PYI Corporation Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 498)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

FINANCIAL HIGHLIGHTS

>	Turnover	$1,706 million	–5%
>	Profit attributable to shareholders	$232 million	+55%
>	EPS – Basic	16.0 ¢	+47%
>	Interim DPS	1.5 ¢	No change
>	Special DPS	22.2 ¢	–68%
>	NAV/S	$1.74	–1%

Note: Unless otherwise specified, all figures in this announcement are expressed in Hong Kong dollars.

RESULTS

The board of directors (the "Board") of PYI Corporation Limited ("PYI" or the "Company") is pleased to announce the unaudited consolidated results of PYI and its subsidiaries (the "Group") for the six months ended 30 September 2006, together with the comparative figures for the corresponding period in 2005. The consolidated income statement and consolidated cash flow statement of the Group for the six months ended 30 September 2006 and the consolidated balance sheet as at 30 September 2006 of the Group, all of which are unaudited and condensed, along with selected explanatory notes have been reviewed by PYI's audit committee and external auditors.

Condensed Consolidated Income Statement

For the six months ended 30 September 2006

		Unaudited Six months ended 30 September	
		2006	2005
	Notes	***$'000***	*$'000*
			(restated)
Turnover	4	**1,705,969**	1,791,511
Cost of sales		**(1,584,729)**	(1,645,900)
Gross profit		**121,240**	145,611
Other income	5	**84,917**	101,906
Administrative expenses		**(109,309)**	(81,369)
Other expenses		**(19,566)**	(34,194)
Finance costs		**(7,254)**	(6,020)
Increase in fair value of investment properties		**–**	85,400
Loss on disposal of subsidiaries		**–**	(82)
Discount on acquisition of interest in an associate		**145,023**	–
Gain on disposal of interest in an associate		**5,067**	–
Reversal of impairment loss on interest in an associate		**–**	23,289
Share of results of associates		**33,420**	(22,080)
Share of results of jointly controlled entities		**(1)**	2,101
Profit before taxation	6	**253,537**	214,562
Taxation	7	**(3,194)**	(49,421)
Profit for the period		**250,343**	165,141
Attributable to:			
Equity holders of the Company		**231,631**	149,280
Minority interests		**18,712**	15,861
		250,343	165,141
Distribution	8	**347,599**	977,557
Earnings per share			
Basic	9	**16.0 ¢**	10.9 ¢
Diluted	9	**15.8 ¢**	N/A

Condensed Consolidated Balance Sheet
As at 30 September 2006

	Notes	**Unaudited 30.9.2006 *$'000***	Audited 31.3.2006 *$'000* (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**492,634**	35,800
Project under development	11	**2,041,490**	1,958,869
Prepaid land lease payments		**68,682**	23,136
Goodwill		**61,646**	61,646
Other intangible assets		**15,679**	8,035
Interests in associates	12	**644,485**	411,457
Interests in jointly controlled entities		**2,569**	2,570
Deposit for acquisition of an associate	12(b)	**–**	160,211
Available-for-sale investments		**580**	1,653
Loan receivable – due after one year		**30,006**	–
Amounts due from associates – due after one year		**117,000**	117,000
Deferred consideration receivable		**10,376**	10,223
		3,485,147	2,790,600
CURRENT ASSETS			
Properties under development		**71,365**	–
Properties held for sale		**78,245**	78,245
Prepaid land lease payments		**1,607**	575
Loans receivable – due within one year		**199,602**	105,886
Amounts due from related companies – due within one year		**176,669**	251,852
Amounts due from associates – due within one year		**48,084**	227,776
Amounts due from customers for contract works		**233,261**	163,379
Debtors, deposits and prepayments	13	**1,399,354**	1,415,407
Conversion option embedded in loan receivable		**1,511**	–
Investments held for trading		**113,064**	161,693
Taxation recoverable		**1,605**	1,605
Pledged bank deposits		**48,621**	118,622
Short term bank deposits		**277,364**	526,504
Bank balances and cash		**379,138**	139,534
		3,029,490	3,191,078
CURRENT LIABILITIES			
Amounts due to customers for contract works		**531,578**	429,615
Creditors and accrued expenses	14	**1,137,040**	899,829
Amounts due to associates and jointly controlled entities		**5,403**	3,678
Amount due to a minority shareholder		**–**	4,638
Loan from minority shareholders		**2,956**	123,439
Dividend payable		**21,939**	–
Taxation payable		**47,713**	45,759
Bank and other borrowings – due within one year		**459,847**	400,158
		2,206,476	1,907,116
NET CURRENT ASSETS		**823,014**	1,283,962
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,308,161**	4,074,562
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year		**413,636**	164,625
Deferred tax liabilities		**915,194**	900,000
		1,328,830	1,064,625
		2,979,331	3,009,937
CAPITAL AND RESERVES			
Share capital	15	**146,264**	137,880
Reserves		**2,401,042**	2,432,752
Equity attributable to equity holders of the Company		**2,547,306**	2,570,632
Share options reserve of a subsidiary		**880**	137
Minority interests		**431,145**	439,168
TOTAL EQUITY		**2,979,331**	3,009,937

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2006

	Unaudited Six months ended 30 September 2006 $'000	2005 $'000 (restated)
Net cash from operating activities	**162,754**	478,819
Net cash (used in) from investing activities	**(407,649)**	23,923
Net cash from (used in) financing activities	**230,873**	(1,099,939)
Net decrease in cash and cash equivalents	**(14,022)**	(597,197)
Effect of foreign exchange rate changes	**4,282**	–
Cash and cash equivalents brought forward	**666,038**	1,247,572
Cash and cash equivalents carried forward	**656,298**	650,375
Analysis of the balances of cash and cash equivalents		
Short term bank deposits	**277,364**	577,124
Bank balances and cash	**379,138**	94,557
Bank overdrafts	**(204)**	(21,306)
	656,298	650,375

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2006, except for the change in accounting policy as disclosed in note 3 and that, in the current period, the Group has applied, for the first time, the following new or amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations ("HK(IFRIC)-INTs") (hereinafter collectively referred to as the "new HKFRSs") which are effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006:

HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK(IFRIC) – Int 4	Determining Whether an Arrangement Contains A Lease
HK(IFRIC) – Int 5	Rights to Interests Arising from Decommissioning, Restoration, and Environmental Rehabilitation Funds
HK(IFRIC) – Int 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 "Financial Reporting in Hyperinflationary Economics"

The application of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented.

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

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC) – Int 8	Scope of HKFRS 2[2]
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives[3]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment[4]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 May 2006.
[3] Effective for annual periods beginning on or after 1 June 2006.
[4] Effective for annual periods beginning on or after 1 November 2006.

3. CHANGE IN ACCOUNTING POLICY

During the current period, the Group acquired a 9.9% interest from a minority shareholder of a non wholly-owned subsidiary which holds the Yangkou Port subsidiaries. Prior to 1 April 2006, purchase of additional shares in a subsidiary was recognized by calculating the goodwill or discount as the difference between the consideration paid for the additional interest and the share of the carrying amount of the net assets of the subsidiary. In the current period, the Company has changed its accounting policy for recognizing such acquisitions. Under the new accounting policy, the Group revalues all of the identifiable assets and liabilities of the subsidiary to fair value and recognizes its additional share of the fair value by debiting the capital reserve. Goodwill or discount arising on the purchase of the additional interest is calculated as the difference between the additional cost of the interest acquired and the increase in the Group's interest, based on the fair value of all identifiable assets and liabilities of the subsidiary. This change in accounting policy had no material impact on the profit for the current period.

In relation to the acquisition of an additional 15% interests in the Yangkou Port subsidiaries during the year ended 31 March 2006, a prior year adjustment of about $211,392,000 was credited to accumulated profits and debited to capital reserve.

4. SEGMENT INFORMATION

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

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

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

	Management contracting *$'000*	Project management *$'000*	Facilities management *$'000*	Port and infrastructure development *$'000*	Treasury investment *$'000*	Property investment *$'000*	Others *$'000*	Eliminations *$'000*	Consolidated *$'000*
TURNOVER									
External sales	1,558,423	1,050	10,263	–	134,421	1,812	–	–	1,705,969
Inter-segment sales	–	3,843	243	–	–	–	–	(4,086)	–
Total	1,558,423	4,893	10,506	–	134,421	1,812	–	(4,086)	1,705,969
RESULT									
Segment result	31,329	3,107	(1,391)	–	75,084	360	–		108,489
Interest income									22,661
Unallocated corporate expenses									(53,868)
Finance costs									(7,254)
Discount on acquisition of interest in an associate	–	–	–	145,023	–	–	–	–	145,023
Gain on disposal of interest in an associate	–	–	–	–	5,067	–	–	–	5,067
Share of results of associates	1,139	–	–	–	–	–	32,281	–	33,420
Share of results of jointly controlled entities	(1)	–	–	–	–	–	–	–	(1)
Profit before taxation									253,537
Taxation									(3,194)
Profit for the period									250,343

Business segment information for the six months ended 30 September 2005 is presented below:

	Management contracting *$'000*	Project management *$'000*	Facilities management *$'000*	Port and infrastructure development *$'000*	Treasury investment *$'000*	Property investment *$'000*	Others *$'000*	Eliminations *$'000*	Consolidated *$'000*
TURNOVER									
External sales	1,447,113	6,044	1,919	–	307,639	28,796	–	–	1,791,511
Inter-segment sales	–	–	–	–	–	9,659	–	(9,659)	–
Total	1,447,113	6,044	1,919	–	307,639	38,455	–	(9,659)	1,791,511
RESULT									
Segment result	51,626	3,899	1,702	–	33,776	100,056	–		191,059
Interest income									17,477
Unallocated other income									79,928
Unallocated corporate expenses									(71,110)
Finance costs									(6,020)
Loss on disposal of subsidiaries									(82)
Reversal of impairment loss on interest in an associate	–	–	–	–	–	–	23,289	–	23,289
Share of results of associates	651	608	–	–	–	–	(23,339)	–	(22,080)
Share of results of jointly controlled entities	2,101	–	–	–	–	–	–	–	2,101
Profit before taxation									214,562
Taxation									(49,421)
Profit for the period									165,141

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

5. OTHER INCOME

	Six months ended 30 September **2006** *$'000*	2005 *$'000*
Interest income	**22,661**	17,477
Recovery of interest and legal expenses in connection with a court action against the vendor of a former associate	**–**	79,928
Write back of allowance for doubtful debts	**26,377**	4,501
Exchange gain on foreign currency	**6,554**	–
Increase in fair value of investments held for trading	**29,325**	–
	84,917	101,906

6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended 30 September **2006** *$'000*	2005 *$'000*
Depreciation of property, plant and equipment		
Owned assets	**5,508**	19,318
Less: Amount capitalised in respect of contracts in progress	**(1,473)**	(1,215)
	4,035	18,103
Decrease in fair value of investments held for trading	**–**	4,029
Decrease in fair value of conversion option embedded in loan receivable (included in other expenses)	**1,566**	–
Release of prepaid land lease payments	**287**	1,595
Allowance for doubtful debts	**18,000**	1,711
Share of taxation of associates (included in share of results of associates)	**7,283**	446
Share of taxation of jointly controlled entities (included in share of results of jointly controlled entities)	**–**	390

7. TAXATION

	Six months ended 30 September	
	2006	2005
	$'000	*$'000*
The charge comprises:		
Hong Kong Profits Tax:		
Current period	**–**	1,871
Underprovision in prior periods	**–**	3,197
	–	5,068
Overseas taxation:		
Current period	**3,194**	–
Underprovision in prior period	**–**	40,000
	3,194	40,000
Deferred taxation	**–**	4,353
Taxation attributable to the Company and its subsidiaries	**3,194**	49,421

Hong Kong Profits Tax is calculated at the rate of 17.5% (2005: 17.5%) of the estimated assessable profits for the period.

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

8. DISTRIBUTION

	Six months ended 30 September	
	2006	2005
	$'000	*$'000*
Dividends recognised as distributions to equity holders of the Company during the current period:		
Final dividend approved for 2006 – 1.5 ¢ (2005: 1.5 ¢) per share	**21,939**	20,380
Special dividend by way of distribution of the value derived from the Group's divestment of China Strategic Holdings Limited – 22.2 ¢ (2005: Nil) per share	**325,660**	–
Special dividend paid for current period – Nil (2005: 70.0 ¢) per share	**–**	957,177
	347,599	977,557
Dividends proposed:		
Interim dividend proposed for the current period – 1.5 ¢ (2005: 1.5 ¢) per share	**22,049**	20,380

The amount of the interim dividend proposed for the six months ended 30 September 2006, which will be in the form of cash with a scrip option, has been calculated by reference to the 1,469,955,166 issued shares as at the date of this report.

On 4 May 2006, the directors of the Company resolved to declare a special dividend by way of distribution ("PYI Distribution Scheme") of the value to be derived from the Group's divestment of China Strategic Holdings Limited ("China Strategic"), an associate of the Group as at 31 March 2006, to the Company's shareholders whose names appeared on the register of members of the Company on 26 May 2006 upon the completion of the group restructuring of China Strategic ("Group Restructuring").

On 19 May 2006, China Strategic completed the Group Restructuring which involved (i) the transfer of all the subsidiaries of China Strategic carrying on property development and investment holding business and investing in vessels for sand mining and all other associates of China Strategic carrying on manufacturing and marketing of tires and providing package tour, travel and other related services to Group Dragon Investments Limited ("GDI"), and (ii) the distribution in specie of shares in GDI ("GDI Share") to its shareholders, including the Group, on the basis of one GDI Share for every China Strategic consolidated share held.

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

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

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

(a) an aggregate of 4,979,616 Hanny Shares plus $8,963,000 in cash; and

(b) an aggregate face value of $276,737,000 Hanny Bonds.

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

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

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company for the period is based on the following data:

	Six months ended 30 September	
	2006	2005
	$'000	*$'000*
Earnings		
Profit for the period attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	**231,631**	149,280
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,448,234,817**	1,365,282,332
Effect of dilutive potential ordinary shares: Share options	**18,192,825**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,466,427,642**	1,365,282,332

No diluted earnings per share has been presented for the period ended 30 September 2005 as the exercise price of the Company's share options was higher than the average market price per share during that period.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of about $463,507,000 (2005: $7,848,000), which mainly represented assets related to liquid bulk logistics business located in Wuhan, the People's Republic of China (the "PRC"), through the acquisition of business. The Group also disposed of property, plant and equipment with an aggregate carrying value of about $1,318,000 (2005: $2,912,000).

11. PROJECT UNDER DEVELOPMENT

	30.9.2006	31.3.2006
	$'000	*$'000*
Land and sea use rights	**1,634,110**	1,649,337
Development costs	**407,380**	309,532
	2,041,490	1,958,869

The amount relates to a development project in Jiangsu Province, the PRC. The Group is undergoing the reclamation of certain parcels of land from the sea for development for future sale. According to the land/sea area use certificates, the land/sea area use rights are granted for a term of not less than 50 years commencing 2004. The project development will not be completed within the normal business cycle and, accordingly, the amount is classified as non-current.

12. INTERESTS IN ASSOCIATES

	30.9.2006	31.3.2006
	$'000	*$'000*
		(restated)
Cost of investment in associates, less impairment:		
Listed shares in Hong Kong (note (a) below)	**–**	513,192
Unlisted investment in the PRC (note (b) below)	**433,569**	–
Other unlisted investments	**65,147**	64,985
	498,716	578,177
Discount on acquisition released to income statement	**145,023**	–
Share of post-acquisition profits (losses), net of dividends received	**746**	(166,720)
	644,485	411,457
Market value of listed shares in Hong Kong	**–**	258,820

Notes:

(a) The listed shares in Hong Kong as at 31 March 2006 represented the Group's 29.36% equity interest in China Strategic. The Group's share of net assets in China Strategic as at 31 March 2006 was calculated based on the net assets of China Strategic at 31 December 2005 as shown in its latest published annual report.

On 14 March 2006, China Strategic, Hanny and certain others announced a proposed Group Restructuring by China Strategic, and the Company and Hanny entered into a conditional sale and purchase agreement with an independent third party for the disposal of a 15.32% equity interest in China Strategic (the "Disposal") by each of the Company and Hanny for a consideration of $26,055,000 each. The Disposal was conditional upon, inter alia, the completion of capital reorganisation and Group Restructuring of China Strategic. Details of the Group Restructuring of China Strategic and the declaration by the Company of an in specie distribution of the value derived from the Group's divestment of China Strategic to the Company's shareholders are set out in note 8.

During the period, the Disposal was completed and the Group's interest decreased from 29.36% to 14.04% as at 30 September 2006. The Group's interest in the shares of China Strategic was classified as investments held for trading as at 30 September 2006.

(b) The unlisted investment in the PRC represents 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 as at 30 September 2006. 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. According to an agreement entered into by the Group on 12 August 2005 to participate into the assets reorganisation of Nantong Port Group (the " Assets Reorganisation Agreement"), the Group would inject about RMB435 million (about $433,569,000) in cash into Nantong Port Group in return for a 45% interest in its registered capital.

In September 2006, the Group had completed the capital contribution upon fulfilment of certain conditions as stated in the agreement. No profit or loss of Nantong Port Group was shared by the Group during the current period. Discount arising on the acquisition of about $145,023,000, being the excess in the Group's share of the fair values of Nantong Port Group's net identifiable assets over the cost of acquisition, has been recognised in the income statement during the current period.

As at 31 March 2006, Nantong Port Group still had not accomplished certain major conditions prescribed in the Asset Reorganisation Agreement, including the assets reorganisation and net assets value due diligence review of Nantong Port Group. As stipulated in the Assets Reorganisation Agreement and certain supplementary agreements entered with the Nantong Port Group, the Group was not entitled to appropriation of results and voting power of Nantong Port Group until injection of all committed capital contribution into Nantong Port Group. In this regard, the amount incurred and paid to Nantong Port Group of about $160,211,000 as at 31 March 2006, which mainly represented an earnest money deposit paid to Nantong Port Group, was reclassified from interests in associates to deposit for acquisition of an associate.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

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

The following is an aged analysis of trade debtors at the reporting date:

	30.9.2006	31.3.2006
	$'000	*$'000*
Within 90 days	**555,224**	504,584
More than 90 days and within 180 days	**3,465**	13,704
More than 180 days	**48,998**	54,510
	607,687	572,798

14. CREDITORS AND ACCRUED EXPENSES

The following is an aged analysis of trade creditors at the reporting date:

	30.9.2006	31.3.2006
	$'000	*$'000*
Within 90 days	**226,675**	312,038
More than 90 days and within 180 days	**12,644**	22,037
More than 180 days	**8,872**	13,085
	248,191	347,160

15. SHARE CAPITAL

	Number of shares	Value $'000
Ordinary shares of $0.10 each:		
Authorised:		
At 1 April 2006 and 30 September 2006	3,000,000,000	300,000
Issued and fully paid:		
At 1 April 2006	1,378,799,910	137,880
Issue of new shares *(Note)*	68,500,000	6,850
Issue of shares under share options schemes	17,344,000	1,734
Shares repurchased	(2,000,000)	(200)
	1,462,643,910	146,264

Note:

On 8 May 2006, the Company issued and allotted 68,500,000 ordinary shares at a fair price of $2.91315 per share to a then minority shareholder of a 90.1% owned subsidiary of the Company, which is holding the investment in the Yangkou Port project. The allotted shares represent the consideration paid by the Group to acquire the remaining 9.9% interest from the then minority shareholder in the subsidiary. Details of the above transaction are set out in the Company's announcement dated 11 April 2006.

During the period, the Company granted 30,600,000 share options to the directors and the employees at an exercise price ranging from $2.43 to $3.50, and the fair value of the share options granted during the period was about $20,978,000. The share options granted are subject to vesting period from zero to two years.

INTERIM DIVIDEND

The Board has resolved to pay an interim dividend of 1.5 ¢ per share for the six months ended 30 September 2006 (2005: 1.5 ¢ per share) to shareholders whose names appear on the register of members of PYI as at the close of business on 10 January 2007. The interim dividend is expected to be paid to shareholders by post on or around 9 February 2007.

The Board has also proposed that the interim dividend should be satisfied in cash, with an option to elect scrip in respect of all or part of such dividend. The market value of the shares to be issued under the scrip dividend proposal will be fixed by reference to the average of the close prices of the Company's shares for the three consecutive trading days ending 10 January 2007 less a discount of five per cent. of such average price or to the par value of the shares, whichever is the higher. The proposed scrip dividend is conditional upon The Stock Exchange of Hong Kong Limited granting listing of, and permission to deal in, the new shares. A circular giving full details of the scrip dividend proposal and a form of election will be sent to shareholders in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of PYI will be closed during the period from 8 January 2007 to 10 January 2007, both dates inclusive, during which period no transfer of share(s) of PYI will be effected. In order to qualify for the interim dividend, all transfer of share(s), accompanied by the relevant share certificate(s) with the completed transfer form(s) with overleaf or separately, must be lodged with PYI's share registrars in Hong Kong, Secretaries Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 5 January 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE AND POSITIONS

For the six months period under review, the Group recorded a consolidated turnover of about $1,706 million (2005: $1,792 million), representing a decrease of about 5% when compared with that of last corresponding period. The decrease was mainly attributable to the decrease in the Group's business in treasury investment.

The Group's gross margin percentage slightly decreased by 1% to some $121 million (2005: $146 million), representing a gross margin of 7% of the consolidated turnover. Profit before taxation of some $254 million was achieved as compared with some $215 million for same period last year. The Group's profit before taxation comprised:

(i) net gain of about $33 million in construction and other contracting businesses (2005: $57 million);
(ii) net gain of about $75 million in treasury investment (2005: $34 million);
(iii) net gain of about $1 million in property investment (2005: $100 million of which $85 million attributable to increase in fair value of investment properties);
(iv) interest income and other income of about $23 million (2005: $97 million);
(v) negative goodwill arising on acquisition of interest in an associate engaged in the operation of Nantong Port Group of about $145 million (2005: Nil);
(vi) gain on disposal of interest in an associate of about $5 million (2005: Nil)
(vii) net corporate expenses of about $54 million (2005: $70 million).
(viii) finance costs of about $7 million (2005: $6 million); and
(ix) net gain of about $33 million (2005: $3 million) from associates and jointly controlled entities.

Net profit for the period attributable to the shareholders of PYI was about $232 million (2005: $149 million) and basic earnings per share was 16.0 ¢ (2005: 10.9 ¢).

When compared with the Group's financial positions as at 31 March 2006, total assets increased by 9% to about $6,515 million and net current assets decreased by 36% to about $823 million. This was mainly attributed by the Group's further capital injection into the developing projects of the port and infrastructure development business segment. Consequently, current assets decreased from 1.7 times to 1.4 times of current liabilities. After accounting for the net profit of about $232 million net of dividends paid/declared of about $348 million, equity attributable to shareholders of PYI decreased by 1% to about $2,547 million representing $1.74 per share as at 30 September 2006 (31.3.2006: $1.86 per share).

Net cash inflow from operating activities was about $163 million, and net cash outflow in respect of investing and financing activities was about $177 million, resulting in a net decrease in available cash and cash equivalents of about $14 million for the period under review.

REVIEW OF OPERATIONS

Port & Infrastructure

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

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

Development of Yangkou Port, the Group's flagship deep sea port project located at the mouth of the Yangtze River, is progressing well. In April 2006, PYI raised its stake in Yangkou Port to 75%, which underscores its commitment in developing the port into a trans-shipment hub in the Yangtze River Delta. In May 2006, the Group entered into collaboration with PetroChina for conducting preliminary engineering works for the development of a liquefied natural gas (LNG) receiving station at the port.

Nantong Port Group, in which the Group acquired a 45% stake, has been growing strongly. The expansion of the Langshan Terminal was completed in July 2006, effectively increasing its throughput capacity by an impressive 54% to nearly 50 million tonnes.

In May 2006, the Group acquired Minsheng Gas, the business of a mature liquefied petroleum gas (LPG) operator located in Wuhan with proven logistics and operational capabilities. In addition to a market share of about 40% in Wuhan's LPG market, Minsheng Gas also gives the Group a foothold in the fast growing oil and gas logistics sectors in Central China. With a large business stream in converting motor vehicles to LPG, Minsheng Gas is effectively creating its own market and driving demand; while simultaneously supporting national environmental protection policies encouraging the use of LPG as energy.

The acquisitions of Nantong Port Group and Minsheng Gas have provided the Group with professional expertise and on-the-ground operational experience in both dry and liquid bulk cargo operations, which in turn, complement the development of Yangkou Port Group. The strategic locations of these investments and the synergy derived from their operations represent key components of the Group's vision to become a regional ports player.

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

Paul Y Engineering

Paul Y Engineering Group Limited, an international engineering services group, celebrated its 60 years of excellence in building Hong Kong in November 2006. Established in 1946, Paul Y Engineering provides integrated solutions to its clients via its three core business, management contracting, project management and facilities management. It continues to build on solid foundations to improve the quality and recurring nature of contract margins.

Paul Y Engineering and its subsidiaries (the "Paul Y Engineering Group") achieved gross profit of $82 million during the period under review (2005: $98 million). Net profit attributable to shareholders rose by 18% to $54 million (2005: $46 million).

The management contracting division remains the major contributor of profit to the Paul Y Engineering Group, while the project management and facilities management divisions have developed sustainable momentum. During the period under review, new construction contracts amounting to $117 million were secured. As at the period end, the value of contracts on hand was $8,535 million and the value of work remaining was $4,614 million. Subsequent to the period end, the division has secured further contracts of $4,131 million.

Property Development & Investment

Property investment contributed about $1 million (2005: $100 million of which $85 million attributable to increase in fair value of investment properties) to operating profit for the six months ended 30 September 2006.

After the disposal of Paul Y. Centre in the prior financial year, the Group still holds one property, namely M Bux Tower, an industrial building located in Kwai Chung, Hong Kong, with a book cost of $78 million as at the period end (31.3.2006: $78 million). The value of this property was equivalent to about 1% of the Group's total assets as at 30 September 2006. In order to capture the increasing demand in property market, PYI has commenced property development activity at Yangkou Port.

Treasury Investment
The treasury investment business contributed about $75 million (2005: $34 million) towards operating profit during the six months ended 30 September 2006.

Total value of the Group's investment securities portfolio amounted to about $113 million as at 30 September 2006 (31.3.2006: $162 million), representing about 2% of the Group's total assets.

OUTLOOK

It appears that China will continue steaming ahead with strong growth which sets to remain steady for the remaining six months ending 31 March 2007. Such growth, coupled with increasing levels of international trade, has spiked demand for essential raw materials, construction materials and energy resources.

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

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

Having acquired operational expertise in both dry and liquid bulk cargo, PYI is exploring opportunities for further acquisitions in order to increase our critical mass in the Yangtze River Delta. In the last quarter of this financial year, it is crucial for PYI to secure the development of an LNG import facility in Yangkon Port as well as to pursue acquisitions of strategic port assets in the Yangtze Delta.

PYI is fully committed to deploying its professional capabilities and operational resources to participate in China's ports and logistics sector, and to achieve our vision of becoming the major bulk cargo port investor and operator in the Yangtze Region.

MATERIAL ACQUISITION AND DISPOSAL

Acquisition of 45% equity interest in Nantong Port Group
On 12 August 2005, the Group entered into a conditional agreement to invest an amount of about RMB435 million in Nantong Port Group. As at 30 September 2006, the Group had completed the capital contribution and holds a 45% interest in Nantong Port Group. Nantong Port Group is the core port enterprise who owns four major terminals at Nantong Port. Being a major port located in Nantong, Jiangsu Province, China, Nantong Port situates close to the mouth of the Yangtze River. It is also a category one national port open to foreign trade and a hub port of the country.

Acquisition of a further 7.4% indirect interest in Yangkou Port project
During the current period, the Group further increased its indirect interest in the Yangkou Port project from 67.6% to 75% by acquiring the remaining 9.9% interest of Global Achiever Limited, an investment holding company of the Yangkou Port project subsidiaries, held by a then minority shareholder at a consideration wholly satisfied by the issue of 68.5 million new shares of PYI at an issue price of $2.45 each.

Acquisition of assets by Hubei Minsheng LPG
To further pursue liquid bulk terminal opportunities and enhance its capabilities in this business sector, on 12 May 2006, the Group entered into an asset acquisition agreement to acquire assets related to a liquid bulk logistics business in Wuhan, PRC, including LPG storage facilities, terminal and jetty, filing stations and equipment. The consideration to be paid by the Group for the acquisition was RMB470 million, comprising RMB350 million in cash and RMB120 million in convertible note issued by PYI at a conversion price of $4.25 per share. The LPG terminal in Wuhan not only provides the Group with a new operating skill base, but also an initial foothold in Central China.

Divestment in China Strategic
During the current period, the Group completed its disposal of a 15.32% interest in China Strategic Holdings Limited in cash at a consideration of $26 million. The remaining 62 million consolidated shares of China Strategic were classified as investment held for trading as at 30 September 2006.

MAJOR SUBSEQUENT EVENT

Disposal of M Bux Tower
Subsequent to the period under review, in November 2006, the Group entered into an agreement to sell M Bux Tower, an industrial building located in Kwai Chung, Hong Kong, for the sum of $98 million in cash. The sale price represented a premium of about $20 million over book value. The disposal of M Bux Tower marks the completion of the Group's divestment programme, allowing it to focus its future business on developing its regional port strategy in the Yangtze River Delta.

LIQUIDITY AND CAPITAL RESOURCES

The Group continues to adopt a prudent funding and treasury policy with regard to its overall business operations. A variety of credit facilities are maintained to meet its working capital requirements and committed capital expenditures. The loans of the Group bear interest at market rates and are with terms of repayment ranging from one year to five years. In effort to minimize the adverse impact of exchange rate and interest rate fluctuation on the Group's earnings, assets and liabilities, the Group continues to manage the fluctuation exposures on specific transactions.

As at 30 September 2006, the Group's total borrowings amounted to about $876 million (31.3.2006: $688 million) with $462 million (31.3.2006: $523 million) repayable within one year and $414 million (31.3.2006: $165 million) repayable after one year. Out of the Group's total borrowings of about $876 million as at 30 September 2006, about $282 million was non-recourse to the Group (excluding the Paul Y. Engineering Group).

As at 30 September 2006, $366 million (31.3.2006: $404 million) of the Group's borrowings bore interest at floating rates and were denominated in Hong Kong dollars, $441 million (31.3.2006: $142 million) of the Group's borrowings bore interest at floating rates and were denominated in Renminbi, and $69 million (31.03.2006: $142 million) of the Group's borrowings bore interest at a fixed rate and were denominated in Renminbi. The Group's gearing ratio was 0.34 (31.3.2006: 0.27) which is calculated based on the total borrowings of $876 million (31.3.2006: $688 million) and the Group's shareholders fund of $2,547 million (31.3.2006: $2,571 million).

Cash balances at 30 September 2006 amounted to about $705 million (31.3.2006: $785 million) of which about $49 million (31.3.2006: $119 million) has been pledged to banks to secure general credit facilities granted to the Group. At the period end, the Group has a net debt position (being cash balances net of bank borrowings) of $44 million (31.3.2006: net cash of $313 million).

During the current period, PYI issued and allotted 68,500,000 ordinary shares to a then minority shareholder in a 90.1% owned subsidiary of PYI as the consideration to acquire from it the remaining 9.9% interest in the subsidiary. Details of the transaction were set out in the "Material Acquisition and Disposal" section above.

On 12 May 2006, a wholly-owned subsidiary of PYI entered into an asset acquisition agreement to acquire assets related to liquid bulk logistics business in Wuhan, the PRC, including LPG storage facilities, terminal and jetty, filling stations and equipment. The total consideration payable by the Group amounts to RMB470 million (equivalent to about $463 million), with RMB350 million in cash and RMB120 million by issuance of a zero coupon, 3-year convertible note of PYI of a principal amount denominated in Hong Kong dollars and at a conversion price of $4.25 per share. During the current period, the Group negotiated a 7-year bank term loan in principal amount of RMB300 million as the primary facility to finance the acquisition. As at 30 September 2006, the Group utilized the bank term loan in an aggregate amount of RMB253 million. The issuance of the convertible note was conditional upon the fulfillment of certain conditions as stated in the agreement, which was not completed as at 30 September 2006. Details of the above transaction were set out in PYI's announcement and circular dated 12 May 2006 and 2 June 2006, respectively.

CONTINGENT LIABILITIES

As at 30 September 2006, the Group has contingent liabilities in respect of guarantee given to a bank for banking facilities given to an associate of about $9 million (31.3.2006: $9 million) which was non-recourse to the Group (excluding the Paul Y. Engineering Group).

The Group has provided rental guarantee ("Rental Guarantee") in favor of the purchaser of Paul Y. Centre. Under the Rental Guarantee, the Group has guaranteed that the net rental for each of the three years commencing from 20 January 2006 ("Guaranteed Period") would not be less than $48 million. The Group is entitled to receive 30% of any excess of the net annual rental of the Guaranteed Period received over $48 million. In the opinion of the directors, the fair value of the liabilities in relation to the Rental Guarantee arrangement is insignificant as at 30 September 2006.

PLEDGE OF ASSETS

As at 30 September 2006, certain of the Group's properties, plant and equipment; land and sea use rights; properties held for sale; bank deposits; and investment held for trading with an aggregate value of about $725 million (31.3.2006: $319 million), and benefits under certain construction contracts have been pledged to banks and financial institutions to secure general credit facilities granted to the Group. About $49 million (31.3.2006: $76 million) of the pledged assets as at 30 September 2006 were pledged to secure credit facilities which were non-recourse to the Group (excluding the Paul Y Engineering Group).

COMMITMENTS

As at 30 September 2006, 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 equity investment in the amount of about $372 million (31.3.2006: $92 million).

HUMAN RESOURCES

At the end of the period under review, the Group employed a total of about 1,536 full-time employees, of which about 1,220 were employed by Paul Y Engineering (30.9.2005: 1,235 employees). Remuneration packages consisted of salary as well as performance-based and equity-based bonuses. PYI has already implemented three share-related incentive schemes to provide alternative means to motivate employees and promote their loyalty in line with the Group's business strategy. Such schemes benefited PYI staff both in Hong Kong and the Mainland.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the period, PYI had purchased a total of 2,000,000 ordinary shares of PYI on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate price of $4,365,180, representing an average price of $2.18 paid for each share purchased. All these shares were cancelled upon repurchase.

CORPORATE GOVERNANCE

PYI has complied with all applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the period ended 30 September 2006.

During the period under review, the Board welcomed the appointment of Mr Bowen Joseph Leung Po Wing *GBS, JP*, as an independent non-executive director in August 2006. Mr Leung brings with him a wealth of experience and a strong network that will contribute immensely to the effectiveness of the Board. Full biographical details of PYI's directors are set out on PYI's website (www.pyicorp.com).

Other than the appointment of Mr Bowen Joseph Leung Po Wing as a member to each of the audit committee and remuneration committee on 1 August 2006, the composition of all the Board committees remains the same as set out in the Corporate Governance Report on pages 42 to 53 of the PYI's annual report dated 7 July 2006.

Taking into account the code provisions as well as recommended best practices on internal controls under the CG Code, the Board has initiated proactive steps, including the seeking of external advisory assistance, to review the effectiveness of PYI's system of internal controls in all material areas covering financial, operational and compliance controls and risk management functions.

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

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

INTERIM REPORT

The interim report 2007 containing all the information required by Appendix 16 of the Listing Rules will be published on the websites of PYI and the Stock Exchange and despatched to shareholders in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the following are the directors of PYI:

Dr Chow Ming Kuen, Joseph *OBE, JP*	:	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 *GBS, JP*	:	Independent Non-Executive Director

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

Hong Kong, 14 December 2006

Please also refer to the published version of this announcement in The Standard.