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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)*

## 2011 INTERIM RESULTS

The board of directors (the "Board") of PYI Corporation Limited ("PYI" or the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2010.

## FINANCIAL HIGHLIGHTS

| | 9/2010 | Change |
|---|---|---|
| Turnover | $2,557 million | +24% |
| Gross profit | $191 million | — |
| Profit attributable to shareholders | $178 million | +54% |
| EPS | 3.9 cents | +34% |
| Shareholders' funds | $4,381 million | +6% |
| NAV per share | $0.97 | +7% |

# RESULTS

## CONDENSED CONSOLIDATED INCOME STATEMENT

***For the six months ended 30 September 2010***

| | Notes | **Unaudited Six months ended 30 September 2010 $'000** | 2009 $'000 |
|---|---|---|---|
| Turnover | *3* | **2,557,029** | 2,067,774 |
| Cost of sales | | **(2,366,248)** | (1,876,615) |
| Gross profit | | **190,781** | 191,159 |
| Other income | *4* | **17,528** | 3,076 |
| Other gains and losses | *5* | **2,703** | 3,792 |
| Administrative expenses | | **(141,810)** | (132,838) |
| Distribution and selling expenses | | **(42,128)** | (27,981) |
| Other expenses | | **(8,435)** | (23,718) |
| Finance costs | *6* | **(43,084)** | (34,239) |
| Gain on fair value changes of investment properties | *12* | **297,102** | 365,494 |
| Share of results of associates | | **117,145** | 17,662 |
| Share of results of jointly controlled entities | | **(221)** | 5 |
| Profit before taxation | *7* | **389,581** | 362,412 |
| Taxation | *8* | **(128,753)** | (184,204) |
| Profit for the period | | **260,828** | 178,208 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | **178,124** | 115,593 |
| Non-controlling interests | | **82,704** | 62,615 |
| | | **260,828** | 178,208 |
| Basic and diluted earnings per share | *9* | **3.9 cents** | 2.9 cents |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
***For the six months ended 30 September 2010***

| | Unaudited Six months ended 30 September | |
|---|---|---|
| | **2010** | 2009 |
| | ***$'000*** | *$'000* |
| Profit for the period | **260,828** | 178,208 |
| OTHER COMPREHENSIVE INCOME | | |
| Exchange differences arising from translation of foreign operations | **99,191** | 3,998 |
| (Loss) gain on fair value changes of available-for-sale investments | **(58)** | 71 |
| Reclassification adjustment on disposal of available-for-sale investments | **(66)** | – |
| Other comprehensive income for the period | **99,067** | 4,069 |
| Total comprehensive income for the period | **359,895** | 182,277 |
| Total comprehensive income for the period attributable to: | | |
| Owners of the Company | **250,146** | 118,918 |
| Non-controlling interests | **109,749** | 63,359 |
| | **359,895** | 182,277 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
***As at 30 September 2010***

| | *Notes* | **Unaudited 30.9.2010 *$'000*** | Audited 31.3.2010 *$'000* |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | *11* | **2,279,663** | 2,136,213 |
| Investment properties | *12* | **3,067,824** | 2,577,880 |
| Project under development | *13* | **1,536,798** | 1,861,739 |
| Prepaid lease payments | | **309,436** | 300,679 |
| Goodwill | | **61,646** | 61,646 |
| Other intangible assets | | **174,392** | 178,837 |
| Interests in associates | *14* | **1,065,790** | 896,775 |
| Interests in jointly controlled entities | | **952** | – |
| Available-for-sale investments | | **759** | 1,262 |
| Loans receivable – due after one year | | **—** | 35,003 |
| Other debtors – non-current portion | | **170,313** | 129,486 |
| | | **8,667,573** | 8,179,520 |
| CURRENT ASSETS | | | |
| Stock of properties | *15* | **2,319,375** | 1,853,812 |
| Prepaid lease payments | | **4,140** | 4,075 |
| Inventories of finished goods | | **40,214** | 12,085 |
| Loans receivable – due within one year | | **112,375** | 232,127 |
| Amounts due from associates | | **27,143** | 26,133 |
| Amounts due from non-controlling interests | | **1,159** | 1,138 |
| Amounts due from customers for contract works | | **218,205** | 203,794 |
| Trade and other debtors, deposits and prepayments | *16* | **2,169,127** | 2,409,614 |
| Investments held for trading | | **34,561** | 44,051 |
| Available-for-sale investments | | **81** | 84 |
| Taxation recoverable | | **—** | 41,953 |
| Pledged bank deposits | | **15,427** | 33,582 |
| Short term bank deposits | | **468,562** | 350,972 |
| Bank balances and cash | | **574,115** | 648,060 |
| | | **5,984,484** | 5,861,480 |
| CURRENT LIABILITIES | | | |
| Amounts due to customers for contract works | | **1,102,795** | 962,813 |
| Trade and other creditors and accrued expenses | *17* | **1,762,995** | 1,904,888 |
| Deposits received for pre-sale properties | | **449,867** | 279,088 |
| Amounts due to associates | | **43,748** | 42,939 |
| Amounts due to non-controlling interests | | **23,690** | 51,602 |
| Amounts due to related companies | | **3,776** | 89,488 |
| Taxation payable | | **64,687** | 66,421 |
| Bank and other borrowings – due within one year | *18* | **1,418,027** | 1,322,464 |
| Convertible notes payable | | — | 138,189 |
| | | **4,869,585** | 4,857,892 |
| NET CURRENT ASSETS | | **1,114,899** | 1,003,588 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **9,782,472** | 9,183,108 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
### *As at 30 September 2010*

| | Notes | **Unaudited 30.9.2010 $'000** | Audited 31.3.2010 $'000 |
|---|---|---|---|
| NON-CURRENT LIABILITIES | | | |
| Bank and other borrowings – due after one year | 18 | **1,518,366** | 1,465,358 |
| Amounts due to non-controlling interests | | **20,857** | 20,478 |
| Deferred tax liabilities | 19 | **2,055,634** | 1,893,983 |
| Deferred income | | **52,608** | 47,862 |
| Other payables | | **91,741** | 97,937 |
| | | **3,739,206** | 3,525,618 |
| | | **6,043,266** | 5,657,490 |
| CAPITAL AND RESERVES | | | |
| Share capital | 20 | **452,913** | 452,913 |
| Reserves | | **3,928,085** | 3,676,766 |
| Equity attributable to owners of the Company | | **4,380,998** | 4,129,679 |
| Non-controlling interests | | **1,662,268** | 1,527,811 |
| TOTAL EQUITY | | **6,043,266** | 5,657,490 |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
### *For the six months ended 30 September 2010*

| | **Unaudited Six months ended 30 September** | |
|---|---|---|
| | **2010 $'000** | 2009 $'000 |
| Net cash from operating activities | **422,914** | 122,853 |
| Net cash used in investing activities | **(343,922)** | (125,676) |
| Net cash used in financing activities | **(40,486)** | (22,148) |
| Net increase (decrease) in cash and cash equivalents | **38,506** | (24,971) |
| Effect of foreign exchange rate changes | **5,139** | 505 |
| Cash and cash equivalents brought forward | **999,032** | 738,680 |
| Cash and cash equivalents carried forward | **1,042,677** | 714,214 |
| Analysis of the balances of cash and cash equivalents | | |
| Short term bank deposits | **468,562** | 228,066 |
| Bank balances and cash | **574,115** | 486,148 |
| | **1,042,677** | 714,214 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### *1. Basis of preparation*

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

### *2. Principal accounting policies*

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

Other than as set out below, the accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010.

***Acquisition of additional interests in associates***

On acquisition of additional interest in an existing associate whereby the Group continues to have significant influence but not gaining control, the cost of acquiring the additional interest is added to the carrying value of the associate. Goodwill or gain arising on the purchase of the additional interest is calculated as the difference between the cost of the additional interest acquired and the share of the net fair value of all identifiable assets and liabilities of the associate attributable to the additional interest acquired.

***Investment properties under development***

Land under development for future use as investment properties are recognised and classified as investment properties upon the commencement of land leveling process. Construction costs incurred for development are capitalised as part of the carrying amount of the land under development. Land under development is measured at fair value at the end of the reporting period. Any difference between the fair value of the land under development and its carrying amount is recognised in profit or loss in the period in which they arise.

***Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective in the current period***

In the current interim period, the Group has applied, for the first time, the following new and revised amendments and interpretation ("new and revised HKFRSs") issued by the HKICPA.

| | |
|---|---|
| HKFRSs (Amendments) | Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009 |
| HKAS 32 (Amendment) | Classification of Rights Issues |
| HKAS 39 (Amendment) | Eligible Hedged Items |
| HKFRS 1 (Amendment) | Additional Exemptions for First-time Adopters |
| HKFRS 2 (Amendment) | Group Cash-settled Share-based Payment Transactions |
| HK(IFRIC) - Int 17 | Distributions of Non-cash Assets to Owners |

The application of these new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

## 2. *Principal accounting policies - continued*

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs 2010[1] |
| HKAS 24 (Revised) | Related Party Disclosures[3] |
| HKFRS 1 (Amendment) | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2] |
| HKFRS 7 (Amendment) | Disclosures - Transfers of Financial Assets[4] |
| HKFRS 9 | Financial Instruments[5] |
| HK(IFRIC)-Int 14 (Amendment) | Prepayments of a Minimum Funding Requirement[3] |
| HK(IFRIC)-Int 19 | Extinguishing Financial Liabilities with Equity Instruments[2] |

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] 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 from 1 January 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 other new and revised standards, amendments or interpretations will have no material impact on the condensed consolidated financial statements of the Group.

## 3. *Segment information*

The operating segments of the Group, based on information reported to the Group's chief operating decision maker (the Managing Director of the Company) for the purposes of resources allocation and performance assessment, are 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 before interest expense and tax ("EBIT").

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

## 3. *Segment information - continued*

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

Six months ended 30 September 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 | **2,230,921** | **33,027** | **268,680** | **17,456** | **6,945** | **2,557,029** | **-** | **2,557,029** |
| Inter-segment revenue | **733** | **-** | **-** | **117** | **-** | **850** | **(850)** | **-** |
| Total | **2,231,654** | **33,027** | **268,680** | **17,573** | **6,945** | **2,557,879** | **(850)** | **2,557,029** |
| **EBITDA*** | **29,103** | **313,474** | **158,581** | **18,213** | **1,575** | **520,946** | **(5,872)** | **515,074** |
| Depreciation and amortisation | **(7,421)** | **(13,992)** | **(28,485)** | **(232)** | **(1)** | **(50,131)** | **-** | **(50,131)** |
| **Segment result - EBIT** | **21,682** | **299,482** | **130,096** | **17,981** | **1,574** | **470,815** | **(5,872)** | **464,943** |
| Corporate and other expenses** | | | | | | | | **(32,278)** |
| Finance costs | | | | | | | | **(43,084)** |
| Profit before taxation | | | | | | | | **389,581** |
| Taxation | | | | | | | | **(128,753)** |
| Profit for the period | | | | | | | | **260,828** |

Six months ended 30 September 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 | 1,804,754 | 82,221 | 99,750 | 62,783 | 18,266 | 2,067,774 | - | 2,067,774 |
| Inter-segment revenue | 30,117 | - | - | 232 | - | 30,349 | (30,349) | - |
| Total | 1,834,871 | 82,221 | 99,750 | 63,015 | 18,266 | 2,098,123 | (30,349) | 2,067,774 |
| **EBITDA*** | 33,334 | 384,476 | 37,841 | 37,634 | 16,873 | 510,158 | (5,467) | 504,691 |
| Depreciation and amortisation | (4,265) | (32,921) | (16,376) | (254) | (1) | (53,817) | - | (53,817) |
| **Segment result – EBIT** | 29,069 | 351,555 | 21,465 | 37,380 | 16,872 | 456,341 | (5,467) | 450,874 |
| Corporate and other expenses** | | | | | | | | (54,223) |
| Finance costs | | | | | | | | (34,239) |
| Profit before taxation | | | | | | | | 362,412 |
| Taxation | | | | | | | | (184,204) |
| Profit for the period | | | | | | | | 178,208 |

* "EBITDA" is defined as earnings before interest expense, tax, depreciation and amortisation.
** Including acquisition – related costs of about $8,435,000 (2009: $17,542,000).

### 3. *Segment information - continued*

Segment assets comprise assets of the operating subsidiaries that engaged in different businesses. Accordingly, segment assets exclude corporate assets which are mainly bank balances and cash and other receivables.

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

| | **Unaudited 30.9.2010 *$'000*** | Audited 31.3.2010 *$'000* |
|---|---|---|
| Paul Y. Engineering Group | **2,805,205** | 2,548,890 |
| Ports development | **5,299,678** | 5,528,722 |
| Ports and logistics | **3,179,793** | 2,861,514 |
| Property | **3,239,063** | 2,664,253 |
| Treasury | **147,821** | 242,367 |
| Total segment assets | **14,671,560** | 13,845,746 |
| Eliminations | **(165,324)** | (153,811) |
| Unallocated assets | **145,821** | 349,065 |
| Consolidated total assets | **14,652,057** | 14,041,000 |

### 4. *Other income*

The following items are included in other income:

| | **Unaudited Six months ended 30 September** | |
|---|---|---|
| | **2010 *$'000*** | 2009 *$'000* |
| Other interest income | **2,510** | 2,425 |
| Rental income from leasing of stock of properties | **15,018** | – |

### 5. *Other gains and losses*

| | **Unaudited Six months ended 30 September** | |
|---|---|---|
| | **2010 *$'000*** | 2009 *$'000* |
| Change in fair value of investments held for trading | **(3,938 )** | 4,570 |
| Gain on disposal of prepaid lease payments and related other intangible assets | **4,052** | – |
| Gain on disposal of available-for-sale investments | **47** | – |
| Gain (loss) on disposal of property, plant and equipment | **171** | (67) |
| Impairment loss recovered (recognised) on receivables | **2,371** | (711) |
| | **2,703** | 3,792 |

## 6. Finance costs

| | Unaudited Six months ended 30 September 2010 $'000 | 2009 $'000 |
|---|---|---|
| Borrowing costs on: | | |
| Bank borrowings wholly repayable within five years | **67,276** | 78,732 |
| Bank borrowings not wholly repayable within five years | **7,776** | 2,617 |
| Amounts due to non-controlling interests wholly repayable within five years | **314** | 1,541 |
| Amounts due to non-controlling interests not wholly repayable within five years | **115** | – |
| Imputed interest expense on other payables | **1,322** | – |
| Effective interest on convertible notes wholly repayable within five years | **548** | 4,555 |
| Other borrowings wholly repayable within five years | **8,362** | 6,164 |
| | **85,713** | 93,609 |
| Less: Amount capitalised in respect of contracts in progress | **(175)** | (434) |
| Amount capitalised in respect of property, plant and equipment | **(9,683)** | (4,158) |
| Amount capitalised in respect of project under development | **(15,843)** | (37,155) |
| Amount capitalised in respect of stock of properties | **(16,928)** | (17,623) |
| | **43,084** | 34,239 |

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

## 7. Profit before taxation

| | Unaudited Six months ended 30 September 2010 $'000 | 2009 $'000 |
|---|---|---|
| Profit before taxation has been arrived at after charging (crediting): | | |
| Amortisation of intangible assets (included in distribution and selling expenses and administrative expenses) | **6,317** | 785 |
| Cost of construction works recognised as an expense | **2,136,722** | 1,716,166 |
| Cost of inventories recognised as an expense | **145,098** | 124,641 |
| Depreciation of property, plant and equipment | | |
| Amount provided for the period | **46,040** | 56,126 |
| Less: Amount capitalised in respect of contracts in progress | **(626)** | (1,484) |
| Amount capitalised in respect of property, plant and equipment | **(127)** | (45) |
| Amount capitalised in respect of project under development | **(221)** | (529) |
| Amount capitalised in respect of stock of properties | **(1,252)** | (1,036) |
| | **43,814** | 53,032 |
| Total interest income (included in turnover and other income) | **(9,455)** | (20,691) |
| Release of prepaid lease payments | **2,045** | 1,193 |

## 8. *Taxation*

| | Unaudited Six months ended 30 September | |
|---|---|---|
| | **2010** | 2009 |
| | ***$'000*** | *$'000* |
| The charge comprises: | | |
| Taxation arising in jurisdictions outside Hong Kong: | | |
| Current period | **4,114** | 10,961 |
| (Over)underprovision in prior periods | **(447)** | 76 |
| | **3,667** | 11,037 |
| Deferred taxation (note 19) | | |
| The People's Republic of China (the "PRC") | | |
| Land Appreciation Tax ("LAT") | **70,671** | 109,648 |
| Others | **54,415** | 63,519 |
| | **125,086** | 173,167 |
| Taxation attributable to the Company and its subsidiaries | **128,753** | 184,204 |

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

Under the Law of the PRC 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 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.

## *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:

| | **Unaudited Six months ended 30 September** | |
|---|---|---|
| | **2010** **$'000** | 2009 *$'000* |
| Earnings attributable to owners of the Company for the purposes of basic and diluted earnings per share | **178,124** | 115,593 |

| | **2010 Number of shares** | 2009 Number of shares |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share | **4,529,125,134** | 3,989,012,759 |

The potential ordinary shares attributable to the share options and convertible notes have anti-dilutive effect for both periods.

The weighted average number of ordinary shares for the calculation of basic and diluted earnings per share for the six months ended 30 September 2009 have been adjusted for the bonus elements of the rights issue of the Company completed in July 2009.

## *10. Distribution*

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2010 and 2009.

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

During the period, additions to the Group's property, plant and equipment amounted to about $168,831,000 (2009: $125,044,000), which mainly included the cost of port under construction amounting to about $129,157,000 (2009: $97,423,000) incurred during the period.

## 12. *Investment properties*

| | **Unaudited 30.9.2010 *$'000*** | Audited 31.3.2010 *$'000* |
|---|---|---|
| Investment properties, completed (note a) | **2,731,787** | 2,577,880 |
| Land under development (note b) | **336,037** | – |
| | **3,067,824** | 2,577,880 |

Notes:

a. Investment properties, completed, include formed land held for future use as investment property amounting to $2,490,151,000 (31.3.2010: $2,387,941,000) as at 30 September 2010. During the six months ended 30 September 2010, the Group completed the reclamation of certain sea area and obtained the certificate of completion of land reclamation (the "Certificate") issued by qualified project engineering and construction manager in respect of certain land area (the "Formed Land") in Jiangsu Province, the PRC. Upon obtaining the Certificate, such Formed Land has been recognised as land held under operating lease and classified and accounted for as investment properties. The relevant costs, which include the cost of sea use rights, development expenditure, borrowing costs capitalised and other directly attributable expenses, amounting to about $15,949,000 (2009: Nil), have been transferred from project under development to investment properties.

b. During the six months ended 30 September 2010, in connection with the reclamation of certain sea area in Jiangsu Province, the PRC, the Group commenced, but not yet completed, the land leveling process (mainly representing the sand filling work to achieve leveling of the area) (the "Land Being Formed"). Upon the commencement of land leveling process, such Land Being Formed has been recognised as land being developed for future use as investment property and classified and accounted for as investment properties. The relevant costs, which include the cost of sea use rights, development expenditure, borrowing costs capitalised and other directly attributable expenses, amounting to about $93,762,000 (2009: Nil), have been transferred from project under development to investment properties.

The fair value of the Group's investment properties at 31 March 2010 and 30 September 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 for completed investment properties including Formed Land held for future use as investment property, the comparison method is adopted under which comparison based on 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 further increment arising from the approval obtained from the respective government authority during the prior period for certain portion of the Formed Land to be used for specified purposes. In determining the fair value of land under development, the same comparison method is adopted and valuation has been allowed for further costs to be expended for the development of the Land Being Formed into Formed Land. The total gain on fair value changes of Formed Land where land leveling process was completed during the period and Land Being Formed amounting to about $41,325,000 (2009: $365,494,000) and about $238,426,000 (2009: Nil) respectively, has been recognised in the condensed consolidated income statement for the current period.

Deferred tax consequences in respect of the revalued investment properties are assessed on the basis that reflects the tax consequences that would follow from the manner in which the Group expects to recover the carrying amounts of the property at the end of the reporting period. For Formed Land and Land Being Formed 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 and Land Being Formed 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 30 September 2010, the balance of investment properties included Formed Land of about $2,490,151,000 (31.3.2010: $2,387,941,000). 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 these certificates for the Group.

## 13. *Project under development*

| | **Unaudited 30.9.2010** ***$'000*** | Audited 31.3.2010 *$'000* |
|---|---|---|
| Sea use rights | **1,017,219** | 1,312,786 |
| Development costs | **519,579** | 548,953 |
| | **1,536,798** | 1,861,739 |

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

## 14. *Interests in associates*

| | **Unaudited 30.9.2010** ***$'000*** | Audited 31.3.2010 *$'000* |
|---|---|---|
| Cost of unlisted investments in associates, less impairment (note) | **617,118** | 526,416 |
| Share of post-acquisition profits and reserves, net of dividends received | **448,672** | 370,359 |
| | **1,065,790** | 896,775 |

Note:

In July 2010, the Group injected about $154,704,000 in Jiangyin Sunan International Container Terminal Co., Ltd. ("Jiangyin Sunan") to increase its equity interest in Jiangyin Sunan from 25% to 40%. A gain of about $89,560,000 is resulted from the excess of the share of the net fair value of all identifiable assets and liabilities attributable to the additional interest acquired over the cost of the additional interest acquired and recognised in the condensed consolidated income statement as share of results of associates. Jiangyin Sunan is a sino-foreign joint venture enterprise registered in the PRC and operates the container terminal in Jiangyin Port, Jiangsu Province, the PRC.

Apart from the investment in Jiangyin Sunan, as at 30 September 2010, the unlisted investments mainly represent the Group's 45% equity interest in Nantong Port Group Limited ("Nantong Port Group"), which is a sino-foreign joint venture enterprise registered in the PRC. Nantong Port Group is principally engaged in providing cargo loading and off loading, storage, shipping agent, cargo agent, ship anchoring, ship repairing, port machinery, shipping logistics and ship piloting services in Nantong Port, Jiangsu Province, the PRC.

## 15. *Stock of properties*

Land Being Formed which are developed for future sale are recognised as land under development in stock of properties upon commencement of the land leveling process. The Group has transferred the relevant costs, which included the cost of sea use rights, development expenditure, borrowing costs capitalised and other directly attributable expenses, amounting to about $357,054,000 (2009: $51,670,000) from project under development to stock of properties during the six months ended 30 September 2010.

At 30 September 2010, the balance of stock of properties included Formed Land of about $1,034,492,000 (31.3.2010: $1,018,052,000) and Land Being Formed of about $357,054,000 (31.3.2010: Nil). 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 these certificates for the Group.

## 16. *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 are negotiated at specific terms with customers or in connection with the completion of underlying construction work. Credit terms for customers of ports and logistics segment normally range from 30 days to 90 days. 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 $824,740,000 (31.3.2010: $809,748,000). 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:

| | **Unaudited**<br>**30.9.2010**<br>***$'000*** | Audited<br>31.3.2010<br>*$'000* |
|---|---|---|
| Within 90 days | **669,000** | 584,261 |
| More than 90 days and within 180 days | **26,279** | 68,901 |
| More than 180 days | **129,461** | 156,586 |
| | **824,740** | 809,748 |

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

Included in trade and other creditors and accrued expenses are trade creditors of about $628,921,000 (31.3.2010: $390,173,000) and their aged analysis at the end of the reporting period is as follows:

| | **Unaudited** | Audited |
|---|---|---|
| | **30.9.2010** | 31.3.2010 |
| | ***$'000*** | *$'000* |
| Within 90 days | **547,432** | 350,107 |
| More than 90 days and within 180 days | **7,447** | 7,384 |
| More than 180 days | **74,042** | 32,682 |
| | **628,921** | 390,173 |

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

During the period, the Group raised new bank and other borrowings of about $930,089,000 (2009: $427,069,000) and repaid about $873,779,000 (2009: $636,600,000). The secured bank and other borrowings as at 30 September 2010 were about $2,152,876,000 (31.3.2010: $1,949,227,000).

### 19. *Deferred tax liabilities*

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

| | **Fair value adjustment on investment properties** | **Fair value adjustment on project under development and stock of properties** | **Others** | **Total** |
|---|---|---|---|---|
| | ***$'000*** | ***$'000*** | ***$'000*** | ***$'000*** |
| At 1 April 2010 (audited) | 1,001,364 | 838,030 | 54,589 | 1,893,983 |
| Exchange realignment | 20,049 | 15,537 | 979 | 36,565 |
| Transfer | 40,680 | (40,680) | — | — |
| Charge (credit) to income statement | 128,050 | — | (2,964) | 125,086 |
| At 30 September 2010 (unaudited) | 1,190,143 | 812,887 | 52,604 | 2,055,634 |

## 20. *Share capital*

| | Number of shares | Value $'000 |
|---|---|---|
| Ordinary shares of $0.10 each: | | |
| Authorised: | | |
| At 1 April 2009 | 3,000,000,000 | 300,000 |
| Additions (note a) | 7,000,000,000 | 700,000 |
| At 30 September 2009, 31 March 2010 and 30 September 2010 | 10,000,000,000 | 1,000,000 |
| Issued and fully paid: | | |
| At 1 April 2009 | 1,508,393,517 | 150,839 |
| Issue of shares on subscription of rights issue (note b) | 3,019,350,218 | 301,936 |
| Issue of shares on exercise of warrants (note c) | 1,381,399 | 138 |
| At 30 September 2009, 31 March 2010 and 30 September 2010 | 4,529,125,134 | 452,913 |

Notes:

(a) On 9 June 2009, an ordinary resolution was passed to increase the authorised share capital of the Company from $300,000,000 to $1,000,000,000 by the creation of 7,000,000,000 ordinary shares of $0.10 each.

(b) On 8 July 2009, the Company completed a rights issue by issuing and allotting 3,019,350,218 rights shares at a subscription price of $0.12 each on the basis of two rights shares for every share of the Company held on 9 June 2009. The net proceeds of about $350 million are intended to be used on the Group's investment in port and port-related projects and general working capital of the Group.

(c) The warrants issued by the Company on 26 September 2008 at an initial exercise price of $1.00 per share (subsequently adjusted to $0.51 per share as a result of the rights issue in July 2009) was expired on 25 September 2009. During the prior period, warrants of $1,332,494 were exercised to subscribe for 1,381,399 new shares of the Company.

# INTERIM DIVIDEND

The Board of PYI has resolved that it is prudent for PYI to retain an appropriate level of funds for any potential business opportunities as and when they arise, and therefore does not recommend payment of an interim dividend for the six months ended 30 September 2010 (2009: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW OF FINANCIAL PERFORMANCE AND POSITION

For the six months period under review, the Group recorded a consolidated turnover of about $2,557 million (2009: $2,068 million), representing an increase of about 24% when compared with that of last corresponding period. The increase was mainly attributable to the increase in turnover of the Group's engineering arm - Paul Y. Engineering and its subsidiaries (the "Paul Y. Engineering Group").

The Group's gross profit maintained at about $191 million (2009: $191 million) as compared with the corresponding last period. Such gross profit represented a gross margin of 7% (2009: 9%) of the consolidated turnover. The Group's administrative expenses increased by 7% to about $142 million (2009: $133 million), which was mainly attributable to about $16 million (2009: Nil) administrative expenses from Yichang Port Group acquired in November 2009. Profit before taxation of about $390 million was achieved as compared with about $362 million for the corresponding period last year. The Group's profit before taxation was composed of:

(i) net gain of about $22 million in Paul Y. Engineering Group engaged in management contracting and property development management businesses (2009: $29 million);
(ii) net gain of about $299 million in ports development business (2009: $351 million);
(iii) net gain of about $130 million in ports and logistics business (2009: $22 million);
(iv) net gain of about $18 million in property business (2009: $37 million);
(v) net gain of about $2 million in treasury business (2009: $17 million);
(vi) net corporate and other expenses (including inter-segment profit eliminations) of about $38 million (2009: $60 million) of which about $8 million was acquisition-related costs (2009: $18 million); and
(vii) finance costs of about $43 million (2009: $34 million).

Net profit for the period attributable to the owners of PYI was about $178 million (2009: $116 million) and basic earnings per share was 3.9 cents (2009: 2.9 cents). The improved net profit was mainly attributable to the contribution from Jiangyin Sunan of about $90 million (2009: Nil) resulting from the Group's bargain purchase for its additional 15% interest from 25% to 40% and continuous cost control measures during the period.

When compared with the Group's financial position as at 31 March 2010, total assets increased by 4% to about $14,652 million (31.3.2010: $14,041 million) and net current assets increased by 11% to about $1,115 million (31.3.2010: $1,004 million). These changes were mainly attributable to the fair value appreciation of investment properties and the commencement in development of certain properties held for sale located at Yangkou Port during the period. Consequently, current assets increased from 1.21 times to 1.23 times of current liabilities. After accounting for the net profit of about $178 million and surplus arising from RMB exchange translation of about $72 million, equity attributable to owners of PYI increased by 6% to about $4,381 million (31.3.2010: $4,130 million), representing $0.97 (31.3.2010: $0.91) per share as at 30 September 2010.

Net cash inflow from operating activities was about $423 million (2009: $123 million). Net cash outflow from financing activities was about $40 million (2009: $22 million) and that from investing activities was about $344 million (2009: $126 million), resulting in a net increase in available cash and cash equivalents of about $39 million (2009: net decrease of $25 million) for the period.

## REVIEW OF OPERATIONS
### *Ports Development*

**Yangkou Port**

Yangkou Port contributed about $299 million (2009: $351 million) to the Group's operating profit for the period under review. The profit was mainly attributable to the gain on revaluation of about $280 million (2009: $324 million) from about 6.4 sq km (2009: 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. Deferred tax of about $124 million (2009: $155 million) relevant to the revaluation gain was charged to the income statement.

Yangkou Port declared soft opening 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 30 September 2010, out of the 30 sq km land bank at the harbour-front industrial zone, land leveling work on about 5.4 sq km (31.3.2010: Nil) had commenced while about 8.0 sq km (31.3.2010: 7.9 sq km) had reached the formed and serviced stage. Also, about 1.1 sq km (31.3.2010: 1.1 sq km) land bank at the Sun Island of Yangkou Port had reached the formed and serviced stage. About 6.5 sq km (31.3.2010: 5.3 sq km) of the parcel of Formed Land or Land Being Formed have been classified as investment properties of the ports development business and measured at fair value of about $2,356 million (31.3.2010: $1,926 million). The remaining 8.0 sq km (31.3.2010: 3.7 sq km) of the Formed Land or Land Being Formed has been classified as stock of properties under the property business.

Embankment works for the reclamation of about 4.6 sq km out of the final 16.6 sq km harbour-front industrial land bank has been completed during the period under review. 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 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.

### *Ports and Logistics*

PYI achieved satisfactory progress in implementing its Yangtze Strategy during the period under review. 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**

Nantong Port Group contributed about $29 million (2009: $19 million) to the Group's operating profit for the period under review. Its net profit amounted to about $77 million (2009: $77 million) for the nine months ended 30 September 2010.

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.

Cargo throughput in the first half of 2010 increased by 2% to 26.3 million tonnes (2009: 25.7 million tonnes), while the container throughput in the first half of 2010 has also increased by 19% to 188,000 TEUs (2009: 158,000 TEUs).

### Yichang Port Group

The Group acquired 51% equity interest of Yichang Port Group in November 2009 and its port business contributed about $15 million (2009: Nil) to the Group's operating profit for the period under review.

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.

Cargo throughput of Yichang Port Group for the six months ended 30 September 2010 increased by 25% to about 3.5 million tonnes (2009: 2.8 million tonnes). Its container throughput also increased by 27% to 19,000 TEUs (2009: 15,000 TEUs).

### Jiangyin Sunan

Jiangyin Sunan contributed about $91 million (2009: Nil) to the Group's operating profit for the period under review, about $90 million (2009: Nil) of which was resulted from the Group's bargain purchase of additional 15% interest in Jiangyin Sunan during the period.

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. In July 2010, the Group contributed about RMB134.8 million (equivalent to about $154.7 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 container throughput in the first half of 2010 increased by 36% to 278,000 TEUs (2009: 205,000 TEUs).

### LPG and Logistics

The LPG business of Minsheng Gas recorded an operating loss of about $5 million (2009: operating profit of $3 million) for the period under review. Since the second half of last financial year, Minsheng Gas had maintained a competitive price strategy to capture a larger share of automotive LPG market in Wuhan, which led to margin erosion during the first quarter of the period under review. Following the announcement of price uplift for CNG by National Development and Reform Commission in June 2010, selling margin of LPG returned to a healthy level from July 2010 and will benefit the performance of the LPG business for the rest of the financial year.

## *Engineering Business – Paul Y. Engineering*

Paul Y. Engineering Group achieved turnover of $2,231 million (2009: $1,805 million) during the period under review, representing an increase of about 24% when compared with that of last corresponding period. It contributed about $22 million (2009: $29 million) to the Group's operating profit during the period. Margin was eroded by surging labour and material cost.

During the period, the management contracting division of Paul Y. Engineering Group secured new contracts totaling $1,505 million (2009: $3,804 million) in aggregate value. Subsequent to the end of the reporting period, additional contracts of about $60 million was secured. As at 30 September 2010, the total value of contracts on hand of Paul Y. Engineering Group was about $11,262 million (31.3.2010: $10,093 million).

Paul Y. Engineering Group has taken a proactive approach in tapping opportunities in the regions while managing risks through joint ventures with other contractors in major infrastructure projects and enhancement of operation efficiency. It remains cautious about the effect of inflation and fluctuation in foreign exchange and commodity markets that may hit the margin. With its solid foundation and professional experience, the future business growth and prospect are remained optimistic. Paul Y. Engineering Group, as an industry leader with more than 60 years of experience, will keep on focusing on its core business in a prudent manner in order to achieve sustainable return.

## *Property*

The property business contributed about $18 million (2009: $37 million) to the Group's operating profit for the period under review. The profit was mainly attributable to the gain on revaluation of investment properties located in Yichang of about $17 million (2009: $41 million from about 2 sq km Formed Land situated at Xiao Yangkou). Deferred tax of about $4 million (2009: $19 million) relevant to the revaluation gain was charged to the income statement.

As at 30 September 2010, about 2 sq km (31.3.2010: 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 $470 million (31.3.2010: $462 million), whereas about 2.7 sq km (31.3.2010: 2.7 sq km) Formed Land and about 4.3 sq km (31.3.2010: Nil) Land Being Formed situated at the harbour-front industrial zone, as well as about 1 sq km (31.3.2010: 1 sq km) 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 about $2 million (2009: loss of $1 million) to the Group's operating profit during the period under review. A cumulative area of about 43,000 sq m with a total contract value of about RMB226 million has been sold or pre-sold up to 30 September 2010, representing about 73% 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. The office complex was completed in October 2010 and will contribute to the Group's operating profit during the second half of the financial year. The commercial complex is scheduled for completion by mid 2011. A cumulative area of about 27,000 sq m with a total contract value of about RMB286 million has been pre-sold up to 30 September 2010, representing about 44% of its total saleable area.

In Hangzhou, the Group 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 $4 million (2009: $2 million) and its occupancy was about 92% as at 30 September 2010.

In Yichang, certain new commercial properties of about 5,000 sq m were acquired through Yichang Port Group during the period. Total rental income contributed from the Yichang investment properties amounted to about $1 million (2009: Nil).

## *Treasury*

The treasury investments contributed about $2 million (2009: $17 million) towards the Group's operating profit for the period under review. During the period, the trading securities recorded a fair value loss of about $4 million (2009: gain of $5 million) and the high-yield loans interest income of about $7 million (2009: $12 million) contributed to keep the segment profitable. As at 30 September 2010, total value of the Group's portfolio of trading securities amounted to about $35 million (31.3.2010: $44 million), equivalent to about 0.2% (31.3.2010: 0.3%) of the Group's total assets. Portfolio of high-yield loans receivable amounted to about $112 million (31.3.2010: $267 million), equivalent to about 1% (31.3.2010: 2%) of the Group's total assets.

## MATERIAL ACQUISITION AND DISPOSAL

During the period, the Group acquired an additional 15% equity interest in Jiangyin Sunan from 25% to 40% through contribution of about RMB134.8 million (equivalent to about $154.7 million) to its enlarged registered capital.

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

## EVENT AFTER THE REPORTING PERIOD

There are no major subsequent events since the end of the reporting period and up to the date of this announcement.

## OUTLOOK

The global economy remained volatile and uncertain in the first half of 2010. The outlook of China is expected to continue on the uptrend due to moderate economic growth and strong domestic demand. The Central Government has recently released the12th five-year plan which emphasizes on the shifting to an economic strategy led primarily by domestic consumption and reasserts further investment from enterprises in ports and infrastructure development.

Under the rapid development of the Western and Central China, the increase of shipping demand is foreseen to boost the importance of the inland river transportation. PYI took a pioneering and prudent approach to extend our network of bulk cargo ports to the middle stream of the Yangtze. Yichang Port will play an important role in the development of Yichang as the Three Gorges Dam regional logistics hub. Yangkou Port is not only a significant element of the *Jiangsu Coastal Region Development Plan*; it is also positioned as the northern wing of the Shanghai International Transportation Hub. As the first container feeder port in the Yangtze Delta, Jiaxing International Feeder Port declared soft opening in mid 2010. Expanding on the feeder port strategy, Memoranda of Understanding have been signed for similar development in Suzhou, Wuxi and Huzhou. Nantong Port Group and Jiangyin Sunan Container Terminal will play a significant role in the *Regional Plan for the Yangtze River Delta*. PYI will continue to follow the national policies and will seize the opportunities to optimize our Yangtze Strategy as well as maximizing our shareholders' value and maintaining sustainable future growth 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 on demand to ten years. In an effort to minimize the adverse impact of exchange rate and interest rate fluctuations on the Group's earnings, assets and liabilities, the Group continues to manage the fluctuation exposures on specific transactions.

As at 30 September 2010, the Group's total borrowings amounted to about $2,960 million (31.3.2010: $3,049 million) with about $1,420 million (31.3.2010: $1,563 million) repayable on demand or within one year and about $1,540 million (31.3.2010: $1,486 million) repayable after one year. Out of the Group's total borrowings of about $2,960 million (31.3.2010 : $3,049 million), about $217 million (31.3.2010: $322 million) was non-recourse to the Group (excluding the Paul Y. Engineering Group).

As at 30 September 2010, about $467 million (31.3.2010: $461 million) of the Group's borrowings bore interest at floating rates and were denominated in Hong Kong dollars, about $4 million (31.3.2010: $144 million) bore interest at fixed rates and were denominated in Hong Kong dollars, about $2,362 million (31.3.2010: $2,161 million) bore interest at floating rates and were denominated in Renminbi, and about $127 million (31.3.2010: $283 million) bore interest at a fixed rate and were denominated in Renminbi. The Group's gearing ratio was 0.68 (31.3.2010: 0.74), which was calculated based on the total borrowings of about $2,960 million (31.3.2010: $3,049 million) and the Group's shareholders' fund of about $4,381 million (31.3.2010: $4,130 million).

Cash balance as at 30 September 2010 amounted to about $1,058 million (31.3.2010: $1,033 million), of which about $15 million (31.3.2010: $34 million) had been pledged to banks to secure general credit facilities granted to the Group. As at 30 September 2010, the Group had a net debt position (being cash balances net of bank borrowings) of about $1,703 million (31.3.2010: $1,453 million).

In July 2007, the Group, through Yangkou Port Co, entered into a 7-year project loan facility agreement for RMB960 million with a syndicate of eight domestic banks in Nanjing, the PRC. This syndicated loan, bearing the current Renminbi long-term loan benchmark interest rate as announced by the People's Bank of China, has been used to fund construction of the 13 km Yellow Sea Crossing and the 1.4 sq km man-made island at Yangkou Port. As at 30 September 2010, the outstanding balance of the syndicated loan amounted to RMB525 million (31.3.2010: RMB600 million).

### CONTINGENT LIABILITIES

As at 30 September 2010, the Group had contingent liabilities in respect of guarantees given to banks for banking facilities given to third parties of about $64 million (31.3.2010: $46 million).

### PLEDGE OF ASSETS

As at 30 September 2010, certain property interests, property, plant and equipment, inventories, trade receivables and bank balances of the Group and shares charge on certain investments in subsidiaries of the Company with an aggregate value of about $2,290 million (31.3.2010: $1,980 million), as well as benefits over certain construction contracts were pledged to banks and financial institutions to secure general credit facilities granted to the Group. As at 30 September 2010, about $35 million (31.3.2010: $48 million) of these pledged assets was used to secure credit facilities which were non-recourse to the Group (excluding the Paul Y. Engineering Group).

### COMMITMENTS

As at 30 September 2010, the Group had 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 $172 million (31.3.2010: $97 million).

## NUMBER OF EMPLOYEES AND REMUNERATION POLICY

Including the directors of the Group, as at 30 September 2010, the Group employed a total of 3,384 full time employees (31.3.2010: 3,190). Remuneration packages consisted of salary as well as performance-based and equity-based bonuses. Further, the Company has implemented three share-related incentive schemes to provide alternative means to motivate employees and promote their loyalty in line with the Group's strategy. Such schemes benefited the Group's staff both in Hong Kong and the Mainland.

## PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

## CORPORATE GOVERNANCE

In the corporate governance report published in PYI's 2010 annual report (the "2010 Annual Report") (which can be viewed on PYI's 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 2010. Throughout the half-year period ended 30 September 2010, PYI continued to comply with CG Code and adopt some of the recommended best practices.

During the period under review, except that Mr Chan Yiu Lun, Alan was appointed as alternate director to Dr Chan Kwok Keung, Charles with effect from 19 July 2010, the functions and composition of the Board and all Board committees remain the same as those set out in the Corporate Governance Report on pages 50 to 69 of the 2010 Annual Report.

Except the fact that Dr Chow Ming Kuen, Joseph, our Chairman, has resigned as a non-executive director of Wheelook Properties Limited (former Stock Code: 0049), a company whose shares were withdrawn from listing on the Stock Exchange on 22 July 2010, with effect from 1 August 2010; and Mr Lau Ko Yuen, Tom, our Deputy Chairman and Managing Director, has been re-designated as Deputy Chairman and a non-executive director of Prosperity Investment Holdings Limited (Stock Code: 0310), a company whose shares are listed on the main board of the Stock Exchange, with effect from 5 August 2010, there were no changes to the information of directors of PYI as disclosed on pages 36 to 40 of the 2010 Annual Report.

At the PYI's annual general meeting held on 10 September 2010, PYI shareholders approved the remuneration of PYI directors of $4,000,000 per annum. There has been no change to the basis of determining PYI directors' remuneration. The level of fee payable to all PYI directors for serving on the Board and Board committees remain unchanged to those set out on page 148 of the 2010 Annual Report except that Mr Chan Yiu Lun, Alan, alternate director to Dr Chan Kwok Keung, Charles, was entitled to share half of Dr Chan's director's fee in the sum of $320,000 per annum with effect from 19 July 2010. At the same meeting, PYI shareholders also approved the reappointment of Deloitte Touche Tohmatsu as PYI's external auditor for the financial year ended 31 March 2011.

During the six months ended 30 September 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 period under review, PYI has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code for dealing in the securities of PYI by the PYI directors and the relevant employees of the Group. According to specific enquiries made by PYI, all PYI directors and relevant employees of the Group have confirmed their compliance with the required standard set out in the Model Code throughout the period from 1 April to 30 September 2010.

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

## REVIEW OF ACCOUNTS

The Group's results for the six months ended 30 September 2010 have been reviewed by the external auditor and the audit committee of PYI.

## PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on PYI's corporate website at www.pyicorp.com under "Investors" and the HKExnews at www.hkexnews.hk under "Latest Listed Company Information". The 2011 Interim Report will be dispatched to PYI shareholders and posted at the aforesaid websites in December 2010.

## 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 *OBE, JP* | : | Chairman *(Independent Non-Executive Director)* |
| Mr Lau Ko Yuen, Tom | : | Deputy Chairman and Managing Director |
| Dr Chan Kwok Keung, Charles *(with Mr Chan Yiu Lun, Alan as alternate)* | : | 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 |
| 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, 26 November 2010