



PYI Corporation Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 498)

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

2009 INTERIM 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 2008.

FINANCIAL HIGHLIGHTS

	9/2008	Change
Turnover	\$2,790 million	+15%
Gross profit	\$169 million	+5%
Profit attributable to shareholders	\$74 million	-76%
EPS – Basic	4.9 cents	-77%
Shareholders’ funds	\$3,588 million	+14%
NAV/S	\$2.38	+14%

RESULTS

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

	Notes	Unaudited Six months ended 30 September 2008 \$'000	2007 \$'000 (restated)
Turnover	3	2,789,918	2,431,662
Cost of sales		(2,620,604)	(2,270,447)
Gross profit		169,314	161,215
Other income	4	41,491	50,807
Administrative expenses		(162,907)	(135,763)
Distribution costs		(26,028)	(22,199)
Other expenses		(46,895)	(1,843)
Finance costs		(38,343)	(23,630)
Gain from fair value changes in respect of investment properties	9	319,572	628,449
Gain on disposal of interest in an associate		—	3,459
Share of results of associates		23,854	35,341
Share of results of jointly controlled entities		23	28
Profit before taxation	5	280,081	695,864
Taxation	6	(152,233)	(268,827)
Profit for the period		127,848	427,037
Attributable to:			
Equity holders of the Company		74,063	312,160
Minority interests		53,785	114,877
		127,848	427,037
Distribution	7	12,833	22,467
Earnings per share	8	<i>cents</i>	<i>cents</i>
Basic		4.9	20.9
Diluted		4.9	20.5

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 September 2008

		Unaudited	Audited
	Notes	30.9.2008	31.3.2008
		\$'000	\$'000
NON-CURRENT ASSETS			
Investment properties	9	1,687,316	1,230,351
Property, plant and equipment	10	713,943	718,611
Project under development	11	3,619,171	3,281,039
Properties under development		107,860	172,031
Prepaid lease payments		223,168	78,770
Goodwill		64,693	63,969
Other intangible assets		62,737	61,402
Interests in associates	12	788,602	744,213
Interests in jointly controlled entities		2,010	1,987
Available-for-sale investments		814	1,081
Loans receivable – due after one year		32,888	32,222
Deferred consideration receivable		2,906	2,863
		7,306,108	6,388,539
CURRENT ASSETS			
Stock of properties	13	540,817	173,626
Prepaid lease payments		2,394	2,343
Inventories		25,497	20,171
Loans receivable – due within one year		30,000	18,000
Amounts due from related companies		315,829	296,753
Amounts due from associates		57,920	59,777
Amounts due from customers for contract works		263,384	201,589
Debtors, deposits and prepayments	14	2,481,926	2,421,568
Investments held for trading		44,456	61,255
Available-for-sale investments		56,635	56,635
Derivative financial instruments		22,899	22,268
Taxation recoverable		1,607	3,261
Pledged bank deposits		113,152	34,269
Short term bank deposits		374,940	438,878
Bank balances and cash		256,966	162,541
		4,588,422	3,972,934
CURRENT LIABILITIES			
Amounts due to customers for contract works		754,953	804,442
Creditors and accrued expenses	15	2,325,483	1,903,832
Amounts due to associates		180,306	50,291
Amounts due to minority shareholders		22,840	1,041
Amounts due to related companies		138,969	133,051
Taxation payable		96,434	103,987
Bank and other borrowings – due within one year	16	997,638	839,410
		4,516,623	3,836,054
NET CURRENT ASSETS		71,799	136,880
TOTAL ASSETS LESS CURRENT LIABILITIES		7,377,907	6,525,419

	<i>Notes</i>	Unaudited 30.9.2008 \$'000	Audited 31.3.2008 \$'000
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year	16	1,240,069	966,198
Convertible notes payable		124,804	120,551
Amounts due to minority shareholders		77,336	—
Deferred tax liabilities	17	1,511,730	1,329,360
		2,953,939	2,416,109
		4,423,968	4,109,310
CAPITAL AND RESERVES			
Share capital	18	150,839	150,709
Reserves		3,436,870	3,226,376
Equity attributable to equity holders of the Company		3,587,709	3,377,085
Share-based payment reserve of a subsidiary		4,633	5,280
Minority interests		831,626	726,945
TOTAL EQUITY		4,423,968	4,109,310

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	Unaudited Six months ended 30 September	
	2008 \$'000	2007 \$'000
Net cash used in operating activities	(13,201)	(25,891)
Net cash used in investing activities	(323,365)	(394,182)
Net cash from financing activities	364,882	375,339
Net increase (decrease) in cash and cash equivalents	28,316	(44,734)
Effect of foreign exchange rate changes	2,171	2,769
Cash and cash equivalents brought forward	601,419	716,334
Cash and cash equivalents carried forward	631,906	674,369
Analysis of the balances of cash and cash equivalents		
Short term bank deposits	374,940	393,921
Bank balances and cash	256,966	285,231
Bank overdrafts	—	(4,783)
	631,906	674,369

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 (the "Stock Exchange") (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. *Principal accounting policies*

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments 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 annual financial statements for the year ended 31 March 2008.

In addition, the Group applied the following policy in respect of government grants:

Government grants

Government grants relating to income are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

In the current interim period, the Group has applied, for the first time, new interpretations and amendments ("new HKFRSs") issued by HKICPA which are effective for the Group's financial year beginning 1 April 2008. The adoption of these 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, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible Hedged Items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 8	Operating Segments ²
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁵

¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

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

³ Effective for annual periods beginning on or after 1 July 2009

⁴ Effective for annual periods beginning on or after 1 July 2008

⁵ Effective for annual periods beginning on or after 1 October 2008

2. **Principal accounting policies - continued**

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. **Segment information**

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

During the period ended 30 September 2007, the Group's operations were organised into six segments, namely management contracting, property development management, port and infrastructure development and logistics, LPG distribution, treasury investment and property investment. The prior period results for property trading segment that is presented for comparative purposes has been restated from unallocated results to property trading segment to reflect this internally reporting segment as a separate segment. The property trading segment is engaged in trading of formed land and real estate properties which are held for sale in the ordinary course of business.

Business segment information for the six months ended 30 September 2008 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	Property trading \$'000	Eliminations \$'000	Consolidated \$'000
TURNOVER									
External sales	2,479,495	19,320	53,239	220,703	15,553	1,608	—	—	2,789,918
Inter-segment sales	—	1,902	740	—	—	—	—	(2,642)	—
	2,479,495	21,222	53,979	220,703	15,553	1,608	—	(2,642)	2,789,918
RESULTS									
Segment results	42,874	(2,578)	4,981	10,079	16,444	319,810	(3,710)	—	387,900
Unallocated expenses									(75,053)
Interest income									17,483
Finance costs									(38,343)
Decrease in fair value of investments held for trading									(35,783)
Share of results of associates	6	(161)	24,013	—	—	(4)	—	—	23,854
Share of results of jointly controlled entities	23	—	—	—	—	—	—	—	23
Profit before taxation									280,081
Taxation									(152,233)
Profit for the period									127,848

3. Segment information - continued

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	Property trading \$'000	Eliminations \$'000	Consolidated \$'000
TURNOVER									
External sales	2,187,617	26,181	31,425	154,156	32,283	—	—	—	2,431,662
Inter-segment sales	—	2,751	1,194	—	—	—	—	(3,945)	—
	2,187,617	28,932	32,619	154,156	32,283	—	—	(3,945)	2,431,662
RESULTS									
Segment results	44,255	4,546	(6,668)	(3,095)	30,966	629,161	(110)	—	699,055
Unallocated expenses									(61,070)
Interest income									27,285
Finance costs									(23,630)
Increase in fair value of investments held for trading									5,065
Gain from fair value changes in respect of derivative financial instruments	—	—	—	—	—	10,331	—	—	10,331
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

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	
	2008 \$'000	2007 \$'000
Interest income	17,483	27,285
Government grant	13,590	—
Exchange gain	6,953	—
Gain from fair value changes in respect of derivative financial instruments	—	10,331
Increase in fair value of investments held for trading	—	5,065

The Group received a cash government grant of about \$13,590,000 (2007: Nil) as a compensation to LPG sold by the Group at regulated prices during the period ended 30 September 2008. There are no unfilled conditions or other contingencies attached to the receipt of this government grant. There is no assurance that the Group will continue to receive such grant in the future.

5. Profit before taxation

	Six months ended	
	30 September	
	2008	2007
	\$'000	\$'000
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of intangible assets	784	690
Cost of construction works recognised as an expense	2,397,046	2,109,799
Cost of inventories recognised as an expense	208,511	144,889
Decrease in fair value of investments held for trading (included in other expenses)	35,783	—
Depreciation of property, plant and equipment		
Amount provided for the period	36,593	35,435
Less: Amount capitalised in respect of contracts in progress	(1,088)	(949)
Amount capitalised in respect of project under development	(633)	(826)
Amount capitalised in respect of properties under development/stock of properties	(359)	(160)
	34,513	33,500
Impairment loss on an available-for-sale investment	—	1,389
Impairment loss on receivables	—	10,100
Release of prepaid lease payments	903	897

6. Taxation

	Six months ended	
	30 September	
	2008	2007
	\$'000	\$'000
The charge comprises:		
Current taxation in jurisdictions outside Hong Kong	8,739	6,370
Deferred taxation (Note 17)		
Land Appreciation Tax ("LAT")	84,188	138,472
Others	59,306	123,985
	143,494	262,457
Taxation attributable to the Company and its subsidiaries	152,233	268,827

No tax is payable on the profit for both periods arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

According to the requirements of the Provisional Regulations of the People's Republic of China ("the PRC") on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all income from the sale or transfer of land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value.

7. *Distribution*

	Six months ended	
	30 September	
	2008	2007
	\$'000	\$'000

Dividends recognised as distributions to equity holders of the Company during the current period:

Final dividend for the year ended 31 March 2008 – 0.85 cent (2007: 1.5 cents for the year ended 31 March 2007) per share	12,833	22,467
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The final dividend for the year ended 31 March 2008 was distributed in the form of warrants issued on the basis of one warrant for every six then existing PYI shares held by PYI shareholders whose names appear on the register of members of PYI on 18 September 2008. Each warrant will entitle PYI shareholders to subscribe for one new PYI share at an initial subscription price of \$1.0 per PYI share in cash, subject to anti-dilutive adjustments, at any time between the date of issue of the warrants on 26 September 2008 and the day immediately preceding the anniversary of the date of issue on 25 September 2009, both days inclusive. The fair value of each warrant issued was determined based on a valuation as at the date of approval of the issue of the warrants (5 September 2008) performed by RHL Appraisal Ltd., an independent qualified professional valuer not connected with the Group.

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2008. For the six months ended 30 September 2007, an interim dividend of 1.5 cents per share amounting to about \$22,586,000 was declared.

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	
	2008	2007
	\$'000	\$'000
Earnings attributable to equity holders of the Company for the purpose of basic earnings per share	74,063	312,160
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	—	3,518
Earnings attributable to equity holders of the Company for the purpose of diluted earnings per share	74,063	315,678

8. *Earnings per share - continued*

	2008 Number of shares	2007 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,507,974,391	1,492,852,828
Effect of dilutive potential ordinary shares:		
Share options	1,115,237	19,822,690
Convertible notes	—	25,216,275
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,509,089,628	1,537,891,793

The potential ordinary shares attributable to the convertible notes have anti-dilutive effect for the current period.

9. *Investment properties*

Certain investment properties are held for rental purposes under operating leases.

During the period, the Group completed the reclamation of certain sea area and obtained the certificate of completion of land reclamation (the "Certificate") in respect of certain land area (the "Formed Land") in Jiangsu Province, the PRC. Such Formed Land, the future use of which is currently undetermined, has been recognised as investment properties upon obtaining the Certificate. The relevant costs, which include the cost of sea use rights, development expenditure, borrowing costs capitalised and other directly attributable expenses, amounting to \$100,134,000 (31.3.2008: \$378,551,000), have been reclassified from project under development.

In respect of the land for which the Group has obtained a certificate from the local land bureau for the Formed Land, once the future use of the land is determined, the Group will apply for the appropriate land use right certificates of the Formed Land. The directors of the Company consider that there is no material impediment to obtain those land use rights certificates for the Group.

The fair value of the Group's investment properties at 30 September 2008 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 of recent transacted prices of comparable property is made. Comparable property 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 \$319,572,000 (2007: \$628,449,000) had been recognised in the profit or loss during the current period.

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 temporary difference of the relevant position between the tax base of the revalued investment properties and their carrying amounts therefore would be subject to PRC LAT in addition to enterprise income tax.

The investment properties of the Group are under medium-term leasehold land in the PRC.

10. *Movements in property, plant and equipment*

During the period, the additions of the Group's property, plant and equipment amounted to about \$12,224,000 (2007: \$152,303,000). Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, which ranged from 3 years to 49 years, and after taking into account of their estimated residual value, using straight-line method.

For the prior period, assets additions were mainly represented the port facilities transferred from project under development.

11. *Project under development*

	30.9.2008 \$'000	31.3.2008 \$'000
Sea use rights	1,534,002	1,631,465
Development costs	2,085,169	1,649,574
	3,619,171	3,281,039

The amount mainly relates to a development project located in Jiangsu Province, the PRC. The Group is undergoing the reclamation of certain area of the sea and the construction of bridge and ports. According to the sea use right certificates, the sea use rights are granted for terms ranging from 49 to 50 years commencing 2004.

12. *Interests in associates*

	30.9.2008 \$'000	31.3.2008 \$'000
Cost of unlisted investments in associates, less impairment (Note)	494,343	499,343
Share of post-acquisition profits and reserves, net of dividends received	294,259	244,870
	788,602	744,213

Note:

As at 30 September 2008, 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.

13. *Stock of properties*

Certain real estate properties of about \$438,943,000 (31.3.2008: \$173,626,000) are properties under development held for sale in the ordinary course of business. The relevant costs include acquisition costs, development expenditure, borrowing costs capitalised and other direct costs attributable to such properties.

During the period, the Group completed the reclamation of certain sea area and obtained the Certificate in respect of Formed Land. Those pieces of Formed Land are held for sale in the ordinary course of business and have been classified as stock of properties upon obtaining the Certificate. The relevant costs, which include the cost of sea use rights, development expenditure, borrowing costs capitalised and other directly attributable costs, amounting to about \$101,874,000 (31.3.2008: Nil), have been reclassified from project under development.

Stock of properties is stated at lower of cost and net realisable value. Net realisable value is determined by reference to sale proceeds received after the balance sheet date less selling expenses, or by management estimates based on prevailing market condition.

14. *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 according to the agreements and the credit terms granted by the Group to other debtors normally range from 30 days to 90 days.

Included in debtors, deposits and prepayments are debtors of about \$803,963,000 (31.3.2008: \$882,254,000) and their aged analysis is as follows:

	30.9.2008 \$'000	31.3.2008 \$'000
Within 90 days	646,156	807,265
More than 90 days and within 180 days	3,786	16,366
More than 180 days	154,021	58,623
	803,963	882,254

15. *Creditors and accrued expenses*

Included in creditors and accrued expenses are creditors of about \$412,371,000 (31.3.2008: \$471,022,000) and their aged analysis is as follows:

	30.9.2008 \$'000	31.3.2008 \$'000
Within 90 days	395,928	450,612
More than 90 days and within 180 days	835	7,379
More than 180 days	15,608	13,031
	412,371	471,022

16. *Movements in bank and other borrowings*

During the period, the Group raised new bank and other borrowings of about \$928,401,000 (2007: \$796,397,000) and repaid about \$531,457,000 (2007: \$449,569,000). As at 30 September 2008, the bank and other borrowings represented balance repayable within one year or on demand of about \$997,638,000 (31.3.2008: \$839,410,000), and balance repayable after one year of about \$1,240,069,000 (31.3.2008: \$966,198,000). The secured bank and other borrowings as at 30 September 2008 were about \$1,568,864,000 (31.3.2008: \$1,225,901,000).

17. *Deferred tax liabilities*

The followings are the major deferred tax liabilities recognised and movements thereon during the current period:

	Fair value adjustment on investment properties \$'000	Fair value adjustment on project under development \$'000	Others \$'000	Total \$'000
At 1 April 2008	422,754	883,851	22,755	1,329,360
Exchange realignment	13,035	25,196	645	38,876
Transfer	36,294	(36,294)	—	—
Charge (credit) to income statement	143,936	—	(442)	143,494
At 30 September 2008	616,019	872,753	22,958	1,511,730

18. *Share capital*

	Number of shares	Value \$'000
Ordinary shares of \$0.10 each:		
Authorised:		
At 1 April 2008 and 30 September 2008	3,000,000,000	300,000
Issued and fully paid:		
At 1 April 2008	1,507,093,517	150,709
Issue of shares under share option scheme	1,300,000	130
At 30 September 2008	1,508,393,517	150,839

During the period, the Company granted 85,684,000 share options to the directors and employees at an exercise price ranging from \$2.00 to \$3.00. The fair value of the share options granted during the period using the Black-Scholes Option Pricing Model is about \$15,942,000. The share options granted are subject to vesting period from zero to two years with or without certain performance conditions.

As a result of the warrants issued relating to the distribution of final dividend for the year ended 31 March 2008 as set out in note 7, on 19 September 2008, the Company adjusted the exercise price of the outstanding share options by reducing it by a factor of 6/7 and adjusted the number of shares to be issued upon exercise of the share options increasing it by a factor of 7/6.

INTERIM DIVIDEND

The Board has resolved that in view of the recent deteriorating global economy, it is prudent for PYI to retain an appropriate level of funds for any potential business opportunities as and when they arise, and therefore does not recommend payment of an interim dividend for the six months ended 30 September 2008 (2007: 1.5 cents per share).

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 \$2,790 million (2007: \$2,432 million), representing an increase of about 15% 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 5% to about \$169 million (2007: \$161 million) as compared with the corresponding period last year. Such gross profit represented a gross margin of 6% (2007: 7%) of the consolidated turnover. Profit before taxation of about \$280 million was achieved as compared with about \$696 million for the corresponding period last year. The Group's profit before taxation was composed of:

- (i) net gain of about \$40 million in management contracting and property development management businesses (2007: \$49 million);
- (ii) net gain of about \$5 million in port and infrastructure development and logistics business (2007: net loss of \$6 million);
- (iii) net gain of about \$10 million in LPG distribution (2007: net loss of \$3 million);
- (iv) net gain of about \$16 million in treasury investment (2007: \$31 million);
- (v) net gain of about \$320 million in property investment (2007: \$629 million);
- (vi) net loss of about \$4 million in property trading (2007: \$0.1 million);
- (vii) interest income and other income of about \$17 million (2007: \$41 million);
- (viii) net gain of about \$24 million (2007: \$35 million) from share of results of associates and jointly controlled entities;
- (ix) net loss in investments held for trading of about \$35 million (2007: net gain of \$5 million);
- (x) net corporate and other expenses of about \$75 million (2007: \$61 million); and
- (xi) finance costs of about \$38 million (2007: \$24 million).

Net profit for the period attributable to the shareholders of PYI was about \$74 million (2007: \$312 million) and basic earnings per share was 4.9 cents (2007: 20.9 cents). The performance was adversely affected by the set back in contribution from the Group's engineering arm - Paul Y. Engineering and its subsidiaries (the "Paul Y. Engineering Group"), as well as the reduction in profit contributed from the property investment in Yangkou Port, which 1.95 sq km of land parcel was recognised as investment properties and revalued during the current period when compared with 4.16 sq km of land parcel of last corresponding period.

When compared with the Group's financial position as at 31 March 2008, total assets increased by 15% to about \$11,895 million (31.3.2008: \$10,361 million) and net current assets decreased by 47% to about \$72 million (31.3.2008: \$137 million). These changes were mainly attributable to the Group's further capital expenditure in Yangkou Port. Consequently, current assets decreased from 1.04 times to 1.02 times of current liabilities. After accounting for the net profit of about \$74 million net of dividends declared of about \$13 million as well as surplus arising from RMB exchange translation of about \$83 million, equity attributable to shareholders of PYI increased by 6% to about \$3,588 million (31.3.2008: \$3,377 million), representing \$2.38 per share as at 30 September 2008 (31.3.2008: \$2.24 per share).

Net cash outflow from operating activities was about \$13 million and that from investing activities was about \$324 million, and net cash inflow from financing activities was about \$365 million, resulting in a net increase in available cash and cash equivalents of about \$28 million for the period under review.

REVIEW OF OPERATIONS

Port and Infrastructure Development and Logistics

During the six months under review, PYI continues to take bold steps in implementing its Yangtze Strategy and embarked on the middle reach of Yangtze River.

Yangkou Port

Yangkou Port contributed about \$18 million (2007: \$7 million) to the Group's operating profit for the period under review. The income was derived from project management and access rights of infrastructure in Yangkou Port.

Yangkou Port declared soft-opened in late October 2008, with the Yellow Sea Crossing, the man-made island and a general cargo berth being substantially completed as well as the navigation channel declared opened.

In addition to the 4.16 sq km formed land brought forward from the preceding year, about 2.95 sq km of our 42 sq km land bank have reached the formed and serviced stage and obtained the certificate of completion of land reclamation as at 30 September 2008. About 1.95 sq km of this parcel of formed land has been reclassified as investment properties and revalued at fair value of about \$422 million. Revaluation gain of \$320 million and its relevant deferred tax charge of \$144 million were recognised in the income statement. The remaining 1 sq km of the formed land is classified as stock of properties held for trading and carried at historical cost.

Embankment for the final 20 sq km industrial land bank has commenced, with 10 sq km scheduled for completion before the end of 2009. Highways, railway, canal and other connecting infrastructural and utility associated with Yangkou Port 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 trans-shipment as well as a large scale petrochemical industrial and logistic zone.

Nantong Port

Nantong Port contributed about \$25 million (2007: \$20 million) to the Group's net profit for the period under review. It recorded a net profit of about \$70 million (2007: \$68 million) for the nine months ended 30 September 2008. Improvement in profitability was due to revenue growth as well as successful cost control measures.

Bulk cargo throughput increased by 4% to 29 million tons in the first half of 2008 while container throughput grew by 13% to 210,000 TEUs. However, it is expected that the throughput of Nantong Port will follow the global downturn of economy and flatten in the second half of the year. Modernization and upgrading programs are underway with a view to increase capacity and enhance profitability.

In January 2008, at the special general meeting, shareholders granted a mandate for PYI to acquire up to 12.32% equity interest in Nantong Port Group held by SDIC Communications Co. There were no participants in two public auctions held in Beijing in July and October 2008. PYI has not been offered to exercise its pre-emption right either. Taking account of the current market situations, it would be highly unlikely for PYI to acquire such equity interests from the vendor.

Investment Opportunities in Other Ports on the Yangtze

In September 2008, PYI entered into an agreement to invest in Yichang Port Group Limited (“Yichang Port Group”) by way of injection of new capital into Yichang Port Group, which represented a 51% equity interest in the share capital of Yichang Port Group as enlarged by the investment. The total sum payable by PYI under the agreement is about RMB149 million (equivalent to about \$170 million). Subject to satisfaction of various conditions precedent, the completion of the transaction was expected to be in February 2009. Details of the transaction are set out in PYI’s announcements dated 3 September 2008 and 2 December 2008, and PYI’s circular dated 23 September 2008.

During the period, PYI has signed various memoranda of understanding for port and logistics investment opportunities along the Yangtze in Chongqing, Jiangying, Changzhou, Huzhou and Jiaying. These opportunities progressed into different stage of negotiations in each respective location.

Engineering Business – Paul Y. Engineering

Paul Y. Engineering Group achieved turnover of \$2,499 million (2007: \$2,214 million) during the period, up 13% compared with the same period last year. It contributed about \$40 million (2007: \$49 million) to the Group’s operating profit during the period.

During the period, Paul Y. Engineering Group secured new contracts totaling \$2,765 million in aggregate value. Subsequent to the period under review, the engineering business secured additional contracts worth \$241 million.

The growth momentum of Paul Y. Engineering Group during the period was constrained by the slowing of property sectors in Hong Kong, the Mainland, Macau and other markets, which have been substantially affected by the sub prime mortgage crisis in the United States and its ripples. With the launch of government’s Ten Major Infrastructure projects plan of \$250 billion in the next five years and a stable property market backed by low interest rate, as well as a healthy and stable labour market, it will revitalize the construction market in Hong Kong. Also, as PYI continues to capture opportunities from port-related property development, the wealth of experience and expertise in large-scale infrastructure projects possessed by Paul Y. Engineering Group will continue to be a solid partner of PYI.

LPG Distribution

Based in Wuhan, PYI’s wholly-owned Minsheng Gas owns and operates the largest LPG terminal and storage facility in Central China. Through its mature wholesale and retail network, Minsheng Gas has captured a substantial share of the Wuhan LPG market for automotive consumption. The LPG distribution business achieved an operating gain of about \$10 million (2007: loss of \$3 million) for the period under review.

Profitability has restored and returned to positive margin since the uplift of nation-wide price regime approved by the Central Government during the period. As a responsible corporate citizen under the suppressed domestic oil price regime, Minsheng Gas switched to the lower cost domestic LPG in order to mitigate cost and losses were partly offset by the Government subsidy at times of negative margin.

Property Investment and Trading

Property investment and property trading in aggregate contributed about \$316 million (2007: \$629 million) to operating profit for the period under review. The profit is mainly attributed to the gain in fair value of investment properties from the 1.95 sq km (2007: 4.16 sq km) formed land in Yangkou Port of \$320 million (2007: \$628 million).

Out of our 7.11 sq km land bank having reached the formed and serviced stage as at 30 September 2008, about 1 sq km has been classified as stock of properties held for trading at carrying cost.

Little Yangkou is situated at about 35 km west of Yangkou Port. Preliminary advance works was underway with a view to develop it as resort and amenity for the Yangkou industrial zone.

“Wanhua Zijin Garden”, a residential property development near Yangkou Port with a gross floor area of 65,000 sq m, is partial completed and sale contributions commenced in November 2008.

The Nantong International Trade Centre is a commercial and office tower with a gross floor area of some 80,000 sq m. The building was topped-out in November 2008 and is expected to be completed in 2009. Presale activities are underway.

Pioneer Technology Building is a commercial complex with gross floor area of some 20,000 sq m situated in Hangzhou, which is held as an investment property to derive rental income. Occupancy in the building is expected to be in excess of 80% by the end of 2009.

Treasury Investment

The Treasury investment business contributed about \$16 million (2007: \$31 million) towards operating profit for the period under review.

Portfolio of high-yield loans receivable amounted to about \$353 million (31.3.2008: \$340 million), equivalent to about 3% (31.3.2008: 3%) of the total assets of the Group.

MATERIAL ACQUISITION AND DISPOSAL

During the period, the Group did not have material acquisition and disposal of subsidiaries and associates.

OUTLOOK

The global financial meltdown has certainly impacted upon the international trade and hence the economic growth in China. Shipping and logistics sectors along the Yangtze River could not be immune from such effect. It is expected that the RMB4 trillion Stimulus Program would induce major infrastructure spending along the Yangtze River and in the coastal region of the Yangtze Delta. China is set to launch numerous social and economic programs with a view to maintain economic growth momentum through induced expansion in domestic demands.

PYI remains committed to the long term potentials of the Yangtze Strategy. There will be structural adjustments to the composition of our current port investments made in line with our financial capacity. That may lead to partial divestment of some existing port investments. Increase in financial liquidity will be a key short term focus. During the period under review, PYI has taken measured steps to extend its foothold to the middle reach of Yangtze River by agreeing to acquire 51% stake in Yichang Port – one of the eight largest ports on the Yangtze River. Such earning accretive investment will connect our ports and logistics network with the upstream and the rest of Yangtze, delivering a more complete bulk cargo network and sustainable returns to our shareholders.

Facing such high uncertainty and trying time, PYI remains confident in meeting the challenges in delivering our Yangtze Strategy as well as enhancing our shareholders' value.

MAJOR SUBSEQUENT EVENT

Since the balance sheet date and up to the date of this announcement, there is no major subsequent event.

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 2008, the Group's total borrowings amounted to about \$2,483 million (31.3.2008: \$2,046 million) with \$1,118 million (31.3.2008: \$959 million) repayable within one year and \$1,365 million (31.3.2008: \$1,087 million) repayable after one year. Out of the Group's total borrowings of about \$2,483 million, about \$275 million was non-recourse to the Group (excluding the Paul Y. Engineering Group).

As at 30 September 2008, \$448 million (31.3.2008: \$337 million) of the Group's borrowings bore interest at floating rates and were denominated in Hong Kong dollars, \$125 million (31.3.2008: \$121 million) bore interest at fixed rates and were denominated in Hong Kong dollars, \$1,780 million (31.3.2008: \$1,362 million) bore interest at floating rates and were denominated in Renminbi, and \$130 million (31.3.2008: \$226 million) bore interest at a fixed rate and were denominated in Renminbi. The Group's gearing ratio was 0.69 (31.3.2008: 0.61), which is calculated based on the total borrowings of \$2,483 million (31.3.2008: \$2,046 million) and the Group's shareholders' fund of \$3,588 million (31.3.2008: \$3,377 million).

Cash balances at 30 September 2008 amounted to about \$745 million (31.3.2008: \$636 million), of which about \$113 million (31.3.2008: \$34 million) has been pledged to banks to secure general credit facilities granted to the Group. As at 30 September 2008, the Group has a net debt position (being cash balances net of bank borrowings) of \$1,436 million (31.3.2008: \$1,143 million).

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, has been 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 2008, the Group utilised the syndicated loan in an aggregate amount of RMB850 million.

CONTINGENT LIABILITIES

As at 30 September 2008, the Group has contingent liabilities in respect of guarantee given to a bank for banking facilities given to an associate of about \$12 million (31.3.2008: \$10 million) which was non-recourse to the Group (excluding the Paul Y. Engineering Group).

PLEDGE OF ASSETS

As at 30 September 2008, certain property, plant and equipment, land and sea use rights, investment properties, properties under development, stock of properties and bank deposits of the Group with an aggregate value of about \$1,085 million (31.3.2008: \$916 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 2008, about \$46 million (31.3.2008: \$43 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 2008, the Group has 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, properties under development and equity investments in the amount of about \$726 million (31.3.2008: \$1,155 million).

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

Including the directors of the Group, as at 30 September 2008, the Group employed a total of 2,087 full time employees (31.3.2008: 2,054). 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 benefited the Group's staff both in Hong Kong and the Mainland.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the period, neither PYI nor any of its subsidiaries purchased, sold or redeemed any of PYI's listed securities.

CORPORATE GOVERNANCE

PYI has complied with all applicable code provisions of the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules throughout the period ended 30 September 2008.

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 64 to 83 of the PYI's annual report dated 18 July 2008. 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 specific enquiries 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.

REVIEW OF ACCOUNTS

The Group's results for the six months ended 30 September 2008 have been reviewed by external auditors and the audit committee of PYI.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on PYI's corporate website at www.pyicorp.com/pyiCms/en/announcements.jsp and the HKExnews at www.hkexnews.hk under "Latest Listed Company Information". The 2009 Interim Report will be dispatched to PYI shareholders and posted at the aforesaid websites by end of December 2008.

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, 12 December 2008