chemicals storage and transshipment as well as a large scale petrochemical industrial and logistic zone.

In July, our 75% owned Jiangsu Yangkou Port Development & Investment Co., Ltd. successfully closed a 7-year syndicated project loan facility of RMB960 million with eight domestic banks led by the Industrial and Commercial Bank of China in Nanjing. The successful closure of the syndicated financing not only testified the commercial viability of the project but also cast a vote of confidence in the future prospects of Yangkou Port.

Nantong Port

Nantong Port contributed about \$20 million (2006: Nil) to the Group's net profit for the period under review. It recorded a net profit of about \$68 million (2006: \$39 million) for the nine months ended 30 September 2007. Improvement in profitability was due to revenue growth as well as successful cost control measures. This improvement trend is expected to continue in the second half of this year.

Nantong Port recorded a total cargo throughput of 44 million tonnes in 2006, with an increase of 13% year-on-year. The growth momentum was maintained for the first six months of 2007, with total throughput increased by a further 39% to reach 28 million tonnes. Annual cargo throughput for this year is expected to exceed 50 million tonnes.

The Langshan Phase 3 iron ore terminal also went into commercial operation to become the most modernized trans-shipment hub terminal with the highest throughput capacity on the Yangtze River. Modernization and upgrading programs are underway in other terminals with a view to increase capacity and enhance profitability.

Other Ports

In July 2007, the Group signed a memorandum of understanding with Chongqing Port Logistics Group Limited to jointly develop bulk cargo port and logistics business in Chongqing. Both parties will cooperate in financing the Hongxigou bulk cargo terminals of Chongqing Port Logistics Group. A new logistics park will be developed in Chongqing to cope with future demand growth in Western China. The central port district in Chaotianmen will also be redeveloped into a tourist and commercial centre of Chongqing.

A memorandum of understanding was also signed with Yichang Port Group Limited in Hubei in June 2007 to set up a joint venture for the development and operation of bulk cargo and container terminals. Integrated logistics businesses will also be fostered in Yichang, a trans-shipment hub located near the Three Gorges Dam. The first expansion project will be Yunchi Terminal, an integrated port with an annual throughput capacity of 10 million tonnes.

Engineering Business – Paul Y. Engineering

Paul Y. Engineering and its subsidiaries (the "Paul Y. Engineering Group") achieved turnover of \$2,214 million during the period under review, up 41% compared with the same period last year (2006: \$1,571 million). It contributed about \$49 million (2006: \$33 million) to the Group's operating profit during the period and declared an interim dividend of 3.5 cents per share, or a pay-out ratio of 48%.

During the period under review, Paul Y. Engineering Group secured new contracts totalling \$484 million in aggregate value, representing three times of those secured during the same period last year. Subsequent to the period under review, the engineering business secured additional contracts worth \$678 million.

Through a full range of engineering and property-related services and operations, and increased investments in property development, the Paul Y. Engineering Group aims at enhancing its service capabilities, expanding its client base and revenue sources to maximize profitability. With a wealth of technical expertise and resources at its disposal, Paul Y. Engineering Group makes a solid partner for PYI to capture future benefits from port related property development.

LPG Distribution

The LPG distribution business, acquired by the Group in September 2006, recorded a slight operating loss of about \$3 million (2006: Nil) for the period under review due to suppressed domestic oil price, which has recovered as a result of a nation-wide uplift in November.

Headquartered in Wuhan, Minsheng Gas operates the largest LPG terminal and storage facility in Central China. Through its mature wholesale and retail network, Minsheng Gas has captured a 40% share of the Wuhan LPG market. The period under review witnessed steady growth for the automotive LPG sector while the residential LPG operations are being phased out.

Property Development and Investment

Property investment contributed about \$1 million (2006: \$1 million) to operating profit for the period under review.

In tandem with the boom of Yangkou Port, Little Yangkou, a seaside economic district in the western part of Rudong County, was being developed into a holiday resort. The construction of the 200,000 m² Little Yangkou Country Club was well under way during the period. “Wanhua Zijin Garden”, a luxurious residential property development near Yangkou Port with a gross floor area of 65,000 m² is at the resale phase. Partial completion and handover will lead to financial contributions in the second half of this financial year.

In Nantong, the Group is developing the Nantong World Trade Centre, a commercial and office complex tower covering a gross floor area of some 65,000 m². Development of this property is expected to be completed by middle of 2009.

It is envisaged that the Group will undertake more similar property development activities in the Yangkou Port area in association with its port facilities in the future.

Treasury Investment

The Treasury investment business contributed about \$36 million (2006: \$75 million) towards operating profit during the period under review.

Total value of the Group's investment securities portfolio amounted to about \$76 million as at 30 September 2007 (31.3.2007: \$156 million), equivalent to about 1% of the Group's total assets (31.3.2007: 2%). Portfolio of high-yield loans receivable amounted to about \$398 million (31.3.2007: \$469 million) as at 30 September 2007, equivalent to about 4% (31.3.2007: 6%) of the total assets of the Group.

OUTLOOK

While the national GDP is expected to remain on the up trend, austerity program and control are set to cool down the economic growth. Under current policy to promote investment in infrastructure development, the port sector continues to be favorable. Expanding foreign trade will further contribute to the growth of the Mainland ports sector.

With a firm foothold established in the Yangtze regional market, PYI will continue to leverage its capabilities to spearhead the consolidation and integration program along the Yangtze River.

Capitalizing on PYI's first-mover advantage in the region, the time is ripe for the Group to ride on its success in Nantong and increase its stake in Nantong Port Group Limited to over 50% by acquiring the 12.32% equity interest tendered by SDIC Communications Co. for bid. If successful, the acquisition will no doubt further strengthen PYI's position as a significant port developer and operator in the Yangtze River region.

PYI will continue to embark on the acquisition program on the Yangtze River with a view to increasing critical mass and building an integrated and efficient network. Development at Yangkou Port will also be accelerated to cope with market demand. PYI will endeavour to maintain a balanced and sustainable development strategy which will ensure sustainable future growth.

MAJOR SUBSEQUENT EVENT

To further consolidate its significant position in the port business in the region, the Group announced in November 2007 that it was seeking a RMB1 billion mandate from its shareholders to participate in the public tendering process and/or exercise its pre-emption right for a 12.32% (or a pro rata portion of it if the other existing shareholder also does so) equity interest held by SDIC Communications Co. in Nantong Port Group Limited, currently a 45% associate company of PYI. If materialized, the acquisition will increase PYI's stake in Nantong Port Group to over 50%, thus making Nantong Port Group a PYI subsidiary. It will also constitute a major transaction of PYI under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). A circular containing, inter alia, full details of the proposed acquisition will be despatched to shareholders on 17 December 2007. In addition, a special general meeting, convened for the purpose of obtaining from shareholders the necessary mandate to proceed with the acquisition, will be held on 4 January 2008.

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 six 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 the fluctuation exposures on specific transactions.

As at 30 September 2007, the Group's total borrowings amounted to about \$1,368 million (31.3.2007: \$1,024 million) with \$908 million (31.3.2007: \$597 million) repayable within one year and \$460 million (31.3.2007: \$427 million) repayable after one year. Out of the Group's total borrowings of about \$1,368 million as at 30 September 2007, about \$177 million was non-recourse to the Group (excluding the Paul Y. Engineering Group).

As at 30 September 2007, \$274 million (31.3.2007: \$262 million) of the Group's borrowings bore interest at floating rates and were denominated in Hong Kong dollars, \$743 million (31.3.2007: \$600 million) bore interest at floating rates and were denominated in Renminbi, and \$351 million (31.3.2007: \$162 million) bore interest at a fixed rate and were denominated in Renminbi. The Group's gearing ratio was 0.44 (31.3.2007: 0.37), which is calculated based on the total borrowings of \$1,368 million (31.3.2007: \$1,024 million) and the Group's shareholders' fund of \$3,136 million (31.3.2007: \$2,772 million).

Cash balances at 30 September 2007 amounted to about \$721 million (31.3.2007: \$779 million), of which about \$41 million (31.3.2007: \$43 million) has been pledged to banks to secure general credit facilities granted to the Group. As at the period end, the Group has a net debt position (being cash balances net of bank borrowings) of \$517 million (31.3.2007: \$185 million).

During the current period, the Group issued a zero coupon, 3-year convertible note of \$122 million at a conversion price of \$4.25 per share. Redemption amount will be 114.167% of par value at maturity.

In July 2007, the Group, through its 75% owned subsidiary Jiangsu Yangkou Port Development and Investment Co., Ltd., entered into a 7-year project loan facility agreement for RMB960 million with a syndicate of eight domestic banks in Nanjing, the PRC. 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 km Yellow Sea Crossing and the 1.4 sq km man-made island at Yangkou Port. As at 30 September 2007, the Group utilised the syndicated loan in an aggregate amount of RMB141 million.

CONTINGENT LIABILITIES

As at 30 September 2007, the Group has contingent liabilities in respect of guarantee given to a bank for banking facilities given to an associate of about \$9 million (31.3.2007: \$9 million) which was non-recourse to the Group (excluding the Paul Y. Engineering Group).

PLEDGE OF ASSETS

As at 30 September 2007, certain property, plant and equipment, land and sea use rights and bank deposits of the Group with an aggregate value of about \$638 million (31.3.2007: \$644 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 30 September 2007, about \$49 million (31.3.2007: \$53 million) of these pledged assets were used to secure credit facilities which were non-recourse to the Group (excluding the Paul Y. Engineering Group).

COMMITMENTS

As at 30 September 2007, the Group has expenditure contracted for but not provided for in the consolidated financial statements in respect of acquisition of certain equity investment, property, plant and equipment, project under development and properties under development in the amount of about \$1,234 million (31.3.2007: \$1,520 million).

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

Including the directors of the Group, as at 30 September 2007, the Group employed about 2,000 full time employees (31.3.2007: 1,927). Remuneration packages consisted of salary as well as performance-based and equity-based bonuses.

Further, 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 strategy. Such schemes aim at providing incentives to motivate the Group's staff both in Hong Kong and the Mainland.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the period, PYI had repurchased a total of 1,834,000 ordinary shares of PYI on the Stock Exchange at an aggregate price of \$6,137,000 (including transaction costs), representing an average price of \$3.35 paid for each share repurchased. All these shares were cancelled upon repurchase.

CORPORATE GOVERNANCE

PYI has complied with all applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 to the Listing Rules throughout the period ended 30 September 2007.

During the period under review, the functions and composition of the Board and all Board committees remain the same as those set out in the Corporate Governance Report on pages 56 to 83 of the PYI's annual report dated 20 July 2007. The Board also continued its progressive efforts to maintain and enhance the effectiveness of the Group's system of internal control covering all material areas, including its financial, operational and compliance controls and its risk management functions.

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 the specific enquiry made by PYI, all PYI directors and relevant employees of the Group have confirmed their compliance with the required standard set out in the Model Code throughout the period.

PUBLICATION OF INTERIM RESULTS AND INTERIM 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 2008 Interim Report will be despatched to our shareholders and posted at the aforesaid websites by end of December 2007.

BOARD OF DIRECTORS

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
PYI Corporation Limited
Chow Ming Kuen, Joseph *OBE, JP*
Chairman

Hong Kong, 14 December 2007