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## 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)

### 2010 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 2009.

#### FINANCIAL HIGHLIGHTS

	9/2009	Change
Turnover	\$2,068 million	-26%
Gross profit	\$191 million	+13%
Profit attributable to shareholders	\$116 million	+56%
Basic EPS	2.9 cents	+38%
Shareholders’ funds	\$4,121 million	+13%
NAV/S	\$0.91	+3%

## RESULTS

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2009

		Unaudited Six months ended 30 September	
	Notes	2009 \$'000	2008 \$'000
Turnover	3	2,067,774	2,789,918
Cost of sales		(1,876,615)	(2,620,604)
Gross profit		191,159	169,314
Other income	4	7,646	41,491
Administrative expenses		(132,838)	(162,907)
Distribution and selling expenses		(27,981)	(26,028)
Other expenses		(24,496)	(46,895)
Finance costs	5	(34,239)	(38,343)
Gain on fair value changes of investment properties	11	365,494	319,572
Share of results of associates		17,662	23,854
Share of results of jointly controlled entities		5	23
Profit before taxation	6	362,412	280,081
Taxation	7	(184,204)	(152,233)
Profit for the period		178,208	127,848
Attributable to:			
Owners of the Company		115,593	74,063
Non-controlling interests		62,615	53,785
		178,208	127,848
Basic and diluted earnings per share	8	2.9 cents	2.1 cents

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
***For the six months ended 30 September 2009***

	Unaudited Six months ended 30 September	
	2009	2008
	\$'000	\$'000
Profit for the period	178,208	127,848
<b>OTHER COMPREHENSIVE INCOME</b>		
Exchange differences arising from translation of foreign operations	3,406	78,017
Gain (loss) on fair value changes of available-for-sale investments	71	(267)
Share of translation reserve of associates	592	20,604
Other comprehensive income for the period	4,069	98,354
Total comprehensive income for the period	182,277	226,202
Total comprehensive income attributable to:		
Owners of the Company	118,918	156,775
Non-controlling interests	63,359	69,427
	182,277	226,202

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 30 September 2009**

		Unaudited 30.9.2009 \$'000	Audited 31.3.2009 \$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	760,856	691,933
Investment properties	11	2,417,708	2,049,887
Project under development	12	3,728,887	3,694,293
Properties under development	15	—	134,562
Prepaid lease payments		219,493	221,918
Goodwill		64,338	64,343
Other intangible assets		60,855	61,570
Interests in associates	13	851,586	799,679
Interests in jointly controlled entities		1,820	2,730
Available-for-sale investments		875	804
Loans receivable – due after one year		34,279	33,569
Payments for acquisition of interest in a subsidiary	14	78,000	—
		<b>8,218,697</b>	<b>7,755,288</b>
<b>CURRENT ASSETS</b>			
Stock of properties	15	963,601	768,685
Prepaid lease payments		2,385	2,383
Inventories		12,162	19,097
Loans receivable – due within one year		241,978	319,542
Amounts due from associates		50,624	57,583
Amounts due from customers for contract works		237,136	196,776
Trade and other debtors, deposits and prepayments	16	2,293,213	2,201,384
Investments held for trading		14,200	13,188
Available-for-sale investments		37,127	37,127
Derivative financial instruments		22,796	22,770
Pledged bank deposits		82,732	183,439
Short term bank deposits		228,066	176,698
Bank balances and cash		486,148	561,982
		<b>4,672,168</b>	<b>4,560,654</b>
<b>CURRENT LIABILITIES</b>			
Amounts due to customers for contract works		862,746	737,098
Trade and other creditors and accrued expenses	17	1,965,580	2,053,175
Deposits received for pre-sale properties		181,239	85,537
Amounts due to associates		63,208	66,938
Amounts due to non-controlling interests		76,449	35
Amounts due to related companies		64,394	142,321
Taxation payable		106,851	91,713
Bank and other borrowings – due within one year	18	1,034,164	1,151,958
Convertible notes payable		133,623	—
		<b>4,488,254</b>	<b>4,328,775</b>
<b>NET CURRENT ASSETS</b>		<b>183,914</b>	<b>231,879</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>8,402,611</b>	<b>7,987,167</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 30 September 2009**

	Notes	Unaudited	Audited
		30.9.2009 \$'000	31.3.2009 \$'000
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings – due after one year	18	1,475,913	1,565,153
Convertible notes payable		—	129,068
Amounts due to non-controlling interests		—	74,767
Deferred tax liabilities	19	1,845,225	1,670,162
		<b>3,321,138</b>	<b>3,439,150</b>
		<b>5,081,473</b>	<b>4,548,017</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	20	452,913	150,839
Reserves		3,667,708	3,495,757
Equity attributable to owners of the Company		4,120,621	3,646,596
Share-based payment reserve of a subsidiary		—	841
Non-controlling interests		960,852	900,580
<b>TOTAL EQUITY</b>		<b>5,081,473</b>	<b>4,548,017</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the six months ended 30 September 2009**

	Unaudited	
	Six months ended	
	30 September	
	2009	2008
	\$'000	\$'000
Net cash from (used in) operating activities	122,853	(13,201)
Net cash used in investing activities	(125,676)	(323,365)
Net cash (used in) from financing activities	(22,148)	364,882
Net (decrease) increase in cash and cash equivalents	(24,971)	28,316
Effect of foreign exchange rate changes	505	2,171
Cash and cash equivalents brought forward	738,680	601,419
Cash and cash equivalents carried forward	714,214	631,906
Analysis of the balances of cash and cash equivalents		
Short term bank deposits	228,066	374,940
Bank balances and cash	486,148	256,966
	<b>714,214</b>	<b>631,906</b>

## 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 (the "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.

Other than as set out below, 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 2009.

#### ***Adoption of new and revised HKFRSs effective in the current period***

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group.

#### *HKAS 1 (Revised 2007) "Presentation of Financial Statements"*

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised 2007) has had no impact on the reported results or financial position of the Group.

#### *HKFRS 8 "Operating Segments"*

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segment by operating division. The adoption of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

## 2. **Principal accounting policies - continued**

### **Adoption of new and revised HKFRSs effective in the current period - continued**

#### *HKAS 40 "Investment Property"*

HKAS 40 has been amended to include within its scope properties under construction or development for future use as investment properties and to require such properties to be measured at fair value (where the fair value is reliably determinable). The Group has applied the amendment to HKAS 40 prospectively from 1 April 2009 in accordance with the relevant transitional provision. However, HKAS 40 has had no impact on the reported results or financial position of the Group as the Group did not have any investment properties under construction as at 1 April 2009.

### **Early adoption on new and revised HKFRSs issued but not yet effective in the current period**

In addition, the Group has determined that it will early apply during the financial year beginning on 1 April 2009, the following revised standards that have been issued but are not yet effective:

#### *HKFRS 3 (as revised in 2008) Business Combinations*

HKFRS 3 (2008) has been adopted in the current period in advance of its effective date (business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 April 2009). Its adoption has affected the accounting for business combinations in the current period.

In accordance with the relevant transitional provisions, HKFRS 3 (2008) has been applied prospectively to business combinations for which the acquisition date is on or after 1 April 2009. The impact of the adoption of HKFRS 3 (2008) *Business Combinations* has been:

- to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the identifiable net assets of the acquiree;
- to change the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in profit or loss;
- where the business combination in effect settles a pre-existing relationship between the Group and the acquiree, to require the recognition of a settlement gain or loss; and
- to require that acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

In the current period, these changes in policies have resulted in acquisition-related costs of about \$17,542,000 being charged to the condensed consolidated income statement. Such costs for acquisition of interests in subsidiaries of about \$17,542,000 would have been accounted for as prepayments in the condensed consolidated statement of financial position as at 30 September 2009 had HKFRS 3 (2008) not been early adopted. There is no other significant financial impact to the condensed consolidated financial statements of the Group.

## 2. **Principal accounting policies - continued**

### **Early adoption on new and revised HKFRSs issued but not yet effective in the current period** - continued

#### *HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements*

HKAS 27 (2008) has been adopted in advance of its effective date (annual periods beginning on or after 1 April 2009). The revisions to HKAS 27 principally affect the accounting for transactions or events that result in a change in the Group's interests in its subsidiaries.

HKAS 27 (2008) has been adopted for periods beginning on or after 1 April 2009 and has been applied retrospectively (subject to specified exceptions) in accordance with the relevant transitional provisions. The revised standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. In prior years, the Group adopts a policy to charge the difference between the fair values and the carrying values of the underlying assets and liabilities attributable to the additional interests in a subsidiary acquired to capital reserve; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss. Under HKAS 27 (2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost, with the gain or loss arising recognised in profit or loss.

The adoption of HKAS 27 (2008) has no impact on the condensed consolidated financial statements in the current period but it will affect the Group's result for the year ending 31 March 2010.

### **New and revised HKFRSs issued but not yet effective**

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)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 <sup>2</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>3</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>4</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>5</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>5</sup>
HKFRS 9	Financial Instruments <sup>6</sup>
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>3</sup>
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>7</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>7</sup> Effective for annual periods beginning on or after 1 July 2010

The directors of the Company anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the condensed consolidated financial statements of the Group.

### 3. **Segment information**

The Group has adopted HKFRS 8 with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

In prior period, segment information reported externally was analysed by organising 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. However, information reported to the Group's chief operating decision maker (the Managing Director of the Company) for the purposes of resource allocation and assessment of performance, focuses more specifically on the strategic operation and development of the divisions. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments.

The operating segments of the Group under HKFRS 8 are therefore as follows:

Paul Y. Engineering Group Limited and its subsidiaries ("Paul Y. Engineering Group")

- The Group's subsidiary listed on the Stock Exchange and principally engaged in building construction, civil engineering, development management, project management, facilities and asset management

Ports development - Development of ports facilities and ports related properties

Ports and logistics - Operation of ports, LPG and logistics businesses

Property - Development, sale and leasing of real estate properties and formed land

Treasury - Provision of credit services and securities trading

The Managing Director of the Company assesses the performance of the operating segments based on a measure of earnings (losses) before interest expense and tax ("EBIT or LBIT"). This measurement basis also excludes the effects of non-recurring expenditure from the operating segments, such as impairment arising from an isolated and non-recurring event.

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

Information regarding the above segments is reported below. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8.

### 3. Segment information - continued

#### Six months ended 30 September 2009

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

	Paul Y. Engineering Group \$'000	Ports develop- ment \$'000	Ports and logistics \$'000	Property \$'000	Treasury \$'000	Eliminations \$'000	Consolidated \$'000
<b>TURNOVER</b>							
External revenue	1,804,754	82,221	99,750	62,783	18,266	—	2,067,774
Inter-segment revenue	30,117	—	—	232	—	(30,349)	—
<b>Total</b>	<b>1,834,871</b>	<b>82,221</b>	<b>99,750</b>	<b>63,015</b>	<b>18,266</b>	<b>(30,349)</b>	<b>2,067,774</b>
EBITDA*	33,334	384,476	37,841	37,634	16,873	(5,467)	504,691
Depreciation and amortisation	(4,265)	(32,921)	(16,376)	(254)	(1)	—	(53,817)
<b>EBIT</b>	<b>29,069</b>	<b>351,555</b>	<b>21,465</b>	<b>37,380</b>	<b>16,872</b>	<b>(5,467)</b>	<b>450,874</b>
Corporate and other expenses							(54,223)
Finance costs							(34,239)
Profit before taxation							362,412
Taxation							(184,204)
Profit for the period							178,208

#### Six months ended 30 September 2008 (restated)

	Paul Y. Engineering Group \$'000	Ports develop- ment \$'000	Ports and logistics \$'000	Property \$'000	Treasury \$'000	Eliminations \$'000	Consolidated \$'000
<b>TURNOVER</b>							
External revenue	2,498,815	53,218	220,724	1,608	15,553	—	2,789,918
Inter-segment revenue	—	—	—	—	—	—	—
<b>Total</b>	<b>2,498,815</b>	<b>53,218</b>	<b>220,724</b>	<b>1,608</b>	<b>15,553</b>	<b>—</b>	<b>2,789,918</b>
EBITDA (LBITDA)*	28,971	33,069	37,707	316,252	(19,333)	1,543	398,209
Depreciation and amortisation	(4,425)	(14,556)	(16,186)	(129)	(1)	—	(35,297)
<b>EBIT (LBIT)</b>	<b>24,546</b>	<b>18,513</b>	<b>21,521</b>	<b>316,123</b>	<b>(19,334)</b>	<b>1,543</b>	<b>362,912</b>
Corporate and other expenses							(44,488)
Finance costs							(38,343)
Profit before taxation							280,081
Taxation							(152,233)
Profit for the period							127,848

\* "EBITDA" and "LBITDA" are defined as earnings (losses) before interest expense, tax, depreciation and amortisation.

### 3. *Segment information - continued*

Segment assets comprise assets of the operating subsidiaries that engaged in different businesses. Accordingly, segment assets exclude corporate assets which are mainly bank balances and cash. Amounts reported for the prior period have been restated upon the application of HKFRS 8 which has resulted in a redesignation of the Group's reportable segments.

The following is an analysis of the Group's assets by operating segments:

	30.9.2009 \$'000	31.3.2009 \$'000
Paul Y. Engineering Group	2,429,841	2,393,316
Ports development	6,568,644	6,377,531
Ports and logistics	1,546,725	1,445,712
Property	1,758,005	1,377,262
Treasury	258,850	403,504
Total segment assets	12,562,065	11,997,325
Eliminations	(178,452)	(141,158)
Unallocated corporate assets	507,252	459,775
Consolidated assets	12,890,865	12,315,942

### 4. *Other income*

The following items are included in other income:

	Unaudited Six months ended 30 September	
	2009 \$'000	2008 \$'000
Other interest income	2,425	17,483
Gain on fair value changes of investments held for trading	4,570	—
Government grant	—	13,590
Exchange gain	—	6,953

## 5. Finance costs

	Unaudited Six months ended 30 September	
	2009 \$'000	2008 \$'000
Borrowing costs on:		
Bank borrowings wholly repayable within five years	78,732	35,792
Bank borrowings not wholly repayable within five years	2,617	33,181
Amount due to non-controlling interest	1,541	—
Effective interest on convertible notes wholly repayable within five years	4,555	4,252
Other borrowings wholly repayable within five years	6,164	5,936
	93,609	79,161
Less: Amount capitalised in respect of contracts in progress	(434)	(100)
Amount capitalised in respect of property, plant and equipment	(4,158)	—
Amount capitalised in respect of project under development	(37,155)	(37,279)
Amount capitalised in respect of stock of properties	(17,623)	(3,439)
	34,239	38,343

The capitalised borrowing costs represent the borrowing costs incurred by the entities on borrowings whose funds were specifically invested in the project and properties during the period.

## 6. Profit before taxation

	Unaudited Six months ended 30 September	
	2009 \$'000	2008 \$'000
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of intangible assets (included in distribution and selling expenses)	785	784
Cost of construction works recognised as an expense	1,716,166	2,397,046
Cost of inventories recognised as an expense	124,641	208,511
Depreciation of property, plant and equipment		
Amount provided for the period	56,126	36,593
Less: Amount capitalised in respect of contracts in progress	(1,484)	(1,088)
Amount capitalised in respect of property, plant and equipment	(45)	—
Amount capitalised in respect of project under development	(529)	(633)
Amount capitalised in respect of properties under development	—	(100)
Amount capitalised in respect of stock of properties	(1,036)	(259)
	53,032	34,513
Impairment loss on receivables	711	—
Total interest income (included in turnover and other income)	(20,691)	(33,036)
(Gain) loss on fair value changes of investments held for trading (included in other income or expenses, respectively)	(4,570)	35,783
Release of prepaid lease payments	1,193	903

## 7. Taxation

	Unaudited Six months ended 30 September	
	2009 \$'000	2008 \$'000
The charge comprises:		
Taxation arising in jurisdictions outside Hong Kong:		
Current period	10,961	8,739
Underprovision in prior periods	76	—
	11,037	8,739
Deferred taxation (note 19)		
Land Appreciation Tax ("LAT")	109,648	84,188
Others	63,519	59,306
	173,167	143,494
Taxation attributable to the Company and its subsidiaries	184,204	152,233

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, mainly the People's Republic of China ("the PRC"), is calculated at the rates prevailing in the respective jurisdictions. The applicable enterprise income tax rate for the PRC is 25%.

According to the requirements of the Provisional Regulations of 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.

## 8. Basic and diluted earnings per share

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

	Unaudited Six months ended 30 September	
	2009 \$'000	2008 \$'000
Earnings attributable to owners of the Company for the purposes of basic and diluted earnings per share	115,593	74,063

## 8. *Basic and diluted earnings per share – continued*

	2009 Number of shares	2008 Number of shares (restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,989,012,759	3,518,606,912
Effect of dilutive potential ordinary shares:		
Share options	—	2,602,220
<hr/>		
Weighted average number of ordinary shares for the purpose of diluted earnings per share	3,989,012,759	3,521,209,132

The potential ordinary shares attributable to the share options, warrants and convertible notes have anti-dilutive effect for the six months ended 30 September 2009.

The potential ordinary shares attributable to the convertible notes and warrants have anti-dilutive effect for the six months ended 30 September 2008.

The weighted average number of ordinary shares for the calculation of basic and diluted earnings per share for both periods have been adjusted for the rights issue of the Company completed in July 2009.

## 9. *Distribution*

The final dividend for the year ended 31 March 2008 of 0.85 cent per share was distributed in the form of warrants issued on the basis of one warrant for every six existing shares held by shareholders whose names appear on the register of members of the Company on 18 September 2008. Each warrant entitled the holder to subscribe for one new share at an initial subscription price of \$1.00 per 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 declaration of the dividend, which was also the date of approval of the issue of the warrants on 5 September 2008, performed by RHL Appraisal Ltd., an independent qualified professional valuer not connected with the Group. The fair value of the warrants issued was \$12,833,000.

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2009 and 30 September 2008.

## 10. *Movements in property, plant and equipment*

During the period, additions of the Group's property, plant and equipment amounted to about \$125,044,000 (2008: \$12,224,000), which mainly represented the cost of port under construction amounted to about \$97,423,000 (2008: Nil) transferred from project under development and incurred during the period. Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, which ranged from 3 years to 50 years, after taking into account of their estimated residual value, using straight-line method.

## 11. Investment properties

	Unaudited 30.9.2009 \$'000	Audited 31.3.2009 \$'000
Ports development segment		
- Formed Land completed during the year ended 31 March 2008	1,451,346	1,188,279
- Formed Land completed during the year ended 31 March 2009	348,882	285,644
Property segment		
- Formed Land completed during the year ended 31 March 2009	460,840	419,501
- Buildings and land under medium term lease held in the PRC for rental purposes	156,640	156,463
	2,417,708	2,049,887

During the six months ended 30 September 2008, 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 about \$100,134,000 (2009: Nil), have been transferred from project under development to investment properties.

The fair value of the Group's investment properties at 30 September 2009 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 determining the fair value of the investment properties, the comparison method is adopted under which 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 valuation also takes into account the general price increment of the industrial land during the period and the further increment arising from the approval obtained from the respective government authority during the current interim financial period for certain portion of the Formed Land to be used for specified purposes. The gain on fair value changes amounting to about \$365,494,000 (2008: \$319,572,000) has been recognised in the condensed consolidated income statement for the current period.

Deferred tax consequences in respect of the investment properties measured at fair value 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. 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 portion between the tax base of the investment properties and their carrying amounts therefore would be subject to PRC LAT in addition to enterprise income tax.

As at 30 September 2009, the balance of investment properties included Formed Land amounting to about \$2,261,068,000 (31.3.2009: \$1,893,424,000) of which the Appropriate Certificates (as defined herein) had not been obtained. The Group has applied Sea Area Use Certificate in 2004 for reclaiming such Formed Land in Jiangsu Province, the PRC. Once the future use of the land is determined by the Group or by the potential buyer, the Group will apply for the appropriate land use right certificates (the "Appropriate Certificates") of the Formed Land. The directors of the Company consider that there is no material impediment to obtain the Appropriate Certificates for the Group.

## 12. *Project under development*

	Unaudited 30.9.2009 \$'000	Audited 31.3.2009 \$'000
Sea use rights	1,375,187	1,418,712
Development costs	2,353,700	2,275,581
	<hr/>	<hr/>
	3,728,887	3,694,293

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 public facilities and ports. According to the Sea Area Use Certificate, the sea use rights are granted for terms ranging from 49 to 50 years commencing 2004.

## 13. *Interests in associates*

	Unaudited 30.9.2009 \$'000	Audited 31.3.2009 \$'000
Cost of unlisted investments in associates, less impairment (note)	525,731	494,343
Share of post-acquisition profits and reserves, net of dividends received	325,855	305,336
	<hr/>	<hr/>
	851,586	799,679

Note:

In June 2009, the Group acquired 25% equity interest in Jiangyin Sunan International Container Terminal Co., Ltd. ("Jiangyin Sunan") at a consideration of RMB27,650,000 (equivalent to about \$31,388,000). Jiangyin Sunan is a sino-foreign joint venture enterprise registered in the PRC and operates the container terminal in Jiangyin Port, Jiangsu Province, the PRC.

Apart from the investment in Jiangyin Sunan, as at 30 September 2009, the unlisted investments mainly represent 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.

## 14. *Payments for acquisition of interest in a subsidiary*

The amount of \$78 million represented a 60% deposit paid by the Group to acquire 51% interest in Yichang Port Group Limited ("Yichang Port Group") in accordance with the agreement dated 2 September 2008. Yichang Port Group is principally engaged in transport logistics and properties investments, providing transportation, cargo loading and discharging, storage, shipping agent, cargo agent, port logistics and port equipment rental services in Yichang port. As at 30 September 2009, the conditions stipulated in the agreement have not yet been completed. Subsequent to 30 September 2009, the transaction was completed.

## 15. *Properties under development / stock of 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 intended to be 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 \$51,670,000 (31.3.2009: \$137,595,000), have been transferred from project under development during the period ended 30 September 2009.

In addition, during the period, the Group determined the purpose of the properties under development as held for sale in the ordinary course of business and classified such properties under development as stock of properties. The relevant costs, which include the cost of land use rights, development expenditure, borrowing costs capitalised and other directly attributable costs, amounting to about \$134,562,000 (31.3.2009: \$111,871,000), have been transferred from properties under development during the period ended 30 September 2009.

## 16. *Trade and other debtors, deposits and prepayments*

The Group's credit terms for its Paul Y. Engineering Group segment are negotiated at terms determined and agreed with its customers. Credit terms for ports development segment and ports and logistics segment are negotiated at specific terms with customers or in connection with the completion of underlying construction work. Rental income for property business is receivable 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 trade and other debtors, deposits and prepayments are trade debtors of about \$608,024,000 (31.3.2009: \$549,050,000). The Group does not hold any collateral over these balances. Their aged analysis is as follows:

	Unaudited 30.9.2009 \$'000	Audited 31.3.2009 \$'000
Within 90 days	388,355	366,972
More than 90 days and within 180 days	36,259	32,812
More than 180 days	183,410	149,266
	608,024	549,050

## 17. *Trade and other creditors and accrued expenses*

Included in trade and other creditors and accrued expenses are trade creditors of about \$316,206,000 (31.3.2009: \$312,794,000) and their aged analysis is as follows:

	Unaudited 30.9.2009 \$'000	Audited 31.3.2009 \$'000
Within 90 days	295,765	289,929
More than 90 days and within 180 days	5,321	10,588
More than 180 days	15,120	12,277
	316,206	312,794

## 18. *Movements in bank and other borrowings*

During the period, the Group raised new bank and other borrowings of about \$427,069,000 (2008: \$928,401,000) and repaid about \$636,600,000 (2008: \$531,457,000). The secured bank and other borrowings as at 30 September 2009 were about \$1,958,404,000 (31.3.2009: \$2,067,323,000).

## 19. *Deferred tax liabilities*

The following 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 development and stock of properties \$'000	Others \$'000	Total \$'000
At 1 April 2009 (audited)	812,596	835,180	22,386	1,670,162
Exchange realignment	923	947	26	1,896
Charge (credit) to income statement	173,610	—	(443)	173,167
At 30 September 2009 (unaudited)	987,129	836,127	21,969	1,845,225

## 20. *Share capital*

	Number of shares	Value \$'000
Ordinary shares of \$0.10 each:		
Authorised:		
At 1 April 2008, 30 September 2008 and 31 March 2009	3,000,000,000	300,000
Additions (note a)	7,000,000,000	700,000
At 30 September 2009	10,000,000,000	1,000,000
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 and 31 March 2009	1,508,393,517	150,839
Issue of shares on subscription of rights issue (note b)	3,019,350,218	301,936
Issue of shares on exercise of warrants (note c)	1,381,399	138
At 30 September 2009	4,529,125,134	452,913

## **20. Share capital - continued**

Notes:

- (a) On 9 June 2009, an ordinary resolution was passed to increase the authorised share capital of the Company from \$300,000,000 to \$1,000,000,000 by the creation of 7,000,000,000 ordinary shares of \$0.10 each.
- (b) On 8 July 2009, the Company completed a rights issue by issuing and allotting 3,019,350,218 rights shares at a subscription price of \$0.12 each on the basis of two rights shares for every share of the Company held on 9 June 2009. The net proceeds of about \$350 million are intended to be used on the Group's investment in port and port-related projects and general working capital of the Group.
- (c) The warrants issued by the Company on 26 September 2008 at an initial exercise price of \$1.00 per share (subsequently adjusted to \$0.51 per share as a result of the rights issue in July 2009) was expired on 25 September 2009. During the period, warrants of 1,332,494 were exercised to subscribe for 1,381,399 new shares of the Company.

The Company adjusted the exercise price of the outstanding options from the range of \$1.0628 to \$3.8571 per share to \$0.43762 to \$1.58821 per share as a result of the rights issue became unconditional on 3 July 2009.

## INTERIM DIVIDEND

The Board of PYI has resolved that 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 2009 (2008: Nil).

## 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 \$2,068 million (2008: \$2,790 million), representing a decrease of about 26% when compared with that of last corresponding period. The decrease was mainly attributable to the decrease in turnover of the Group's engineering arm - Paul Y. Engineering and its subsidiaries (the "Paul Y. Engineering Group").

The Group's gross profit increased by 13% to about \$191 million (2008: \$169 million) as compared with the corresponding period last year. Such gross profit represented a gross margin of 9% (2008: 6%) of the consolidated turnover. Profit before taxation of about \$362 million was achieved as compared with about \$280 million for the corresponding period last year. The Group's profit before taxation was composed of:

- (i) net gain of about \$29 million in Paul Y. Engineering Group engaged in management contracting and property development management businesses (2008: \$24 million);
- (ii) net gain of about \$351 million in ports development business (2008: \$18 million);
- (iii) net gain of about \$22 million in ports and logistics business (2008: \$22 million);
- (iv) net gain of about \$37 million in property business (2008: \$316 million);
- (v) net gain of about \$17 million in treasury business (2008: net loss of \$19 million);
- (vi) net corporate and other expenses and after inter-segment profit eliminations of about \$60 million (2008: \$43 million); and
- (vii) finance costs of about \$34 million (2008: \$38 million).

Net profit for the period attributable to the owners of PYI was about \$116 million (2008: \$74 million) and basic earnings per share was 2.9 cents (2008: 2.1 cents). The improved performance was mainly attributed to the increase in profit contributed from the gain on revaluation of investment properties in relation to the 7.11 sq km land parcel in Yangkou Port and Xiao Yangkou. Also, the trading of securities was recovered from net loss of last period and contributed profit to the Group.

When compared with the Group's financial position as at 31 March 2009, total assets increased by 5% to about \$12,891 million (31.3.2009: \$12,316 million) and net current assets decreased by 21% to about \$184 million (31.3.2009: \$232 million). These changes were mainly attributable to the fair value appreciation of the investment properties in Yangkou Port, and the capital expenditure spent for development of Yangkou Port and acquisition of other ports. Consequently, current assets decreased from 1.05 times to 1.04 times of current liabilities. After accounting for the net profit of about \$116 million, net proceeds of about \$350 million from issue of shares on subscription of rights issue completed in July 2009 and surplus arising from RMB exchange translation of about \$3 million, equity attributable to owners of PYI increased by 13% to about \$4,121 million (31.3.2009: \$3,647 million), representing \$0.91 per share as at 30 September 2009 (31.3.2009: \$2.42 per share, equivalent to \$0.88 per share after adjustments of the net proceeds from rights issue of about \$350 million and the 3,019,350,218 rights shares in issue as a result of the rights issue completed in July 2009).

Net cash inflow from operating activities was about \$123 million (2008: outflow of \$13 million) and net cash outflow from financing activities was about \$22 million (2008: inflow of \$365 million) and that from investing activities was about \$126 million (2008: \$324 million), resulting in a net decrease in available cash and cash equivalents of about \$25 million (2008: net increase of \$28 million) for the period under review.

## REVIEW OF OPERATIONS

### *Ports Development*

#### **Yangkou Port**

Yangkou Port contributed about \$351 million (2008: \$18 million) to the Group's operating profit for the period under review. The profit was mainly derived from the gain on revaluation of the 5.16 sq km land bank situated at the harbour-front industrial zone of Yangkou Port of about \$324 million (2008: Nil), and the income from project management and access rights of infrastructure in Yangkou Port. A deferred tax charge of \$155 million (2008: Nil) relevant to the revaluation gain was also charged to the income statement.

Yangkou Port declared soft open in October 2008, with the navigation channel also declared open and a general cargo berth in operation. The construction of the 12.6 km Yellow Sea Crossing was substantially completed.

The 1.4 sq km man-made island, the Sun Island, was substantially completed in 2008. A 0.3 sq km land parcel was handed over to PetroChina for the construction of a LNG facility, which is expected to be completed in 2010.

As at 30 September 2009, about 7.16 sq km (31.3.2009: 6.66 sq km) out of the 30 sq km land bank at the harbour-front industrial zone of Yangkou Port have reached the formed and serviced stage and obtained the certificate of completion of land reclamation. About 5.16 sq km (31.3.2009: 5.16 sq km) of the parcel of formed land have been classified as investment properties of the ports development business and measured at fair value of about \$1,800 million (31.3.2009: \$1,474 million). The remaining 2 sq km (31.3.2009: 1.5 sq km) of the formed land have been classified as stock of properties of the property business.

Embankment works for the final 20 sq km industrial land bank has commenced, with 10 sq km scheduled for completion in 2010. Highways, railway, canal and other connecting infrastructure and utility associated with Yangkou Port are being developed by other parties.

In June 2009, the State Council of the People's Republic of China (the "PRC") approved the *Jiangsu Coastal Region Development Plan*, which raised the strategy on development of Jiangsu Coastal Region into national level. In support of the strategy, Jiangsu Provincial Government issued the *Circular Addressing Issues in Supporting Faster Development Pace of Yangkou Port* and Nantong Municipal Government also committed to accelerate the development of Yangkou Port as the spearhead of new growth for the city. In August 2009, a conference was held at The Great Hall of The People in Beijing to discuss the *Research of Yangkou Port Development Plan* conducted by the Research Centre of National Development and Reform Commission. The significance and potentials of Yangkou Port to become a key hub port in Eastern China were highlighted in these documents.

Subsequent to the period end, the Group entered into an agreement for the disposal of an aggregate of 15% interest in Jiangsu Yangkou Port Development and Investment Co., Ltd. ("Yangkou Port Co"), a 75%-owned subsidiary, to two independent third parties at an aggregate consideration of RMB300 million (equivalent to about \$341 million). The completion of the disposal will broaden the shareholders base of Yangkou Port Co and optimize background of shareholders to facilitate its future development. Also, the disposal will create a good opportunity for the Group to crystallise the value of its investment in Yangkou Port Co while maintaining its controlling interest in the company.

## **Ports and Logistics**

PYI achieved satisfactory progress in implementing its Yangtze Strategy during the six months under review. The Group's network of cargo ports was strengthened and extended to the middle reach of the Yangtze.

### **Nantong Port**

Nantong Port contributed about \$19 million (2008: \$25 million) to the Group's operating profit for the period under review. Its net profit amounted to about \$77 million (2008: \$70 million) for the nine months ended 30 September 2009.

Cargo throughput in the first half of 2009 decreased by 5% to about 28 million tonnes as compared with about 29 million tonnes for the corresponding period last year. The container throughput also dropped by 23% to about 158,000 TEUs (2008: 206,000 TEUs). Despite the drop in throughput volume, the profit margin is expected to improve by a higher margin cargo mix and rates charged.

### **Jiangyin Port**

In June 2009, PYI acquired 25% interest in Jiangyin Sunan International Container Terminal Co., Ltd. ("Jiangyin Sunan") from Shanghai International Port Group at a consideration of RMB27.65 million (equivalent to about \$31.4 million).

Jiangyin Sunan has minimal contribution to the Group during this period and it is expected to commence contribution to the Group's operating profit in second half of this financial year. Jiangyin Sunan intends to increase its critical mass through consolidation with other major terminals in the Jiangyin Port with a view to enhance overall efficiency of operation.

### **Yichang Port**

In September 2008, PYI entered into an agreement to invest in Yichang Port Group Limited ("Yichang Port Group") by the injection of new capital into Yichang Port Group, which represented a 51% equity interest in the registered capital of Yichang Port Group as enlarged by the investment. The total consideration amounted to RMB114 million (equivalent to about \$130 million), and 60% of it was paid in April 2009 amounting to about RMB68 million (equivalent to about \$78 million). The transaction was completed in November 2009 with payment of the remaining 40% of the new capital amounting to about RMB46 million (equivalent to about \$52 million). As such, Yichang Port Group has not contributed to the results of this period.

Yichang Port Group is principally engaged in transport logistics and properties investments, providing transportation, cargo loading and discharging, storage, shipping agent, cargo agent, port logistics and port equipment rental services in Yichang Port, which is situated on the Yangtze River near the Three Gorges Dam in Yichang, Hubei Province. It is one of the eight largest ports on the Yangtze River.

### **LPG and Logistics**

The LPG business of Minsheng Gas contributed about \$3 million (2008: loss of \$3 million) to the Group's operating profit for the period under review. The performance of Minsheng Gas improved during the period, with distribution volume and throughput at river terminal and the storage tank facilities showing growth again since the third quarter of 2008. The LPG business returned to healthy operating margin after several price uplifts approved by the Central Government since June 2008.

### **Engineering Business – Paul Y. Engineering**

Paul Y. Engineering Group achieved turnover of \$1,805 million (2008: \$2,499 million) during the period, down 28% compared with the same period last year. It contributed about \$29 million (2008: \$24 million) to the Group's operating profit during the period. Despite the decline in turnover, the improved margin and cost control measures had resulted a higher contribution to the Group.

During the period, Paul Y. Engineering Group secured new contracts totaling \$3,804 million (2008: \$2,765 million) in aggregate value. Subsequent to the period under review, the engineering business secured additional contracts of \$348 million (2008: \$241 million). As at 30 September 2009, the total value of contracts on hand of Paul Y. Engineering Group was about \$11,513 million (31.3.2009: \$10,625 million).

Driven by the strong economic recovery in Mainland China and the infrastructure investments plan put forward by the HKSAR Government, there are clear signs of economic recovery for the local economy in 2009. With the large scale public infrastructure projects coming on to stream, there are many business opportunities in the local construction market. Paul Y. Engineering Group has taken a proactive approach in tapping these opportunities, especially those related to the Ten Major Infrastructure Projects, and the progress has been encouraging. 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.

### **Property**

The property business contributed about \$37 million (2008: \$316 million) to the Group's operating profit for the period under review. The profit was mainly attributed to the gain on revaluation of the 1.95 sq km (2008: 1.95 sq km) formed land situated at Xiao Yangkou of \$41 million (2008: \$320 million). A deferred tax charge of \$19 million (2008: \$144 million) relevant to the revaluation gain was also charged to the income statement.

As at 30 September 2009, 1.95 sq km (31.3.2009: 1.95 sq km) of the 12 sq km land bank situated at Xiao Yangkou have reached the formed and serviced stage and were held as investment properties, whereas 2 sq km (31.3.2009: 1.5 sq km) formed land situated at the harbour-front industrial zone of Yangkou Port were held as trading stock.

Wanhua Zijin Garden, a residential property development near Yangkou Port with a gross floor area of 65,000 sq m, was substantially completed and contributed turnover of about \$60 million (2008: Nil) during the current period. A cumulative area of about 24,000 sq m with a total contract value of about RMB117 million has been sold or pre-sold up to 30 September 2009, representing about 42% of its total saleable area.

Nantong International Trade Center is a commercial and office development in the heart of Nantong with a gross floor area of some 80,000 sq m. This complex was topped out in November 2008 and completion was scheduled by middle of 2010. A cumulative area of about 18,000 sq m with a total contract value of about RMB145 million has been pre-sold up to 30 September 2009, representing about 29% of its total saleable area.

In Hangzhou, PYI holds an investment property, the Pioneer Technology Building, which is an office building with gross floor area of some 20,000 sq m. The building contributed rental income of about \$2 million (2008: \$2 million) and its occupancy exceeded 80% as at 30 September 2009.

## **Treasury**

The treasury investments contributed about \$17 million (2008: loss of \$19 million) towards the Group's operating profit for the period under review, which comprised about \$12 million (2008: \$17 million) from loan interest income and about \$5 million (2008: loss of \$36 million) from investment securities. As at 30 September 2009, total value of the Group's portfolio of trading securities amounted to about \$14 million (31.3.2009: \$13 million), equivalent to about 0.1% (31.3.2009: 0.1%) of the Group's total assets. Portfolio of high-yield loans receivable amounted to about \$276 million (31.3.2009: \$353 million), equivalent to about 2% (31.3.2009: 3%) of the Group's total assets.

## **MATERIAL ACQUISITION AND DISPOSAL**

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

## **MAJOR SUBSEQUENT EVENTS**

On 2 September 2008, the Group entered into an agreement to invest about \$170 million (revised to about \$130 million) for 51% equity interest in Yichang Port Group. The acquisition was completed on 5 November 2009 and Yichang Port Group became a subsidiary of the Company.

On 30 November 2009, the Group entered into an agreement to dispose an aggregate of 15% interest in Yangkou Port Co at consideration of RMB300 million (equivalent to about \$341 million). Completion of the disposal shall take place within 30 days from the date of the agreement subject to obtaining of the requisite governmental approval. After completion, the Group's interest in Yangkou Port Co will decrease from 75% to 60% and Yangkou Port Co will remain a subsidiary of the Company.

## **OUTLOOK**

The general trading conditions along the Yangtze improved with encouraging growth in 2009. Backed by the recovering global economy and RMB4 trillion economic stimulus programs launched by the Central Government, trading and logistics sectors along the Yangtze will continue to benefit. The rapid development of infrastructure, as an important component of the economic program to induce domestic demand in the Mainland, will continue to drive the demand for commodities and construction materials, as well as bulk cargo and cost-effective logistics services.

With six years of steadfast effort in implementing the Yangtze Strategy, our network of bulk cargo ports is now extended to the upper stream of the Yangtze. The construction of Jiaxing International Feeder Port will complete in and operation is planned for 2010. Yichang Port Group will also contribute accretive return. Consolidation of terminals at Jiangyin Port will enhance its service quality and profitability through operational synergy and economy of scale. On the other hand, the development progress of Yangkou Port will also be enhanced by the policies at national as well as provincial levels. With the strengthened financial capacity, PYI is ready to deliver strategic options on our Yangtze Strategy with a view to enhance the PYI shareholders' value through effective adjustments to our implementation measures.

## **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 expenditure. The loans of the Group bear interest at market rates and have terms of repayment ranging from one year to ten 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 2009, the Group's total borrowings amounted to about \$2,750 million (31.3.2009: \$3,023 million) with about \$1,274 million (31.3.2009: \$1,272 million) repayable on demand or within one year and about \$1,476 million (31.3.2009: \$1,751 million) repayable after one year. Out of the Group's total borrowings of about \$2,750 million (31.3.2009 : \$3,023 million), about \$239 million (31.3.2009: \$316 million) was non-recourse to the Group (excluding the Paul Y. Engineering Group).

As at 30 September 2009, about \$367 million (31.3.2009: \$476 million) of the Group's borrowings bore interest at floating rates and were denominated in Hong Kong dollars, about \$134 million (31.3.2009: \$129 million) bore interest at fixed rates and were denominated in Hong Kong dollars, about \$2,080 million (31.3.2009: \$2,267 million) bore interest at floating rates and were denominated in Renminbi, and about \$169 million (31.3.2009: \$151 million) bore interest at a fixed rate and were denominated in Renminbi. The Group's gearing ratio was 0.67 (31.3.2009: 0.83), which was calculated based on the total borrowings of about \$2,750 million (31.3.2009: \$3,023 million) and the Group's shareholders' fund of about \$4,121 million (31.3.2009: \$3,647 million).

Cash balances at 30 September 2009 amounted to about \$797 million (31.3.2009: \$922 million), of which about \$83 million (31.3.2009: \$183 million) has been pledged to banks to secure general credit facilities granted to the Group. As at 30 September 2009, the Group has a net debt position (being cash balances net of bank borrowings) of about \$1,577 million (31.3.2009: \$1,718 million).

In July 2007, the Group, through Yangkou Port Co, 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 2009, the outstanding balance of the syndicated loan amounted to RMB700 million (31.3.2009: RMB800 million).

In July 2009, PYI completed a rights issue by issuing and allotting 3,019,350,218 rights shares at a subscription price of \$0.12 each on the basis of two rights shares for every share of PYI held on 9 June 2009. The net proceeds of about \$350 million were intended to be used on PYI's investment in port and port-related projects and as general working capital of PYI.

## **CONTINGENT LIABILITIES**

As at 30 September 2009, the Group has contingent liabilities in respect of guarantee given to a bank for banking facilities given to a third party of about \$23 million (31.3.2009: \$23 million for a third party and \$12 million for an associate).

## **PLEDGE OF ASSETS**

As at 30 September 2009, certain property interests, property, plant and equipment, trade receivables and bank balances of the Group with an aggregate value of about \$1,657 million (31.3.2009: \$1,676 million) and benefits under certain construction contracts were pledged to banks and financial institutions to secure general credit facilities granted to the Group. As at 30 September 2009, about \$92 million (31.3.2009: \$83 million) of these pledged assets was used to secure credit facilities which were non-recourse to the Group (excluding the Paul Y. Engineering Group).

## **COMMITMENTS**

As at 30 September 2009, 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 and non wholly-owned subsidiary in the amount of about \$146 million (31.3.2009: \$541 million).

## **NUMBER OF EMPLOYEES AND REMUNERATION POLICY**

Including the directors of the Group, as at 30 September 2009, the Group employed a total of 1,995 full time employees (31.3.2009: 1,908). 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**

In the corporate governance report, which was published in PYI annual report dated 17 July 2009 (the "2009 Annual Report") (which can be viewed on PYI website), we reported that PYI has applied the principles and complied with all applicable code provisions of the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules ("CG Code"), and adopted some of the recommended best practices for the year ended 31 March 2009. Throughout the half-year period ended 30 September 2009, PYI continued to comply with CG Code and adopt some of the recommended best practices. With the continued effort to achieve good corporate governance, in October 2009, PYI held a corporate governance seminar to the Board and the top management team of PYI and the PYI Code of Conduct was formally launched to the whole Group.

During the period under review, the functions and composition of the Board and all Board committees of PYI remained the same as those set out in the Corporate Governance Report on pages 51 to 71 of the 2009 Annual Report.

Except the fact that Mr. Lau Ko Yuen, Tom, our Deputy Chairman and Managing Director, had been appointed as non-executive director of Prosperity Investment Holdings Limited (stock code: 0310), a company whose shares are listed on the main board of the Stock Exchange, with effect from 9 November 2009, there were no changes to the information of directors of PYI as disclosed on pages 38 to 41 of the 2009 Annual Report.

At the PYI's annual general meeting held on 31 August 2009, PYI shareholders approved the remuneration of PYI directors of HK\$4,000,000 for the financial year ended 31 March 2010. There has been no change to the basis of determining PYI directors' remuneration. The level of fee payable to all PYI directors for serving on the Board and Board committees remain unchanged to those set out on page 158 of the 2009 Annual Report. At the same meeting, PYI shareholders also approved the reappointment of Deloitte Touche Tohmatsu as PYI's external auditors for the financial year ended 31 March 2010.

During the six months ended 30 September 2009, the Board of PYI continued its progressive effort 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.

During the period under review, PYI has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code for dealing in the securities of PYI by the PYI 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 from 1 April to 30 September 2009.

PYI directors have complied with the requirement of Securities and Futures Ordinance regarding disclosure of their respective interests in PYI and its associated corporations during the period.

## **REVIEW OF ACCOUNTS**

The Group’s results for the six months ended 30 September 2009 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](http://www.pyicorp.com) under “Investors” and the HKExnews at [www.hkexnews.hk](http://www.hkexnews.hk) under “Latest Listed Company Information”. The 2010 Interim Report will be dispatched to PYI shareholders and posted at the aforesaid websites by end of December 2009.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the composition of the Board of PYI 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, 18 December 2009