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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 FINAL RESULTS

The board of directors (the “Board”) of PYI Corporation Limited (“PYI” or the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2010.

FINANCIAL HIGHLIGHTS

| | 2010 | Change |
|-------------------------------------|-----------------|--------|
| Turnover | \$4,260 million | -12% |
| Gross profit | \$383 million | +6% |
| Profit attributable to shareholders | \$149 million | +8% |
| Basic EPS | 3.5 cents | -10% |
| Shareholders’ funds | \$4,130 million | +13% |
| NAV/S | \$0.91 | +3% |

RESULTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2010

| | Notes | 2010 \$'000 | 2009 \$'000 |
|---|-------|--------------------|----------------|
| Turnover | 3 | 4,260,421 | 4,835,905 |
| Cost of sales | | (3,877,311) | (4,475,854) |
| Gross profit | | 383,110 | 360,051 |
| Other income | 4 | 37,302 | 32,637 |
| Other gains and losses | 5 | (38,343) | (85,782) |
| Administrative expenses | | (278,518) | (282,820) |
| Distribution and selling expenses | | (68,870) | (59,252) |
| Other expenses | | (29,535) | (22,610) |
| Finance costs | 6 | (66,271) | (76,912) |
| Gain on fair value changes of investment properties | 11 | 397,309 | 672,639 |
| Gain on bargain purchase of subsidiaries | | 13,466 | — |
| Share of results of associates | | 58,075 | 38,601 |
| Share of results of jointly controlled entities | | (5,241) | 743 |
| Profit before taxation | 7 | 402,484 | 577,295 |
| Taxation | 8 | (165,764) | (327,784) |
| Profit for the year | | 236,720 | 249,511 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | 149,298 | 138,794 |
| Non-controlling interests | | 87,422 | 110,717 |
| | | 236,720 | 249,511 |
| Basic and diluted earnings per share | 9 | 3.5 cents | 3.9 cents |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2010

| | 2010 | 2009 |
|---|----------------|---------|
| | \$'000 | \$'000 |
| Profit for the year | 236,720 | 249,511 |
| OTHER COMPREHENSIVE INCOME | | |
| Exchange differences arising from translation of foreign operations | 16,169 | 60,239 |
| Gain (loss) on fair value changes of available-for-sale investments | 174 | (277) |
| Share of translation reserve of associates | 2,517 | 16,342 |
| Other comprehensive income for the year | 18,860 | 76,304 |
| Total comprehensive income for the year | 255,580 | 325,815 |
| Total comprehensive income attributable to: | | |
| Owners of the Company | 164,601 | 203,187 |
| Non-controlling interests | 90,979 | 122,628 |
| | 255,580 | 325,815 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2010

| | Notes | 2010 \$'000 | 2009 \$'000 |
|---|-------|------------------|----------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 2,136,213 | 691,933 |
| Investment properties | 11 | 2,577,880 | 2,049,887 |
| Project under development | | 1,861,739 | 3,694,293 |
| Properties under development | | — | 134,562 |
| Prepaid lease payments | | 300,679 | 221,918 |
| Goodwill | | 61,646 | 64,343 |
| Other intangible assets | | 178,837 | 61,570 |
| Interests in associates | | 896,775 | 799,679 |
| Interests in jointly controlled entities | | — | 2,730 |
| Available-for-sale investments | | 1,262 | 804 |
| Loans receivable – due after one year | | 35,003 | 33,569 |
| Other debtor – non-current portion | | 129,486 | — |
| | | 8,179,520 | 7,755,288 |
| CURRENT ASSETS | | | |
| Stock of properties | 12 | 1,853,812 | 768,685 |
| Prepaid lease payments | | 4,075 | 2,383 |
| Inventories of finished goods | | 12,085 | 19,097 |
| Loans receivable – due within one year | | 232,127 | 319,542 |
| Amounts due from associates | | 26,133 | 57,583 |
| Amounts due from non-controlling interests | | 1,138 | — |
| Amounts due from customers for contract works | | 203,794 | 196,776 |
| Trade and other debtors, deposits and prepayments | 13 | 2,409,614 | 2,201,384 |
| Investments held for trading | | 44,051 | 13,188 |
| Available-for-sale investments | | 84 | 37,127 |
| Derivative financial instruments | | — | 22,770 |
| Taxation recoverable | | 41,953 | — |
| Pledged bank deposits | | 33,582 | 183,439 |
| Short term bank deposits | | 350,972 | 176,698 |
| Bank balances and cash | | 648,060 | 561,982 |
| | | 5,861,480 | 4,560,654 |
| CURRENT LIABILITIES | | | |
| Amounts due to customers for contract works | | 962,813 | 737,098 |
| Trade and other creditors and accrued expenses | 14 | 1,904,888 | 2,053,175 |
| Deposits received for pre-sale properties | | 279,088 | 85,537 |
| Amounts due to associates | | 42,939 | 66,938 |
| Amounts due to non-controlling interests | | 51,602 | 35 |
| Amounts due to related companies | | 89,488 | 142,321 |
| Taxation payable | | 66,421 | 91,713 |
| Bank and other borrowings – due within one year | | 1,322,464 | 1,151,958 |
| Convertible notes payable | | 138,189 | — |
| | | 4,857,892 | 4,328,775 |
| NET CURRENT ASSETS | | 1,003,588 | 231,879 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 9,183,108 | 7,987,167 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2010

| | 2010 \$'000 | 2009 \$'000 |
|--|------------------|------------------|
| NON-CURRENT LIABILITIES | | |
| Bank and other borrowings – due after one year | 1,465,358 | 1,565,153 |
| Convertible notes payable | — | 129,068 |
| Amounts due to non-controlling interests | 20,478 | 74,767 |
| Deferred tax liabilities | 1,893,983 | 1,670,162 |
| Deferred income | 47,862 | — |
| Other payables | 97,937 | — |
| | 3,525,618 | 3,439,150 |
| | 5,657,490 | 4,548,017 |
| CAPITAL AND RESERVES | | |
| Share capital | 452,913 | 150,839 |
| Reserves | 3,676,766 | 3,495,757 |
| Equity attributable to owners of the Company | 4,129,679 | 3,646,596 |
| Non-controlling interests | 1,527,811 | 901,421 |
| TOTAL EQUITY | 5,657,490 | 4,548,017 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2010

| | 2010 \$'000 | 2009 \$'000 |
|--|----------------|----------------|
| Net cash from operating activities | 44,572 | 75,878 |
| Net cash used in investing activities | (229,093) | (682,073) |
| Net cash from financing activities | 443,986 | 742,427 |
| Net increase in cash and cash equivalents | 259,465 | 136,232 |
| Effect of foreign exchange rate changes | 887 | 1,029 |
| Cash and cash equivalents brought forward | 738,680 | 601,419 |
| Cash and cash equivalents carried forward | 999,032 | 738,680 |
| Analysis of the balances of cash and cash equivalents | | |
| Short term bank deposits | 350,972 | 176,698 |
| Bank balances and cash | 648,060 | 561,982 |
| | 999,032 | 738,680 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. *Basis of preparation*

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. *Principal accounting policies*

The 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.

Adoption of new and revised HKFRSs effective in the current year

In the current year, the Group has applied new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 April 2009.

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group’s reportable segments (see note 3) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with transitional provision set out in the amendments.

Amendments to HKAS 40 Investment Property

As part of *Improvements to HKFRSs (2008)*, 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 model is used and the fair values of the properties are 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 material impact on the reported results or financial position of the Group as the Group did not have investment properties under construction as at 1 April 2009 and 31 March 2010.

2. **Principal accounting policies - continued**

Early adoption on new and revised HKFRSs issued but not yet effective in the current year

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

HKFRS 3 (Revised 2008) Business Combinations

HKFRS 3 (Revised 2008) has been adopted in the current year 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 July 2009). Its adoption has affected the accounting for business combinations in the current year.

In accordance with the relevant transitional provisions, HKFRS 3 (Revised 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 (Revised 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 year, these changes in policies have resulted in acquisition-related costs of about \$22,499,000 being charged to the consolidated income statement. Such costs for acquisition of interests in subsidiaries of about \$22,499,000, which relate to business combinations to be completed after 31 March 2010, would have been accounted for as prepayments in the consolidated statement of financial position as at 31 March 2010 had HKFRS 3 (Revised 2008) not been early adopted and accounted for as part of the cost of the acquisition upon the completion of business combination. There is no other significant financial impact to the consolidated financial statements of the Group.

HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements

HKAS 27 (Revised 2008) and consequential amendments to HKAS 21 *The Effects of Changes in Foreign Exchange Rates* have been adopted in advance of its effective date (annual periods beginning on or after 1 July 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 (Revised 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 value 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 (Revised 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss. The new accounting policies in relation to changes to ownership interest in subsidiaries have been applied prospectively to changes that take place on or after 1 April 2009.

2. **Principal accounting policies - continued**

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

HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements - continued

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 (Revised 2008) has affected the accounting for the Group's disposal in the current year of part of its ownership interest in Jiangsu YangKou Port Development and Investment Co., Ltd. ("YangKou Port Co") that does not result in the loss of control over YangKou Port Co, and the acquisition of additional interest in Feeder Port Holdings Limited that does not result in the change of control. Specifically, the change in policy has resulted in the difference of about \$4,413,000 between the consideration received or paid and the non-controlling interests adjusted being recognised directly in equity (retained profits), instead of profit or loss or goodwill. Therefore, the change in accounting policy has resulted in an increase in the profit for the year of about \$3,858,000.

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 2008 ¹ |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009 ² |
| HKFRSs (Amendments) | Improvements to HKFRSs 2010 ³ |
| HKAS 24 (Revised) | Related Party Disclosures ⁷ |
| HKAS 32 (Amendment) | Classification of Rights Issues ⁵ |
| HKAS 39 (Amendment) | Eligible Hedged Items ¹ |
| HKFRS 1 (Amendment) | Additional Exemptions for First-time Adopters ⁴ |
| HKFRS 1 (Amendment) | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁶ |
| HKFRS 2 (Amendment) | Group Cash-settled Share-based Payment Transactions ⁴ |
| HKFRS 9 | Financial Instruments ⁸ |
| HK(IFRIC) - Int 14 (Amendment) | Prepayments of a Minimum Funding Requirement ⁷ |
| HK(IFRIC) - Int 17 | Distributions of Non-cash Assets to Owners ¹ |
| HK(IFRIC) - Int 19 | Extinguishing Financial Liabilities with Equity Instruments ⁶ |

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

² Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

⁴ Effective for annual periods beginning on or after 1 January 2010.

⁵ Effective for annual periods beginning on or after 1 February 2010.

⁶ Effective for annual periods beginning on or after 1 July 2010.

⁷ Effective for annual periods beginning on or after 1 January 2011.

⁸ Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective to the Group from 1 April 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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

3. **Segment information**

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 April 2009. HKFRS 8 is a disclosure standard that 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 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach.

In prior years, business 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) focuses more specifically on the strategic operation and development of each business unit and its performance is evaluated through organising similar business units into an operating segment. 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").

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 years have been restated to conform to the requirements of HKFRS 8.

3. Segment information - continued

Segment revenues and results

The following is an analysis of the Group's revenues and results by operating segment:

For the year ended 31 March 2010

| | Paul Y. Engineering Group \$'000 | Ports develop- ment \$'000 | Ports and logistics \$'000 | Property \$'000 | Treasury \$'000 | Segment total \$'000 | Elimin- ations \$'000 | Consolid- ated \$'000 |
|-----------------------------------|---|-------------------------------------|-------------------------------------|--------------------|--------------------|----------------------------|-----------------------------|-----------------------------|
| TURNOVER | | | | | | | | |
| External revenue | 3,613,667 | 131,270 | 370,563 | 114,261 | 30,660 | 4,260,421 | - | 4,260,421 |
| Inter-segment revenue | 31,206 | - | - | 232 | - | 31,438 | (31,438) | - |
| Total | 3,644,873 | 131,270 | 370,563 | 114,493 | 30,660 | 4,291,859 | (31,438) | 4,260,421 |
| EBITDA* | 72,126 | 459,677 | 106,457 | 34,085 | 41 | 672,386 | (14,143) | 658,243 |
| Depreciation and amortisation | (10,754) | (54,805) | (39,794) | (533) | (3) | (105,889) | - | (105,889) |
| Segment result - EBIT | 61,372 | 404,872 | 66,663 | 33,552 | 38 | 566,497 | (14,143) | 552,354 |
| Corporate and other expenses** | | | | | | | | (83,599) |
| Finance costs | | | | | | | | (66,271) |
| Profit before taxation | | | | | | | | 402,484 |
| Taxation | | | | | | | | (165,764) |
| Profit for the year | | | | | | | | 236,720 |

For the year ended 31 March 2009

| | Paul Y. Engineering Group \$'000 | Ports develop- ment \$'000 | Ports and logistics \$'000 | Property \$'000 | Treasury \$'000 | Segment total \$'000 | Elimin- ations \$'000 | Consolid- ated \$'000 |
|---|---|-------------------------------------|----------------------------------|--------------------|--------------------|----------------------------|-----------------------------|-----------------------------|
| TURNOVER | | | | | | | | |
| External revenue | 4,314,751 | 117,465 | 345,512 | 25,194 | 32,983 | 4,835,905 | - | 4,835,905 |
| Inter-segment revenue | 112,465 | - | - | 463 | - | 112,928 | (112,928) | - |
| Total | 4,427,216 | 117,465 | 345,512 | 25,657 | 32,983 | 4,948,833 | (112,928) | 4,835,905 |
| EBITDA (LBITDA)* | 67,294 | 412,218 | 71,944 | 328,354 | (54,197) | 825,613 | (10,135) | 815,478 |
| Depreciation and amortisation | (9,401) | (37,629) | (32,507) | (335) | (3) | (79,875) | - | (79,875) |
| Segment result - EBIT (LBIT) | 57,893 | 374,589 | 39,437 | 328,019 | (54,200) | 745,738 | (10,135) | 735,603 |
| Corporate and other expenses** | | | | | | | | (81,396) |
| Finance costs | | | | | | | | (76,912) |
| Profit before taxation | | | | | | | | 577,295 |
| Taxation | | | | | | | | (327,784) |
| Profit for the year | | | | | | | | 249,511 |

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

** Including acquisition-related costs of about \$22,499,000 (2009: \$10,902,000).

3. Segment information - continued

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

At 31 March 2010

| | Paul Y. Engineering Group \$'000 | Ports develop- ment \$'000 | Ports and logistics \$'000 | Property \$'000 | Treasury \$'000 | Segment total \$'000 | Elimin- ations \$'000 | Consolid- ated \$'000 |
|--------------------------------|---|-------------------------------------|----------------------------------|--------------------|--------------------|----------------------------|-----------------------------|-----------------------------|
| ASSETS | | | | | | | | |
| Segment assets | 2,548,890 | 5,528,722 | 2,861,514 | 2,664,253 | 242,367 | 13,845,746 | (153,811) | 13,691,935 |
| Unallocated assets | | | | | | | | 349,065 |
| Consolidated total assets | | | | | | | | 14,041,000 |
| LIABILITIES | | | | | | | | |
| Segment liabilities | 1,959,477 | 3,878,275 | 1,382,613 | 1,137,848 | 129,175 | 8,487,388 | (128,762) | 8,358,626 |
| Unallocated liabilities | | | | | | | | 24,884 |
| Consolidated total liabilities | | | | | | | | 8,383,510 |

At 31 March 2009

| | Paul Y. Engineering Group \$'000 | Ports develop- ment \$'000 | Ports and logistics \$'000 | Property \$'000 | Treasury \$'000 | Segment total \$'000 | Elimin- ations \$'000 | Consolid- ated \$'000 |
|--------------------------------|---|-------------------------------------|----------------------------------|--------------------|--------------------|----------------------------|-----------------------------|-----------------------------|
| ASSETS | | | | | | | | |
| Segment assets | 2,393,316 | 6,377,531 | 1,445,712 | 1,377,262 | 403,504 | 11,997,325 | (141,158) | 11,856,167 |
| Unallocated assets | | | | | | | | 459,775 |
| Consolidated total assets | | | | | | | | 12,315,942 |
| LIABILITIES | | | | | | | | |
| Segment liabilities | 1,843,628 | 4,266,138 | 559,507 | 821,392 | 230,096 | 7,720,761 | (98,243) | 7,622,518 |
| Unallocated liabilities | | | | | | | | 145,407 |
| Consolidated total liabilities | | | | | | | | 7,767,925 |

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

3. *Segment information - continued*

Geographical information

The following is an analysis of the Group's turnover by geographical market based on location of customers, irrespective of the origin of the goods/services:

| | 2010 \$'000 | 2009 \$'000 |
|--|------------------|------------------|
| Hong Kong | 3,342,236 | 4,120,351 |
| Macau | 112,357 | 162,110 |
| The People's Republic of China (the "PRC") other than Hong Kong and Macau | 805,828 | 553,444 |
| | 4,260,421 | 4,835,905 |

4. *Other income*

The following items are included in other income:

| | 2010 \$'000 | 2009 \$'000 |
|---|----------------|----------------|
| Income from short lease of stock properties | 14,881 | — |
| Interest income | 4,278 | 18,878 |
| Government grant | — | 13,605 |

5. *Other gains and losses*

The following items are included in other gains and losses:

| | 2010 \$'000 | 2009 \$'000 |
|--|----------------|----------------|
| Change in fair value of investments held for trading | 14,123 | (67,421) |
| Gain on disposal of a subsidiary | 185 | — |
| (Loss) gain on disposal of property, plant and equipment | (1,077) | 382 |
| Impairment loss recognised in respect of goodwill | (2,692) | — |
| Impairment loss on an available-for-sale investment | (37,190) | (19,508) |
| Impairment loss (recognised) recovered on receivables | (11,687) | 263 |
| Change in fair value of derivative financial instruments | — | 502 |

6. Finance costs

| | 2010 \$'000 | 2009 \$'000 |
|---|----------------|----------------|
| Borrowing costs on: | | |
| Bank borrowings wholly repayable within five years | 158,865 | 80,298 |
| Bank borrowings not wholly repayable within five years | 5,958 | 72,796 |
| Amounts due to non-controlling interests wholly repayable within five years | 2,707 | 5,141 |
| Amounts due to non-controlling interests not wholly repayable within five years | 74 | — |
| Effective interest on convertible notes wholly repayable within five years | 9,121 | 8,517 |
| Other borrowings wholly repayable within five years | 15,093 | 12,623 |
| | 191,818 | 179,375 |
| Less: Amount capitalised in respect of contracts in progress | (848) | (916) |
| Amount capitalised in respect of project under development | (88,130) | (85,487) |
| Amount capitalised in respect of property, plant and equipment | (9,760) | — |
| Amount capitalised in respect of stock of properties | (26,809) | (15,542) |
| Amount capitalised in respect of properties under development | — | (518) |
| | 66,271 | 76,912 |

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 year.

7. Profit before taxation

| | 2010 \$'000 | 2009 \$'000 |
|---|----------------|----------------|
| Profit before taxation has been arrived at after charging (crediting): | | |
| Amortisation of intangible assets (included in distribution and selling expenses) | 2,302 | 1,569 |
| Cost of construction works recognised as an expense | 3,420,857 | 4,121,473 |
| Cost of inventories recognised as an expense | 339,318 | 314,890 |
| Depreciation of property, plant and equipment | | |
| Amount provided for the year | 108,625 | 82,824 |
| Less: Amount capitalised in respect of contracts in progress | (1,658) | (2,063) |
| Amount capitalised in respect of project under development | (973) | (1,312) |
| Amount capitalised in respect of property, plant and equipment | (86) | — |
| Amount capitalised in respect of stock of properties | (2,321) | (552) |
| Amount capitalised in respect of properties under development | — | (591) |
| | 103,587 | 78,306 |
| Release of prepaid lease payments | 2,960 | 2,386 |
| Total interest income (included in turnover and other income) | (34,989) | (52,015) |

8. Taxation

| | 2010 \$'000 | 2009 \$'000 |
|---|----------------|----------------|
| The charge comprises: | | |
| Hong Kong Profits Tax: | | |
| Underprovision in prior years | — | 1,608 |
| Taxation arising in jurisdictions outside Hong Kong: | | |
| Current year | 21,499 | 15,836 |
| Overprovision in prior years | (39,457) | (319) |
| | (17,958) | 15,517 |
| Deferred taxation | | |
| Land Appreciation Tax ("LAT") | 112,711 | 190,639 |
| Others | 71,011 | 120,020 |
| | 183,722 | 310,659 |
| Taxation attributable to the Company and its subsidiaries | 165,764 | 327,784 |

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Detailed Implementation Rules of the EIT Law, the standard tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. Production-oriented enterprise which was eligible to an exemption from PRC income tax for the next two years starting from their first profit-making year, followed by a 50% relief in tax rate for the next three years would be continue to enjoy such tax preferential policy until year 2012.

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 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 1 January 1994 as well, 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 as calculated according to the Provisional Regulations of the PRC on LAT and its Detailed Implementation Rules.

During the year ended 31 March 2010, the overprovision in respect of prior years represented the balance of overseas income tax withheld in relation to disposal of a former investment which was charged to profit or loss in prior years. Clearance of tax liabilities arising from the disposal had been received and the balance had been recovered subsequently.

9. Basic and diluted earnings per share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

| | 2010 \$'000 | 2009 \$'000 |
|---|----------------|----------------|
| Earnings attributable to owners of the Company for the purposes of basic and diluted earnings per share | 149,298 | 138,794 |

9. *Basic and diluted earnings per share – continued*

| | 2010 Number of shares | 2009 Number of shares |
|--|-----------------------------|-----------------------------|
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 4,258,329,067 | 3,519,094,553 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | — | 48,387 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 4,258,329,067 | 3,519,142,940 |

The potential ordinary shares attributable to the convertible notes and warrants have anti-dilutive effect for both years whereas the potential ordinary shares attributable to the share options have anti-dilutive effective for the year ended 31 March 2010.

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

10. *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 a final dividend for the years ended 31 March 2010 and 2009.

11. *Investment properties*

| | \$'000 |
|--|-----------|
| FAIR VALUE | |
| At 1 April 2008 | 1,230,351 |
| Transferred from project under development | 118,998 |
| Exchange realignment | 27,899 |
| Increase in fair value recognised in the consolidated income statement | 672,639 |
| At 31 March 2009 | 2,049,887 |
| Acquisition of subsidiaries | 17,675 |
| Transferred from project under development | 105,086 |
| Exchange realignment | 7,923 |
| Increase in fair value recognised in the consolidated income statement | 397,309 |
| At 31 March 2010 | 2,577,880 |

11. *Investment properties – continued*

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

During the year, 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 \$105,086,000 (2009: \$118,998,000), have been transferred from project under development.

The fair value of the Group's investment properties at 31 March 2010 has been arrived at on the basis of a valuation carried out as at that date by Asset 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 year and the further increment arising from the approval obtained from the respective government authority during the current year for certain portion of the Formed Land to be used for specified purposes. The gain on fair value changes amounting to \$397,309,000 (2009: \$672,639,000) has been recognised in the consolidated income statement for the current year.

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 the end of the reporting period. 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 revalued investment properties and their carrying amounts therefore would be subject to PRC LAT in addition to enterprise income tax.

As at 31 March 2010, the balance of investment properties included Formed Land of about \$2,387,941,000 (2009: \$1,893,424,000). The Group has to obtain certain appropriate certificates for the disposal 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. *Stock of properties*

| | 2010 \$'000 | 2009 \$'000 |
|---------------------------------------|------------------|----------------|
| Properties under development for sale | 758,776 | 587,634 |
| Properties held for sale | 1,095,036 | 181,051 |
| | 1,853,812 | 768,685 |

12. *Stock of properties - continued*

During the year, 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 \$879,987,000 (2009: \$137,595,000), have been transferred from project under development during the year ended 31 March 2010.

At 31 March 2010, the balance of stock of properties included Formed Land of about \$1,018,052,000 (2009: \$137,595,000). The Group has to obtain certain appropriate certificates for the disposal of the Formed Land. The directors of the Company consider that there is no material impediment to obtain the appropriate certificates of the Group.

At 31 March 2010, stock of properties includes an amount of about \$1,295,818,000 (2009: \$494,012,000) which is expected to be completed after more than twelve months from the end of the reporting period.

13. *Trade and other debtors, deposits and prepayments*

The Group's credit terms for the 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 \$809,748,000 (2009: \$549,050,000). The Group does not hold any collateral over these balances. Their aged analysis net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period is as follows:

| | 2010 \$'000 | 2009 \$'000 |
|---------------------------------------|----------------|----------------|
| Within 90 days | 584,261 | 366,972 |
| More than 90 days and within 180 days | 68,901 | 32,812 |
| More than 180 days | 156,586 | 149,266 |
| | 809,748 | 549,050 |

14. *Trade and other creditors and accrued expenses*

Included in trade and other creditors and accrued expenses are trade creditors of about \$390,173,000 (2009: \$312,794,000) and their aged analysis is as follows:

| | 2010 \$'000 | 2009 \$'000 |
|---------------------------------------|----------------|----------------|
| Within 90 days | 350,107 | 289,929 |
| More than 90 days and within 180 days | 7,384 | 10,588 |
| More than 180 days | 32,682 | 12,277 |
| | 390,173 | 312,794 |

FINAL 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 a final dividend for the year ended 31 March 2010 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE AND POSITION

For the year ended 31 March 2010, the Group recorded a consolidated turnover of about \$4,260 million (2009: \$4,836 million), representing a decrease of about 12% when compared with last year. 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 6% to about \$383 million (2009: \$360 million) as compared with the last year. Such gross profit represented a gross margin of 9% (2009: 7%) of the consolidated turnover. Profit before taxation of about \$402 million was achieved as compared with about \$577 million for the last year. The Group's profit before taxation was composed of:

- (i) net gain of about \$61 million in Paul Y. Engineering Group engaged in management contracting and property development management businesses (2009: \$58 million);
- (ii) net gain of about \$405 million in ports development business (2009: \$375 million);
- (iii) net gain of about \$67 million in ports and logistics business (2009: \$39 million);
- (iv) net gain of about \$34 million in property business (2009: \$328 million);
- (v) net gain of about \$38,000 in treasury business (2009: net loss of \$54 million);
- (vi) net corporate and other expenses (including inter-segment profit eliminations) of about \$99 million (2009: \$92 million) of which about \$22 million was acquisition-related costs (2009: \$11 million); and
- (vii) finance costs of about \$66 million (2009: \$77 million).

Net profit for the year attributable to the owners of PYI was about \$149 million (2009: \$139 million) and basic earnings per share was 3.5 cents (2009: 3.9 cents). The improved net profit was mainly attributable to (a) the increase in profit contribution from the ports and logistics business, as benefited from the growth in share of profit from Nantong Port Group by 55% to \$59 million (2009: \$38 million) despite facing the global financial tsunami; (b) gain on bargain purchase of 51% interest in Yichang Port Group of \$13 million (2009: Nil); and (c) continuous cost control measures.

When compared with the Group's financial position as at last year end, total assets increased by 14% to about \$14,041 million (2009: \$12,316 million) and net current assets increased by 333% to about \$1,004 million (2009: \$232 million). These changes were mainly attributable to the fair value appreciation of investment properties and the completion in development of certain properties held for sale located at Yangkou Port. Consequently, current assets increased from 1.05 times to 1.21 times of current liabilities. After accounting for the net profit of about \$149 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 \$15 million, equity attributable to owners of PYI increased by 13% to about \$4,130 million (2009: \$3,647 million), representing \$0.91 per share as at 31 March 2010 (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 \$44 million (2009: \$76 million) and that from financing activities was about \$444 million (2009: \$742 million). Net cash outflow from investing activities was about \$229 million (2009: \$682 million), resulting in a net increase in available cash and cash equivalents of about \$259 million (2009: \$136 million) for the year.

REVIEW OF OPERATIONS

Ports Development

Yangkou Port

Yangkou Port contributed about \$405 million (2009: \$375 million) to the Group's operating profit for the year which was mainly attributable to the gain on revaluation of about \$325 million (2009: \$334 million) from about 5.2 sq km land bank situated at the harbour-front industrial zone of Yangkou Port, and the income from usage and management of infrastructure facilities in Yangkou Port. A deferred tax charge of \$155 million (2009: \$157 million) relevant to the revaluation gain was 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 13 km Yellow Sea Crossing and the 1.4 sq km man-made island, the Sun Island, had been completed. A 0.3 sq km land parcel of the Sun Island had been handed over to PetroChina for the construction of a LNG facility, which is expected to commence operations in the first half of 2011.

As at 31 March 2010, about 7.9 sq km (2009: 6.7 sq km) out of the 30 sq km land bank at the harbour-front industrial zone and about 1.1 sq km (2009: Nil) land bank at the Sun Island of Yangkou Port had reached the formed and serviced stage. About 5.3 sq km (2009: 5.2 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 \$1,926 million (2009: \$1,474 million). The remaining 3.7 sq km (2009: 1.5 sq km) of the formed land have been classified as stock of properties under the property business.

Embankment works for the reclamation of the final 20 sq km industrial land bank has commenced, with 10 sq km scheduled for completion in early 2011. Highways, railway, canal and other connecting infrastructure and utility associated with Yangkou Port were 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 response to 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. Being an integral part of these Plans, Yangkou Port was paved the way for becoming a key hub port in Eastern China.

In December 2009, the Group disposed 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 disposal broadened the shareholder base of Yangkou Port Co and optimized the background of shareholders to facilitate its future development. Also, the disposal created a good opportunity for the Group to crystallize 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 year. The Group's network of cargo ports was strengthened and extended to the middle reach of the Yangtze. These earning accretive investments make our network along the Yangtze River more complete and synergized.

Nantong Port Group

Despite facing the global financial tsunami, due to increase in iron ore import and domestic demand as well as the enhanced cargo mix and rates, Nantong Port Group outperformed this year and achieved a significant increase in net profit. Nantong Port Group contributed about \$59 million (2009: \$38 million) to the Group's operating profit for the year. Its net profit amounted to about \$131 million (2009: \$85 million) for the year ended 31 December 2009.

Nantong Port is a major river port in the Yangtze Delta, one of China's category-one national ports opened to foreign trade and an important hub port of the country. The main cargoes handled by Nantong Port Group are iron ore, minerals, cement, steel, coal, fertilizers, grains and edible oil. It houses the second largest distribution centre for bulk cargo down-stream. It is also the largest sulphur feeder port in the nation and the largest hub port for iron ore trans-shipment along the Yangtze River. Nantong Port provides easy access to the Yangtze region by road and waterway and is an ideal hub port for cargo trans-shipment.

Annual cargo throughput of Nantong Port Group in 2009 increased by 2% to 55 million tonnes (2008: 54 million tonnes), while the container throughput in 2009 has dropped by 14% to 345,000 TEUs (2008: 400,000 TEUs).

Yichang Port Group

In November 2009, the Group acquired 51% equity interest of Yichang Port Group Limited ("Yichang Port Group") by the injection of new capital into Yichang Port Group of RMB114 million (equivalent to about \$130 million), giving rise to the gain on bargain purchase of Yichang Port Group of \$13 million. In addition, the operation of Yichang Port Group contributed about \$12 million (2009: Nil) to the Group's operating profit for the year.

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.

Annual cargo throughput of Yichang Port Group for the year ended 31 March 2010 increased by 4% to about 7.3 million tonnes (2009: 7 million tonnes). Its annual container throughput also increased by 33% to 53,000 TEUs (2009: 40,000 TEUs).

Jiangyin Sunan Container Terminal

In June 2009, PYI acquired 25% interest in Jiangyin Sunan International Container Terminal Co., Ltd. ("Jiangyin Sunan") from Shanghai Container (Macau) Company Limited at a consideration of RMB27.65 million (equivalent to about \$31.4 million). Jiangyin Sunan operates the container terminal in Jiangyin Port, Jiangsu. It contributed about \$1 million (2009: Nil) to the Group's operating profit for the year.

In June 2010, the Group entered into a capital increase agreement with other shareholders of Jiangyin Sunan to increase the registered capital of Jiangyin Sunan from US\$12.5 million (equivalent to about RMB100.7 million) to RMB400 million. Through the capital increase, Jiangyin Sunan can further strengthen its capital base to induce future development and growth of its container handling and logistics businesses. The Group has contributed about RMB134.8 million (equivalent to about \$154.6 million) to the enlarged registered capital of Jiangyin Sunan to increase its equity interest held from 25% to 40%.

Jiangyin Sunan is principally engaged in containers loading and unloading, storage, maintenance, washing and leasing of containers. The container terminal operated by Jiangyin Sunan is the only container terminal in Jiangyin. Its annual container throughput reached about 500,000 TEUs in both 2008 and 2009.

LPG and Logistics

The LPG business of Minsheng Gas recorded an operating loss of about \$18 million (2009: operating profit of \$1 million) for the year. Minsheng Gas maintained a competitive price strategy to capture a larger share of automotive LPG market in Wuhan, which led to margin erosion during the second half of the year. Following the announcement by NDRC of a recent price uplift for CNG in June 2010, selling margin of LPG returned to a healthy level in July 2010.

Engineering Business – Paul Y. Engineering

Paul Y. Engineering Group achieved turnover of \$3,645 million (2009: \$4,427 million) during the year, down 18% compared with last year. It contributed about \$61 million (2009: \$58 million) to the Group's operating profit during the year and proposed a final dividend of 1.6 cents per share (2009: 1.5 cents), or a pay-out ratio of 22% (2009: 22%). Despite the decline in turnover, the improved margin and cost control measures had resulted in a higher contribution to the Group.

Paul Y. Engineering Group has considerably improved its order book and maintained stability in the amount of new contracts secured. During the year, the management contracting division of Paul Y. Engineering Group secured new contracts totaling \$4,481 million (2009: \$4,149 million) in aggregate value. Subsequent to the end of the reporting period, the engineering business secured additional contracts of \$812 million. As at 31 March 2010, the total value of contracts on hand of Paul Y. Engineering Group was about \$10,093 million (2009: \$10,625 million).

While the private sector remained cautious in their investment plans throughout the year, expenditure in public works saw substantial growth. Paul Y. Engineering Group has taken proactive approach in tapping such opportunities, and has been awarded a number of advance work contracts related to the Ten Major Infrastructure Projects, paving the way for tapping major construction contracts in the future.

Property

The property business contributed about \$34 million (2009: \$328 million) to the Group's operating profit for the year. The profit was mainly attributable to the gain on revaluation of about 2 sq km (2009: 2 sq km) formed land situated at Xiao Yangkou of \$41 million (2009: \$335 million). A deferred tax charge of \$19 million (2009: \$154 million) relevant to the revaluation gain was also charged to the income statement.

As at 31 March 2010, about 2 sq km (2009: 2 sq km) of the 12 sq km land bank situated at Xiao Yangkou have reached the formed and serviced stage and were classified as investment properties and measured at fair value of about \$462 million (2009: \$420 million), whereas 2.7 sq km (2009: 1.5 sq km) formed land situated at the harbour-front industrial zone and about 1 sq km (2009: Nil) formed land situated at the Sun Island 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 \$108 million (2009: \$21 million) during the year. A cumulative area of about 38,000 sq m with a total contract value of about RMB194 million has been sold or pre-sold up to 31 March 2010, representing about 64% 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 is scheduled for completion by mid 2011. A cumulative area of about 22,000 sq m with a total contract value of about RMB192 million has been pre-sold up to 31 March 2010, representing about 35% 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 \$6 million (2009: \$4 million) and its occupancy reached about 96% as at 31 March 2010.

Treasury

The treasury investments contributed about \$38,000 (2009: loss of \$54 million) towards the Group's operating profit for the year. During the year, the trading securities recorded a fair value gain of \$14 million against a fair value loss of \$67 million in previous year. Despite an impairment loss on an available-for-sale investment of about \$37 million (2009: \$20 million), the high-yield loans income contributes to keep the segment profitable. As at 31 March 2010, total value of the Group's portfolio of trading securities amounted to about \$44 million (2009: \$13 million), equivalent to about 0.3% (2009: 0.1%) of the Group's total assets. Portfolio of high-yield loans receivable amounted to about \$267 million (2009: \$353 million), equivalent to about 2% (2009: 3%) of the Group's total assets. Subsequent to the year end, this loan portfolio has been reduced to about \$112 million.

MATERIAL ACQUISITION AND DISPOSAL

During the year, the Group acquired 51% interest in Yichang Port Group at a consideration of about \$130 million and disposed 15% interest in Yangkou Port Co at an aggregate consideration of RMB300 million (equivalent to about \$341 million). The Group remains holding a 60% equity stake in Yangkou Port Co.

Apart from the above, there are no other material acquisition and disposal of subsidiaries and associates during the year.

EVENT AFTER THE REPORTING PERIOD

In June 2010, the Group entered into a capital increase agreement to contribute RMB134.8 million (equivalent to about \$154.6 million) to the enlarged registered capital of Jiangyin Sunan and to increase the Group's equity interest in Jiangyin Sunan from 25% to 40%.

Apart from the above, there are no other major subsequent events since the end of the reporting period and up to the date of the announcement.

OUTLOOK

Despite improvement of international market sentiment during the first half of the fiscal year, it showed signs of deterioration again near and after year end. Concerns were sparked over the financial crisis in Europe and potential double-dip of the global economy. In China, the Central Government has taken various initiatives to successfully fine tune the domestic property market. However, China is still expected to register relatively steady growth in the second half of 2010.

The medium to long-term prospect of the bulk cargo ports and logistics along the Yangtze River remains positive, as the irreversible and ongoing development of Central and Western China is supported by organic growth as well as national policies. More policies were launched by the Central Government during and after the fiscal year, calling for enterprises' further participation in the development of ports and infrastructure. PYI will continue to follow these national policies and will strive to further implement our Yangtze Strategy. With the strengthened financial capacity, PYI is ready to deliver the strategic options on our Yangtze Strategy with a view to enhance our 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 31 March 2010, the Group's total borrowings amounted to about \$3,049 million (2009: \$3,023 million) with about \$1,563 million (2009: \$1,272 million) repayable on demand or within one year and about \$1,486 million (2009: \$1,751 million) repayable after one year. Out of the Group's total borrowings of about \$3,049 million (2009: \$3,023 million), about \$322 million (2009: \$316 million) was non-recourse to the Group (excluding the Paul Y. Engineering Group).

As at 31 March 2010, about \$461 million (2009: \$476 million) of the Group's borrowings bore interest at floating rates and were denominated in Hong Kong dollars, about \$144 million (2009: \$129 million) bore interest at fixed rates and were denominated in Hong Kong dollars, about \$2,161 million (2009: \$2,267 million) bore interest at floating rates and were denominated in Renminbi, and about \$283 million (2009: \$151 million) bore interest at a fixed rate and were denominated in Renminbi. The Group's gearing ratio was 0.74 (2009: 0.83), which was calculated based on the total borrowings of about \$3,049 million (2009: \$3,023 million) and the Group's shareholders' fund of about \$4,130 million (2009: \$3,647 million).

Cash balance as at 31 March 2010 amounted to about \$1,033 million (2009: \$922 million), of which about \$34 million (2009: \$183 million) has been pledged to banks to secure general credit facilities granted to the Group. As at 31 March 2010, the Group has a net debt position (being cash balances net of bank borrowings) of about \$1,453 million (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 31 March 2010, the outstanding balance of the syndicated loan amounted to RMB600 million (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.

In December 2009, the Group disposed an aggregate of 15% interest in Yangkou Port Co and a net proceed of about \$316 million was received.

CONTINGENT LIABILITIES

As at 31 March 2010, the Group has contingent liabilities in respect of guarantees given to banks for banking facilities given to third parties of about \$46 million (2009: \$23 million for a third party and \$12 million for an associate).

PLEDGE OF ASSETS

As at 31 March 2010, certain property interests, property, plant and equipment, trade receivables and bank balances of the Group with an aggregate value of about \$1,980 million (2009: \$1,676 million) and benefits over certain construction contracts were pledged to banks and financial institutions to secure general credit facilities granted to the Group. As at 31 March 2010, about \$48 million (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 31 March 2010, 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 and project under development in the amount of about \$97 million (2009: \$541 million).

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

Including the directors of the Group, as at 31 March 2010, the Group employed a total of 3,190 full time employees (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 year, 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 year ended 31 March 2010, 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 has also adopted its new Code of Conduct that covers areas such as bribery and corruption, conflicts of interest, disclosure of information and discriminations and subsidiaries in the Mainland China are required to implement code of same effect.

During the year 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 chairman and executive director of Prosperity Investment Holdings Limited (stock code: 0310) with effect from 30 December 2009; and Mr. Leung Po Wing, Bowen Joseph, one of our Independent Non-Executive Directors, had been appointed as an independent non-executive director of North Asia Resources Holdings Limited (stock code: 0061) with effect from 26 March 2010, there were no changes to the information of directors of PYI as disclosed on pages 38 to 41 of the 2009 Annual Report.

During the year ended 31 March 2010, 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 year 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 year.

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 year.

REVIEW OF ACCOUNTS

The Group's results for the year ended 31 March 2010 have been reviewed by the audit committee of PYI.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, condensed consolidated statement of cash flows and the related notes thereto for the year ended 31 March 2010 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

APPRECIATION

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

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on PYI's corporate website at www.pyicorp.com under "Investors" and the HKExnews at www.hkexnews.hk under "Latest Listed Company Information". The 2010 Annual Report will be dispatched to PYI shareholders and posted at the aforesaid websites by end of July 2010.

ANNUAL GENERAL MEETING

The 2010 Annual General Meeting of PYI is scheduled to be held on 10 September 2010. A circular containing the Notice of Annual General Meeting and information concerning, inter alia, the re-election of retiring directors, directors' remuneration, the grant of general mandates to issue new shares and repurchase shares, and the refreshment of the 10% scheme limit on share option scheme, will be dispatched to PYI shareholders in due course.

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, 16 July 2010