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)

2013 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 2012.

FINANCIAL HIGHLIGHTS

	9/2012	Change
Turnover	$3,703 million	+42%
Gross profit	$190 million	-11%
Profit attributable to shareholders	$81 million	-75%
EPS	1.8 cents	-75%
Interim DPS	1 cent	N/A
Shareholders' funds	$4,670 million	+1%
NAV per share	$1.02	+1%

RESULTS

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2012

	Notes	Unaudited Six months ended 30 September 2012 $'000	2011 $'000
Turnover			
The Company and its subsidiaries	*3*	**3,703,334**	2,600,809
Share of associates and jointly controlled entities		**589,124**	736,113
		4,292,458	3,336,922
Group turnover	*3*	**3,703,334**	2,600,809
Cost of sales		**(3,512,899)**	(2,386,002)
Gross profit		**190,435**	214,807
Other income	*4*	**28,998**	69,342
Other gains and losses	*5*	**333**	20,924
Administrative expenses		**(171,391)**	(144,023)
Distribution and selling expenses		**(36,930)**	(41,083)
Other expenses		**(8,602)**	(9,291)
Finance costs	*6*	**(38,941)**	(39,939)
Gain on fair value changes of investment properties		**180,405**	536
Fair value gain on transfer of completed properties held for sale to investment properties		**35,761**	–
Gain on disposal of a subsidiary	*20(b)*	—	389,061
Share of results of associates		**31,507**	21,078
Share of results of jointly controlled entities		**5,230**	9,235
Profit before taxation	*7*	**216,805**	490,647
Taxation	*8*	**(98,831)**	(144,399)
Profit for the period		**117,974**	346,248
Profit for the period attributable to:			
Owners of the Company		**81,200**	330,653
Non-controlling interests		**36,774**	15,595
		117,974	346,248
Basic and diluted earnings per share	*9*	**1.8 cents**	7.3 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2012

	Unaudited Six months ended 30 September 2012 $'000	2011 $'000
Profit for the period	**117,974**	346,248
OTHER COMPREHENSIVE INCOME (EXPENSE)		
Exchange differences arising from translation of foreign operations	**1,831**	145,072
Reclassification adjustment of translation reserve upon disposal of a subsidiary	—	(230,797)
Reclassification adjustment on disposal of available-for-sale investments	—	(265)
Loss on fair value changes of available-for-sale investments	—	(92)
Other comprehensive income (expense) for the period	**1,831**	(86,082)
Total comprehensive income for the period	**119,805**	260,166
Total comprehensive income for the period attributable to:		
Owners of the Company	**82,707**	217,170
Non-controlling interests	**37,098**	42,996
	119,805	260,166

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2012

	Notes	**Unaudited 30.9.2012 *$'000***	Audited 31.3.2012 *$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**1,633,566**	1,561,175
Investment properties	*12*	**1,201,644**	855,244
Project under development		**544,477**	493,267
Prepaid lease payments		**380,905**	314,329
Goodwill		**61,646**	61,646
Other intangible assets		**133,127**	155,620
Interests in associates	*13*	**1,208,373**	1,189,262
Interests in jointly controlled entities		**36,544**	31,314
Available-for-sale investments		**363,726**	363,726
Loans receivable – due after one year		**—**	16,020
Other debtors – non-current portion	*15*	**591,485**	628,467
		6,155,493	5,670,070
CURRENT ASSETS			
Stock of properties	*14*	**1,026,342**	1,087,769
Prepaid lease payments		**4,197**	4,197
Inventories of finished goods		**37,426**	22,880
Loans receivable – due within one year		**25,303**	86,616
Amounts due from associates		**30,068**	35,819
Amounts due from jointly controlled entities		**152,539**	52,921
Amount due from a non-controlling interest		**1,233**	1,233
Amounts due from customers for contract works		**474,211**	376,446
Trade and other debtors, deposits and prepayments	*15*	**3,104,424**	2,688,836
Investments held for trading		**59,371**	60,439
Available-for-sale investments		**73**	75
Pledged bank deposits		**639,699**	732,226
Short term bank deposits		**442,122**	450,579
Bank balances and cash		**625,454**	557,656
		6,622,462	6,157,692
CURRENT LIABILITIES			
Amounts due to customers for contract works		**850,224**	716,288
Trade and other creditors and accrued expenses	*16*	**2,676,668**	2,249,521
Deposits received for pre-sale of properties		**37,923**	41,950
Amounts due to associates		**71,013**	108,059
Amounts due to jointly controlled entities		**37,000**	95,401
Amounts due to non-controlling interests		**11,282**	7,583
Dividend payable		**22,792**	–
Taxation payable		**20,823**	16,030
Bank and other borrowings – due within one year	*17*	**1,894,505**	1,714,567
		5,622,230	4,949,399
NET CURRENT ASSETS		**1,000,232**	1,208,293
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,155,725**	6,878,363

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2012

	Notes	**Unaudited 30.9.2012 *$'000***	Audited 31.3.2012 *$'000*
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year	*17*	**995,446**	920,437
Amounts due to non-controlling interests		**27,596**	33,144
Deferred tax liabilities	*18*	**625,442**	537,021
Deferred income		**41,927**	40,349
Other payables		**63,457**	59,154
		1,753,868	1,590,105
		5,401,857	5,288,258
CAPITAL AND RESERVES			
Share capital	*19*	**455,849**	455,849
Reserves		**4,214,009**	4,154,090
Equity attributable to owners of the Company		**4,669,858**	4,609,939
Non-controlling interests		**731,999**	678,319
TOTAL EQUITY		**5,401,857**	5,288,258

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 September 2012

	Unaudited Six months ended 30 September	
	2012 *$'000*	2011 *$'000*
Net cash from (used in) operating activities	**69,792**	(275,889)
Net cash used in investing activities	**(108,628)**	(96,098)
Net cash from financing activities	**98,174**	408,265
Net increase in cash and cash equivalents	**59,338**	36,278
Effect of foreign exchange rate changes	**3**	8,181
Cash and cash equivalents brought forward	**1,008,235**	1,157,417
Cash and cash equivalents carried forward	**1,067,576**	1,201,876
Analysis of the balances of cash and cash equivalents		
Short term bank deposits	**442,122**	630,775
Bank balances and cash	**625,454**	571,101
	1,067,576	1,201,876

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as 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 "Listing Rules").

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2012.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

<u>Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets</u>

Under the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors have re-assessed the amount of deferred tax provision on changes in fair value of Formed Land and Land Being Formed (all as defined in note 12) based on the best estimate of the tax consequence upon sale of these properties, and conclude that the adoption of the amendment has no material effect on the amounts reported in these condensed consolidated financial statements.

In addition, the Group considers that majority of the leasehold land and buildings classified as investment properties are to be consumed substantially all of the economic benefits embodied in the investment properties over time, rather than through sale, and that the presumption set out in the amendments to HKAS 12 is rebutted. The Group continues to recognise deferred taxes on changes in fair value of these leasehold land and buildings on the basis that the carrying amounts of these properties were recovered through use and hence, the adoption of the amendments to HKAS 12 has no material effect on the amounts reported in these condensed consolidated financial statements.

The application of the other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. Segment information

The operating segments of the Group is determined 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.

The information focuses more specifically on the strategic operation and development of each business unit and its performance is evaluated through organising similar business units into an operating segment. The Group’s operating and reportable segments are as follows:

Paul Y. Engineering Group Limited (“PYE”) and its subsidiaries (“Paul Y. Engineering Group”) - The Group's subsidiary listed on The Stock Exchange of Hong Kong Limited and principally engaged in building construction, civil engineering, development management, project management, facilities and asset management services and investment in properties

Ports development - Development of ports facilities and ports related properties

Ports and logistics - Operation of ports, liquefied petroleum gas 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") and earnings before interest expense, tax, depreciation and amortisation (“EBITDA”).

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*

Segment revenues and results

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

Six months ended 30 September 2012

	Paul Y. Engineering Group $'000	Ports develop-ment $'000	Ports and logistics $'000	Property $'000	Treasury $'000	Segment total $'000	Elimin-ations $'000	Consolid-ated $'000
TURNOVER								
External revenue	**3,438,504**	**-**	**209,797**	**52,963**	**2,070**	**3,703,334**	**-**	**3,703,334**
Inter-segment revenue	**-**	**-**	**-**	**49**	**-**	**49**	**(49)**	**-**
Total	**3,438,504**	**-**	**209,797**	**53,012**	**2,070**	**3,703,383**	**(49)**	**3,703,334**
EBITDA	**44,963**	**-**	**45,574**	**222,721**	**24,979**	**338,237**	**(1,737)**	**336,500**
Depreciation and amortisation**	**(14,264)**	**-**	**(19,914)**	**(2,151)**	**(1)**	**(36,330)**	**-**	**(36,330)**
Segment result - EBIT*	**30,699**	**-**	**25,660**	**220,570**	**24,978**	**301,907**	**(1,737)**	**300,170**
Corporate and other expenses***								**(44,424)**
Finance costs								**(38,941)**
Profit before taxation								**216,805**
Taxation								**(98,831)**
Profit for the period								**117,974**

Six months ended 30 September 2011

	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	2,043,369	9,090	264,388	279,263	4,699	2,600,809	-	2,600,809
Inter-segment revenue	23,928	-	-	124	-	24,052	(24,052)	-
Total	2,067,297	9,090	264,388	279,387	4,699	2,624,861	(24,052)	2,600,809
EBITDA	33,884	391,719	63,404	68,292	54,564	611,863	(3,474)	608,389
Depreciation and amortisation**	(11,177)	(613)	(22,642)	(507)	(1)	(34,940)	-	(34,940)
Segment result - EBIT*	22,707	391,106	40,762	67,785	54,563	576,923	(3,474)	573,449
Corporate and other expenses***								(42,863)
Finance costs								(39,939)
Profit before taxation								490,647
Taxation								(144,399)
Profit for the period								346,248

* During the six months ended 30 September 2011, segment result of ports development included the gain on disposal of a subsidiary before taxation of about $389,061,000 (note 20(b)).

** Including depreciation of property, plant and equipment and amortisation of other intangible assets.

*** Including acquisition - related costs of about $8,602,000 (2011: $9,291,000).

3. Segment information - continued

Segment assets

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

At 30 September 2012

	Paul Y. Engineering Group *$'000*	Ports develop-ment *$'000*	Ports and logistics *$'000*	Property *$'000*	Treasury *$'000*	Segment total *$'000*	Elimin-ations *$'000*	Consolid-ated *$'000*
ASSETS								
Segment assets	**3,895,798**	**741,658**	**3,250,873**	**3,031,839**	**1,909,789**	**12,829,957**	**(76,538)**	**12,753,419**
Unallocated assets								**24,536**
Consolidated total assets								**12,777,955**

At 31 March 2012

	Paul Y. Engineering Group *$'000*	Ports develop-ment *$'000*	Ports and logistics *$'000*	Property *$'000*	Treasury *$'000*	Segment total *$'000*	Elimin-ations *$'000*	Consolid-ated *$'000*
ASSETS								
Segment assets	3,328,640	719,013	3,142,875	2,792,697	1,945,067	11,928,292	(127,086)	11,801,206
Unallocated assets								26,556
Consolidated total assets								11,827,762

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

4. Other income

The following items are included in other income:

	Unaudited Six months ended 30 September	
	2012 ***$'000***	2011 *$'000*
Interest income from deferred consideration receivable	**18,286**	31,123
Other interest income	**10,712**	9,101
Income from an one-off property consultancy project	—	22,764
Rental income from short term leasing of stock of properties	—	4,855

5. *Other gains and losses*

	Unaudited Six months ended 30 September	
	2012	2011
	$'000	*$'000*
Change in fair value of investments held for trading (note)	**(1,064)**	(21,178)
Gain on disposal of an associate	—	5,517
Gain on disposal of available-for-sale investments	—	265
Gain on disposal of property, plant and equipment	**1,734**	555
Impairment loss recognised on receivables	**(103)**	(1,704)
Exchange gain arising from deferred consideration receivable	—	21,789
Other net exchange (loss) gain	**(234)**	15,680
	333	20,924

Note:

Fair value of investments held for trading was stated at quoted bid price as at 30 September 2012 and 2011 and 31 March 2012.

6. *Finance costs*

	Unaudited Six months ended 30 September	
	2012	2011
	$'000	*$'000*
Borrowing costs on:		
Bank borrowings wholly repayable within five years	**47,522**	54,307
Bank borrowings not wholly repayable within five years	**14,841**	9,662
Amounts due to non-controlling interests wholly repayable within five years	—	1,618
Amounts due to non-controlling interests not wholly repayable within five years	**89**	111
Imputed interest expense on other payables	**1,023**	1,145
Other borrowings wholly repayable within five years	**3,166**	2,599
	66,641	69,442
Less: Amount capitalised in respect of contracts in progress	**(3,100)**	(329)
Amount capitalised in respect of construction in progress (included in property, plant and equipment)	**(16,516)**	(13,337)
Amount capitalised in respect of project under development	**(1,186)**	(8,532)
Amount capitalised in respect of properties under development for sale	**(6,898)**	(7,305)
	38,941	39,939

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

7. *Profit before taxation*

	Unaudited Six months ended 30 September	
	2012	2011
	$'000	*$'000*
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of other intangible assets (included in distribution and selling expenses)	**2,118**	6,659
Cost of construction works recognised as an expense	**3,326,517**	1,990,879
Cost of inventories recognised as an expense	**126,817**	347,892
Depreciation of property, plant and equipment:		
Amount provided for the period	**36,654**	31,371
Less: Amount capitalised in respect of contracts in progress	**(772)**	(1,296)
Amount capitalised in respect of construction in progress (included in property, plant and equipment)	**(534)**	(489)
Amount capitalised in respect of project under development	**(3)**	(1)
Amount capitalised in respect of properties under development for sale	**(1,133)**	(1,304)
	34,212	28,281
Total interest income (included in turnover and other income)	**(31,068)**	(44,923)
Release of prepaid lease payments	**2,085**	2,132

8. *Taxation*

	Unaudited Six months ended 30 September	
	2012	2011
	$'000	*$'000*
The charge comprises:		
Taxation arising in jurisdictions outside Hong Kong:		
Current period	**11,666**	147,580
Overprovision in prior periods	**(591)**	(1,011)
	11,075	146,569
Deferred taxation (note 18)		
Land Appreciation Tax ("LAT")	**48,650**	–
Others	**39,106**	(2,170)
	87,756	(2,170)
Taxation attributable to the Company and its subsidiaries	**98,831**	144,399

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 People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate for the Group's subsidiaries in the PRC is 25% from 1 January 2008 onwards.

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

8. *Taxation - continued*

During the six months ended 30 September 2011, taxation arising in jurisdictions outside Hong Kong included an income tax charge of about $126,832,000, which represented the PRC income tax charged on the gain on disposal of 50.1% equity interest in Jiangsu YangKou Port Development and Investment Co., Ltd. (“Yangkou Port Co”) (see note 20(b) for details). According to the EIT Law effective from 1 January 2008 and its Implementation Regulation, the capital gain derived from equity rights transfer by a non-resident enterprise, representing the difference between the transfer price and the cost of equity rights, was subject to a tax rate of 10%.

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

During the six months ended 30 September 2012, the deferred taxation charge for LAT of about $48,650,000 (2011: Nil) and others of about $41,724,000 (2011: $135,000) are arising from the fair value changes of investment properties during the current period.

9. *Basic and diluted earnings per share*

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company amounted to about $81,200,000 (2011: $330,653,000) and the number of ordinary shares of 4,558,493,575 shares (2011: 4,529,125,134 shares).

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price of the Company’s shares for both periods.

10. *Distribution*

	Unaudited Six months ended 30 September	
	2012	2011
	$’000	*$’000*
Dividends recognised as distribution during the period:		
Final dividend declared for the year ended 31 March 2012 – HK0.5 cent (2011: HK1 cent) per share	**22,792**	45,291
Special cash dividend declared for the year ended 31 March 2012 – HK2 cents per share	—	90,583
	22,792	135,874
Dividends proposed:		
Interim cash dividend proposed for the current period – HK1 cent (2011: Nil) per share	**45,774**	–

The amount of the interim cash dividend proposed for the six months ended 30 September 2012 has been calculated by reference to the 4,577,360,572 issued shares as at the date of this announcement.

11. Movements in property, plant and equipment

During the period, additions to the Group's property, plant and equipment amounted to about $112,663,000 (2011: $122,036,000), which mainly included the cost of construction in progress amounting to about $54,621,000 (2011: $70,189,000) incurred during the period.

12. Investment properties

	Unaudited 30.9.2012 $'000	Audited 31.3.2012 $'000
Leasehold land and buildings	**461,669**	280,497
Formed land (note a)	**485,968**	485,968
Land under development (note b)	**254,007**	88,779
	1,201,644	855,244

Notes:

(a) In prior periods, the Group completed the reclamation of certain 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 had been recognised as land held under operating lease and classified and accounted for as investment properties.

(b) As at 30 September 2012, in connection with the reclamation of certain 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 had been recognised as land being developed and classified and accounted for as investment properties. The relevant costs, which include the development expenditure, borrowing costs capitalised and other directly attributable expenses, amounting to about $27,885,000 (31.3.2012: $14,772,000), have been transferred from project under development to investment properties during the period.

The fair values of the Group's investment properties at 31 March 2012 and 30 September 2012 have been arrived at on the basis of a valuation carried out as at those dates by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group. In determining the fair value of leasehold land and buildings and Formed Land, 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. 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. During the six months ended 30 September 2012, the gain on fair value changes of Land Being Formed of about $135,959,000 (2011: Nil) resulting from the transfer from project under development to investment properties and gain on fair value changes of leasehold land and buildings of about $44,446,000 (2011: $536,000) have been recognised in the condensed consolidated income statement.

Deferred tax consequences in respect of the Formed Land and Land Being Formed are assessed based on the best estimate of the tax consequence upon sale of the properties. For those properties which would be subject to PRC LAT upon disposal, deferred tax on the temporary difference between the tax base and their carrying amounts would include PRC LAT in addition to enterprise income tax.

For the investment properties of the Formed Land, the Group has to obtain certain appropriate certificates for the disposal. Based on past experience, the directors of the Company consider that there is no material impediment to obtain these certificates for the Group.

13. *Interests in associates*

	Unaudited 30.9.2012 *$'000*	Audited 31.3.2012 *$'000*
Cost of unlisted investments in associates, less impairment (note)	**619,520**	619,520
Share of post-acquisition profits and reserves, net of dividends received	**588,853**	569,742
	1,208,373	1,189,262

Note:

As at 30 September 2012, the unlisted investments include the Group's 40% equity interest in Jiangyin Sunan International Container Terminal Co., Ltd. ("Jiangyin Sunan"). 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 2012, the unlisted investments include the Group's 45% equity interest in Nantong Port Group Limited ("Nantong Port Group"), which is a sino-foreign joint venture enterprise registered in the PRC. Nantong Port Group is principally engaged in providing cargo loading and off loading, storage, shipping agent, cargo agent, ship anchoring, ship repairing, port machinery, shipping logistics and ship piloting services in Nantong Port, Jiangsu Province, the PRC.

14. *Stock of properties*

At 30 September 2012, the balance of stock of properties included Formed Land of about $404,460,000 (31.3.2012: $404,460,000). The Group has to obtain certain appropriate certificates for the disposal of the Formed Land. Based on past experience, the directors of the Company consider that there is no material impediment to obtain these certificates for the Group.

15. *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. The credit terms are ranging from 60 days to 90 days. 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 $1,158,209,000 (31.3.2012: $799,658,000). 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 30.9.2012 *$'000*	Audited 31.3.2012 *$'000*
Within 90 days	**1,042,842**	692,861
More than 90 days and within 180 days	**67,030**	25,550
More than 180 days	**48,337**	81,247
	1,158,209	799,658

The balances of other debtors, deposits and prepayments included:

a) Included in other debtors is an aggregate amount of about RMB602,800,000 as at 30 September 2012 (equivalent to about $743,284,000) (31.3.2012: RMB602,800,000, equivalent to about $743,284,000), which represents remaining balance of the consideration receivable from disposal of 50.1% equity interest in Yangkou Port Co (note 20(b)) to be satisfied by instalments, remaining instalments being RMB301,400,000 (equivalent to about $371,642,000) and RMB301,400,000 (equivalent to about $371,642,000) to be paid on or before 31 December 2012 and 2013, respectively. As at 30 September 2012, the consideration receivable in the amount of about $371,642,000 (31.3.2012: $371,642,000) due after one year was shown under non-current assets and about $371,642,000 (31.3.2012: $371,642,000) due within one year was shown under current assets. The deferred consideration receivable bears interest equivalent to the benchmark lending rate announced by the People's Bank of China ("PBC") at 6.15% per annum as at 30 September 2012 and is secured by a charge on the 50.1% sale interest in Yangkou Port Co. During the six months ended 30 September 2012, interest income of about $18,286,000 (2011: $31,123,000) is recognised in condensed consolidated income statement.

b) Included in other debtors, deposits and prepayments in the condensed consolidated statement of financial position is an aggregate amount of about $262,865,000 (31.3.2012: $262,865,000) which mainly represents amounts recoverable (together with interest thereon) from an independent third party which is a property developer, in respect of amounts paid by the Group in previous years for financing a property development project in Beijing, the PRC (the "Project"). The principal amount was about $184,733,000 (31.3.2012: $184,733,000) and recoverable with interest calculated at the benchmark lending interest rate as announced by the PBC plus 8% per annum.

   Included in other debtors, deposits and prepayments is also an aggregate sum of about $16,394,000 (31.3.2012: $16,394,000) which represents an advance (together with interest thereon) made to a related company of the above independent third party in Hong Kong in previous years. The principal amount of $10,000,000 (31.3.2012: $10,000,000) carries interest at the best lending rate plus 8% per annum and was due on 25 February 2006.

15. Trade and other debtors, deposits and prepayments - continued

b) – continued

To protect the Group's interest, the Group has entered into presale contracts with the property developer for certain property units in the Project. The Group is in the course of negotiation with an asset management company in the PRC, which has certain interests in the above Project, for the purpose of realising the properties under these presale contracts held for full recovery of the amounts of $262,865,000 and $16,394,000 outstanding as at 30 September 2012 (31.3.2012: $262,865,000 and $16,394,000). On the basis that the fair value of the properties under presale contracts is higher than the advances and accrued interest, the directors are of the view that the amounts will be recovered in full and as such no impairment loss on these has been recognised. The estimated portion of such amounts which is expected to be recovered after twelve months from the end of the reporting period, amounting to about $184,733,000 (31.3.2012: $184,733,000), has been classified as a non-current asset.

A writ of summons was served on 28 July 2011 upon PYE and two of its subsidiaries claiming for, amongst other, damages in a sum of about RMB780 million related to the Project. It is stated in the writ of summons that PYE and two of its subsidiaries were alleged to be in breach of certain terms contained in an alleged oral agreement (which is denied). Taken into consideration of a legal opinion, PYE is of the view that PYE and the above two subsidiaries would put up a respectable defence against the alleged claim and that it is probable that there would not be material adverse impact on the financial position of the Group.

16. Trade and other creditors and accrued expenses

Included in trade and other creditors and accrued expenses are trade creditors of about $1,047,928,000 (31.3.2012: $603,198,000) and their aged analysis at the end of the reporting period is as follows:

	Unaudited 30.9.2012 *$'000*	Audited 31.3.2012 *$'000*
Within 90 days	**964,934**	551,136
More than 90 days and within 180 days	**2,344**	957
More than 180 days	**80,650**	51,105
	1,047,928	603,198

17. Movements in bank and other borrowings

During the period, the Group raised new bank and other borrowings of about $1,753,605,000 (2011: $1,499,741,000) and repaid about $1,510,989,000 (2011: $1,032,610,000). The secured bank and other borrowings as at 30 September 2012 were about $1,746,304,000 (31.3.2012: $1,748,565,000).

As at 30 September 2012, bank deposits of about $639,699,000 (31.3.2012: $732,226,000) were pledged to banks to secure general banking facilities granted to the Group. The pledged bank deposits included about RMB516,162,000 (equivalent to about $636,451,000) (31.3.2012: RMB575,064,000 equivalent to about $709,080,000) deposited in Hong Kong, which were pledged to secure banking facilities denominated in Hong Kong dollar and available in Hong Kong.

18. *Deferred tax liabilities*

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

	Fair value adjustment on investment properties *$'000*	Fair value adjustment on project under development and stock of properties *$'000*	Others *$'000*	Total *$'000*
At 1 April 2012 (audited)	282,636	196,002	58,383	537,021
Exchange realignment	764	(96)	(3)	665
Charge (credit) to condensed consolidated income statement	90,374	—	(2,618)	87,756
Transfer	17,961	(12,986)	(4,975)	—
At 30 September 2012 (unaudited)	391,735	182,920	50,787	625,442

19. *Share capital*

	Number of shares	Value *$'000*
Ordinary shares of $0.10 each:		
Authorised:		
At 1 April 2011, 30 September 2011, 31 March 2012 and 30 September 2012	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 April 2011 and 30 September 2011	4,529,125,134	452,913
Issue of shares pursuant to scrip dividend scheme (note)	29,368,441	2,936
At 31 March 2012 and 30 September 2012	4,558,493,575	455,849

Note:

Pursuant to the scrip dividend scheme which was announced by the Company on 30 September 2011, the Company issued 29,368,441 new ordinary shares of $0.10 each in the Company in October 2011 to the shareholders who elected to receive scrip dividend in respect of the final dividend for the year ended 31 March 2011. These shares rank pari passu with the then existing shares of the Company in all respects.

20. Acquisition of additional interests in subsidiaries/disposal of a subsidiary

(a) Acquisition of additional interests in subsidiaries

During the six months ended 30 September 2011, the Group acquired a further 5.39% equity interest in Feeder Port Holdings Limited, which is engaged in logistic network solution, increasing its interest from 94.61% to 100% by acquiring the non-controlling interests for a cash consideration of $7,000,000. The difference of about $148,000 between the proportionate share of the carrying amount of its net assets and the consideration paid for the additional interest had been credited to retained profits.

(b) Disposal of a subsidiary

On 26 May 2011, the Group disposed of 50.1% equity interest in Yangkou Port Co, which is engaged in the business of development of port and related infrastructures, at a consideration of about RMB1,507 million (equivalent to about $1,807 million on 26 May 2011). Yangkou Port Co ceased to be a subsidiary of the Company and the remaining 9.9% interest in Yangkou Port Co retained by the Group is accounted for as an available-for-sale investment upon and after completion of the disposal.

	$'000
Net assets disposed of:	
Property, plant and equipment	**1,082,312**
Investment properties	**2,416,835**
Project under development	**1,196,116**
Stock of properties	**1,124,698**
Trade and other debtors, deposits and prepayments	**544,299**
Bank balances and cash	**69,554**
Trade and other creditors and accrued expenses	**(224,081)**
Taxation payable	**(70,535)**
Bank and other borrowings	**(1,258,993)**
Deferred tax liabilities	**(1,627,091)**
Total net assets	**3,253,114**
Less: non-controlling interests	**(1,252,559)**
	2,000,555

20. Acquisition of additional interests in subsidiaries/disposal of a subsidiary - continued

(b) Disposal of a subsidiary - continued

	$'000
Gain on disposal of a subsidiary:	
Consideration received and receivable	**1,806,964**
Levies paid	**(903)**
Net assets disposed of	**(3,253,114)**
Non-controlling interests	**1,252,559**
Initial recognition at fair value of 9.9% interest in Yangkou Port Co retained by the Group as an available-for-sale investment	**352,758**
Gain on disposal before taxation and release of attributable reserve	**158,264**
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of subsidiary	**230,797**
Gain on disposal before taxation	**389,061**
Less: taxation (note 8)	**(126,832)**
Gain on disposal after taxation	**262,229**
Net cash inflow arising on disposal:	
Consideration received and receivable	**1,806,964**
Less: levies and income tax withheld	**(127,735)**
Less: deferred sales proceeds classified as other receivables (note 15)	**(903,482)**
Cash consideration received	**775,747**
Less: bank balances and cash disposed of	**(69,554)**
	706,193

The subsidiary disposed of during the six months ended 30 September 2011 contributed about $9,090,000 to the revenue of the Group for the six months ended 30 September 2011. It did not contribute significantly to the net profit attributable to owners of the Company for the six months ended 30 September 2011. The cash flow contributed or utilised by this subsidiary for the six months ended 30 September 2011 was not significant.

Capital reserve in relation to the above subsidiary amounting to about $247,958,000 had been transferred to the retained profits upon disposal of the subsidiary.

INTERIM DIVIDEND

The Board has resolved to pay an interim cash dividend of HK1 cent per share for the six months ended 30 September 2012 (2011: Nil) to shareholders whose names appear on PYI's register of members as at the close of business on Wednesday, 19 December 2012. The interim cash dividend is expected to be paid to shareholders by post on or around Monday, 7 January 2013.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of PYI will be closed during the period from Monday, 17 December 2012 to Wednesday, 19 December 2012, both dates inclusive, during which period no transfer of share(s) of PYI will be effected. In order to qualify for the interim cash 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 branch share registrar in Hong Kong, Tricor 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 Friday, 14 December 2012.

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 $3,703 million (2011: $2,601 million), representing an increase of about 42% when compared with last corresponding period. The increase was mainly attributable to the rise in turnover of the engineering arm - Paul Y. Engineering and its subsidiaries (the "Paul Y. Engineering Group").

The Group's gross profit decreased by 11% to about $190 million (2011: $215 million) as compared with the corresponding last period and represented a gross margin of 5% (2011: 8%) of the consolidated turnover. Such drop in gross profit and margin was mainly caused by a substantial decrease in sale of property stock with higher margin by 85% (dropped from about $273 million in 2011 to about $42 million in 2012) for the six months period under review. The Group's administrative expenses increased by 19% to about $171 million (2011: $144 million), which was mainly attributable to the increase in administrative expenses of about $28 million (increased from about $67 million in 2011 to about $95 million in 2012) by Paul Y. Engineering Group to support the upsurge in turnover. Profit before taxation of about $217 million was achieved as compared with about $491 million for the corresponding period last year. The Group's profit before taxation was composed of:

(i) net gain of about $31 million in Paul Y. Engineering Group engaged in management contracting and property development management businesses (2011: $23 million);
(ii) net gain of about $26 million in ports and logistics business (2011: $41 million);
(iii) net gain of about $220 million in property business (2011: $68 million);
(iv) net gain of about $25 million in treasury business (2011: $55 million);
(v) nil contribution from the ports development business (2011: $391 million) following the disposal of 50.1% interest in Yangkou Port Co in last period;
(vi) net corporate and other expenses (including inter-segment profit eliminations) of about $46 million (2011: $47 million), which included acquisition-related costs of about $9 million (2011: $9 million); and
(vii) finance costs of about $39 million (2011: $40 million).

Net profit for the period attributable to the owners of PYI was about $81 million (2011: $331 million) and basic earnings per share was HK1.8 cents (2011: HK7.3 cents). The substantial decrease in net profit for the period was mainly attributable to (a) the absence of any substantial gain on disposal of investment for current period as compared to a non-recurring substantial gain on disposal of 50.1% interest in Yangkou Port Co earned for the corresponding last period; (b) absence of substantial exchange gain arising from appreciation of Renminbi denominated monetary assets as compared with the corresponding period in 2011; and (c) the substantial decrease in sale of property stock with higher margin as compared with the corresponding period in 2011.

When compared with the Group's financial position as at 31 March 2012, total assets increased by 8% to about $12,778 million (31.3.2012: $11,828 million) and net current assets decreased by 17% to about $1,000 million (31.3.2012: $1,208 million). The changes were mainly attributable to the capital contributed to the further development of the infrastructure projects in Nantong and the ports in Yichang during the current period. Consequently, current assets decreased from 1.24 times to 1.18 times of current liabilities. After accounting for the net profit of about $81 million, surplus from RMB exchange translation of about $2 million and dividend distribution of about $23 million to PYI's shareholders, equity attributable to owners of PYI increased by 1% to about $4,670 million (31.3.2012: $4,610 million), representing $1.02 (31.3.2012: $1.01) per share as at 30 September 2012.

Net cash inflow from operating activities was about $70 million (2011: outflow of $276 million) and that from financing activities was about $98 million (2011: $408 million). Net cash outflow from investing activities was about $109 million (2011: $96 million), resulting in a net increase in available cash and cash equivalents of about $59 million (2011: $36 million) for the current period.

REVIEW OF OPERATIONS

Ports Development

Yangkou Port (9.9% owned)

There was no contribution from Yangkou Port to the Group's operating profit for the period under review following the disposal of 50.1% interest in Yangkou Port Co in May 2011, whereas the profit of the last corresponding period of $391 million mainly represented the gain on such disposal of $389 million.

On 26 May 2011, the Group disposed of 50.1% of its equity interest in Yangkou Port Co at a consideration of RMB1,507 million and received net cash amount of RMB647 million (being 50% of the consideration of RMB753.5 million after deduction of PRC tax and levy in the sum of RMB106.5 million). The remaining 50% of the consideration of RMB753.5 million will be satisfied by instalments, namely, RMB150.7 million, RMB301.4 million and RMB301.4 million to be paid on or before 31 December 2011, 2012 and 2013, respectively. The deferred consideration bears interest equivalent to the Standard Lending Rate announced by the People's Bank of China and is secured by a charge on the 50.1% sale interest. The first instalment of RMB150.7 million together with interest concerned (after net of PRC tax and levies) of about RMB5.4 million were received in November 2011.

PYI will continue to enjoy the future growth of Yangkou Port through the remaining 9.9% equity interest, which is intended to be held for long-term investment purpose and classified as an available-for-sale investment.

Ports and Logistics

PYI achieved satisfactory progress in implementing its Yangtze Strategy during the period. The Group's network of cargo ports was strengthened and generating synergy value.

Nantong Port Group (45% owned)

Nantong Port Group contributed about $27 million (2011: $17 million) to the segment's operating profit for the period under review. The higher contribution was benefited from the growth in business derived from foreign bulk cargo vessels with higher revenue and gross margin.

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. Nantong Port provides easy access to the Yangtze region by road and waterway and is an ideal hub port for cargo trans-shipment.

Bulk cargo throughput in the first half of 2012 remained stable at about 26 million tonnes (2011: 26 million tonnes), while the container throughput in the first half of 2012 increased by 9% to 234,000 TEUs (2011: 215,000 TEUs).

Yichang Port Group (51% owned)

Yichang Port Group contributed about $15 million (2011: $24 million) to the segment's operating profit for the period under review. Its operating result was affected by the drop in revenue from bulk cargo business, as a result of lower demand for bulk cargo trans-shipment and logistics services from western Mainland customers.

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

Bulk cargo throughput of Yichang Port Group for the six months ended 30 September 2012 decreased by 11% to about 3.4 million tonnes (2011: 3.8 million tonnes), while the container throughput increased by 33% to 36,000 TEUs (2011: 27,000 TEUs) during the period.

Jiangyin Sunan Container Terminal (40% owned)

Jiangyin Sunan contributed about $4 million (2011: $6 million) to the segment's operating profit for the period under review. Its operating result was affected by the lower demand of container terminal services for foreign trade from the regional customers.

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 2012 decreased by 15% to 201,000 TEUs (2011: 236,000 TEUs).

Jiaxing International Feeder Port (90% owned)

Jiaxing International Feeder Port multi-functional zone is a core infrastructure project in Zhejiang Province and a pilot feeder port under the plans of Ministry of Transport.

Situated at Nanhu District of Jiaxing City, Jiaxing International Feeder Port occupies a shoreline of 570 m and a land mass of 326,000 sq m. Currently, the port has 10 berths with total annual throughput capacity of 100,000 TEUs. A customs office is located in port area for efficient consignment, declaration and clearance at one stop. The port also features a range of integrated logistics supporting services such as examination, steam sterilization facilities, storage and information services etc.

The port declared soft open in mid 2010 and is still in the stage of trial run. As such, no operating result was contributed by the port during the period. The port is expected to start commercial operation in first quarter of 2013 and target to become the first container feeder port in the Yangtze Delta with comprehensive customs and logistics services.

LPG and Logistics (100% owned)

The LPG distribution and logistics businesses of Minsheng Gas recorded an operating loss of about $20 million (2011: $6 million) for the period under review. Competition from compressed natural gas continued to put pressure on sale volume as well as margin in Wuhan. A slight operating profit was maintained by its LPG distribution business, whereas continuing research costs incurred by its logistics business to enhance the product performance and logistics efficiency in order to enlarge the scope of application across different vehicle types and improve the environmental protection had resulted in an overall operating loss.

Engineering Business – Paul Y. Engineering (62% owned)

Paul Y. Engineering Group achieved turnover of $3,439 million (2011: $2,043 million) during the period under review, representing an increase of about 68% as compared with that of last corresponding period. It contributed about $31 million (2011: $23 million) to the Group's operating profit during the period. The increase in turnover was mainly attributable to the significant increase in order book for construction of infrastructure projects during the period as benefited from the Hong Kong Government's drastic increase in capital investment.

During the period, the management contracting division of Paul Y. Engineering Group secured new contracts totaling $3,504 million (2011: $3,412 million) in aggregate value. Subsequent to the end of the reporting period, additional contracts of about $7,196 million was secured. As at 30 September 2012, the total value of contracts on hand of Paul Y. Engineering Group was about $15,878 million (31.3.2012: $15,106 million).

Paul Y. Engineering Group has benefited from the increase in capital works expenditure in both Hong Kong and Macau markets, and strives to secure more construction contracts from Macau to benefit from its strong demand for construction services. Despite a restraint in profit margin improvement owing to inflated labour and material costs, the Paul Y. Engineering Group will strive to maintain a balance between risk and return and keep seizing opportunities to expand and diversify its business. With its solid foundation and professional expertise, Paul Y. Engineering Group remains confident in increasing its order book and continues to strive for more premium projects to bring substantial return.

Property

The property business contributed about $220 million (2011: $68 million) to the Group's operating profit for the period under review. The profit was mainly attributable to gain on revaluation of investment properties from about 0.65 sq km Land Being Formed located at Xiao Yangkou of about $136 million (2011: Nil) and investment properties located at Yichang, Nantong and Hangzhou of about $80 million (2011: $1 million). The contribution from sale of units in Nantong International Trade Center and Wanhua Zijin Garden recorded about $10 million (2011: $57 million) during the period.

As at 30 September 2012, about 2.96 sq km (31.3.2012: 2.31 sq km) of the 11.5 sq km land bank situated at Xiao Yangkou had reached the forming stage or formed and serviced stage. About 1.89 sq km of the Formed Land and 1 sq km of the Land Being Formed at Xiao Yangkou were classified as investment properties and measured at fair value of about $740 million (31.3.2012: $575 million), whereas the remaining 0.07 sq km Formed Land at Xiao Yangkou was classified as trading stock.

Nantong International Trade Center is a commercial and office development in the heart of CBD of Nantong City with a gross floor area of some 80,000 sq m. The office tower and commercial podium were completed in October 2010 and September 2011, respectively, which contributed turnover of about $32 million (2011: $244 million) during the period under review. A cumulative floor area of about 43,000 sq m with a total contract value of about RMB487 million had been sold or pre-sold up to 30 September 2012, representing about 68% of its total saleable floor area. During the period, a gross floor area of some 6,000 sq m rented out for hotel operation had been transferred to investment properties and contributed rental income of about $3 million (2011: Nil).

Wanhua Zijin Garden, a residential property development near Yangkou Port with a gross floor area of 65,000 sq m, was completed and contributed turnover of about $13 million (2011: $29 million) during the period under review. A cumulative floor area of about 56,000 sq m with a total contract value of about RMB327 million had been sold or pre-sold up to 30 September 2012, representing about 94% of its total saleable floor area.

In the Hangzhou Hi-Tech Industry Development Zone of Bingjiang, Hangzhou City, 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 $5 million (2011: $5 million) during the period and it was almost fully leased as at 30 September 2012.

In the main urban district of Yichang City near Yangtze River, the Group holds certain commercial and residential properties of about 7,800 sq m through Yichang Port Group. Total rental income contributed from the Yichang investment properties amounted to about $3 million (2011: $2 million).

Treasury

The treasury investments contributed about $25 million (2011: $55 million) towards the Group's operating profit for the period under review. The trading securities recorded a fair value loss of about $1 million (2011: $22 million) during the period. The interest income derived from high-yield loans and RMB bank deposits in Hong Kong amounted to about $8 million (2011: $10 million), while the interest income derived from the deferred consideration receivable for disposal of Yangkou Port Co amounted to about $18 million (2011: $31 million). No relevant RMB translation gain was derived from the deferred consideration receivable and bank deposits in Hong Kong during the period (2011: about $36 million).

As at 30 September 2012, total value of the Group's portfolio of trading securities amounted to about $59 million (31.3.2012: $60 million), equivalent to about 0.5% (31.3.2012: 0.5%) of the Group's total assets. Portfolio of high-yield loans receivable amounted to about $25 million (31.3.2012: $103 million), equivalent to about 0.2% (31.3.2012: 0.9%) of the Group's total assets.

MATERIAL ACQUISITION AND DISPOSAL
There are no 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
2012 was a challenging year under the background of sluggish global economic recovery. The lingering European sovereign debt crisis and slow recovery progress of the United States continued to plague the entire global economy. China was also affected by declining export as a result of the faltering global economy.

Facing the risk of economic downturn, the U.S. Federal Reserve has launched the third round of quantitative easing and planned to keep interest rates low through mid-2015. The Central Government is expected to further ease its monetary policy under the pressure of slowdown in economic growth. However, with global economic conditions continuing uncertain, the outlook appears to remain challenging.

Given the lackluster global environment, PYI remains cautiously optimistic on the prospects of the Yangtze River region over the medium to long term as the consolidation of ports for an efficient integrated transport system and acceleration of the development of Yangtze River region and inland waterways is one of the strategic focuses of the country. PYI will strive to maintain long term business growth and generate sustainable returns to our shareholders by enhancing our Yangtze Strategy with a view to meet various challenges ahead.

LIQUIDITY AND CAPITAL RESOURCES
As at 30 September 2012, the Group had total assets of $12,778 million (31.3.2012: $11,828 million) which were financed by shareholders' funds and credit facilities. A variety of credit facilities were maintained to meet its working capital requirements and committed capital expenditure, which bore interest at market rates and had contracted terms of repayment ranging from on demand to ten years. The Group mainly generated revenue and incurred costs in Hong Kong dollar and Renminbi, and no financial instruments had been used for hedging purpose during the current period. The Group adopts a prudent funding and treasury policy and manages the fluctuation exposures of exchange rate and interest rate on specific transactions.

As at 30 September 2012, the Group's total borrowings amounted to about $2,908 million (31.3.2012: $2,653 million) with about $1,895 million (31.3.2012: $1,715 million) repayable on demand or within one year and about $1,013 million (31.3.2012: $938 million) repayable after one year. Out of the Group's total borrowings of about $2,908 million (31.3.2012: $2,653 million), about $377 million (31.3.2012: $339 million) was non-recourse to the Group (excluding the Paul Y. Engineering Group).

As at 30 September 2012, borrowings denominated in Hong Kong dollar of about $1,452 million (31.3.2012: $1,255 million) bore interest at floating rates. Borrowing denominated in Renminbi of about $1,141 million (31.3.2012: $1,071 million) bore interest at floating rates and about $315 million (31.3.2012: $327 million) bore interest at fixed rates. The Group's gearing ratio was 0.62 (31.3.2012: 0.58), which was calculated based on the total borrowings of about $2,908 million (31.3.2012: $2,653 million) and the Group's shareholders' fund of about $4,670 million (31.3.2012: $4,610 million).

Bank balances and cash of the Group as at 30 September 2012 amounted to about $1,707 million (31.3.2012: $1,740 million), of which about $1,171 million (31.3.2012: $1,289 million) was denominated in Renminbi, about $415 million (31.3.2012: $428 million) was denominated in Hong Kong dollar and about $121 million (31.3.2012: $23 million) was denominated in other currencies mainly the Macau Pataca. Also, about $640 million (31.3.2012: $732 million) had been pledged to banks to secure general credit facilities granted to the Group, which included about RMB516 million (equivalent to about $636 million) (31.3.2012: RMB575 million, equivalent to about $709 million) deposited in Hong Kong to secure banking facilities denominated in Hong Kong dollar and available in Hong Kong. As at 30 September 2012, the Group had a net debt position (being bank balances and cash net of bank borrowings) of about $1,013 million (31.3.2012: $649 million).

CONTINGENT LIABILITIES

Apart from the claim described in note 15 to the condensed consolidated financial statements, as at 30 September 2012, the Group had contingent liabilities in respect of guarantees given to banks for banking facilities given to third parties of about $68 million (31.3.2012: $70 million) and an investee of about $271 million (31.3.2012: $336 million), and indemnities issued to banks for performance bonds in respect of construction contracts undertaken by an associate and jointly controlled entities of about $39 million (31.3.2012: 39 million).

PLEDGE OF ASSETS

As at 30 September 2012, certain property interests, property, plant and equipment, trade receivables and bank balances of the Group with an aggregate value of about $2,258 million (31.3.2012: $2,246 million), as well as the Company's investment in certain subsidiaries of about $361 million (31.3.2012: $296 million) and the Group's 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 2012, about $119 million (31.3.2012: $97 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 2012, the Group had expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of acquisition of certain property, plant and equipment and project under development in the amount of about $83 million (31.3.2012: $97 million).

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

Including the directors of the Group, as at 30 September 2012, the Group employed a total of 3,123 full time employees (31.3.2012: 3,121). 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 OR 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 the Company's 2012 annual report (the "2012 Annual Report") (which can be viewed on the Company's website), we reported that, save for certain deviations disclosed therein, the Company has applied the principles and complied with all applicable code provisions of the Code on Corporate Governance Practices (the "Old Code", formerly contained in Appendix 14 of the Listing Rules) and adopted some of the recommended best practices for the year ended 31 March 2012.

Throughout the six months ended 30 September 2012, the Company continued to comply with the code provisions as set out in the Corporate Governance Code (the "CG Code", the new edition of the Old Code) and adopt some of the recommended best practices, except for certain deviations which are summarized below:

(a) Code Provision A.2.1

Code Provision A.2.1 stipulates that the roles of the chairman and chief executive officer ("CEO") should be separated and performed by different individuals. Following the retirement of Dr. Chow Ming Kuen, Joseph on 16 September 2011, Mr Lau Ko Yuen, Tom, the Managing Director (equivalent to CEO) of the Company, has been appointed as chairman of the Company ("Chairman") and has performed the roles of Chairman and CEO with effect from 26 September 2011.

The Board believes that it is appropriate and in the interests of the Company for Mr Lau to take up both roles at the present stage as it helps to ensure consistent leadership within the Group and enable more effective and efficient overall strategic planning for the Group. The Board also believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high calibre individuals with half the number thereof being independent non-executive directors.

(b) Code Provision A.6.7

Following certain amendments made to the Old Code, Code Provision A.6.7 of the CG Code came into force on 1 April 2012, which stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to business engagements, two independent non-executive directors and a non-executive director could not attend the special general meeting and annual general meeting of the Company held on 11 June 2012 and 10 September 2012 respectively.

During the period under review and up to the date of this announcement, except that (1) Ms Wong Lai Kin Elsa was appointed as an independent non-executive director of the Company and a member of the Company's Audit Committee and Corporate Governance and Compliance Committee with effect from 1 November 2012; and (2) Mr Li Chang An resigned as a member of the Company's Audit Committee with effect from 1 November 2012, 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 42 to 67 of the 2012 Annual Report.

At the Company's annual general meeting held on 10 September 2012, shareholders of the Company approved the remuneration of the directors of $4,000,000 per annum. There has been no change to the basis of determining the directors' remuneration. The level of fee payable to all directors for serving on the Board and Board committees remain unchanged to those set out on page 151 of the 2012 Annual Report except that (1) the monthly salary paid or payable by the Company to Mr Lau Ko Yuen, Tom was increased by 5% as from 1 April 2012; (2) the annual director's fee paid or payable by PYE to Mr Lau Ko Yuen, Tom was increased by 10% as from 1 July 2012; (3) Ms Wong Lai Kin Elsa was entitled to a director's fee of $390,000 per annum for serving as an independent non-executive director of the Company and an aggregate service fee of $52,000 per annum for serving as a member of the Company's Audit Committee and the Corporate Governance and Compliance Committee with effect from 1 November 2012; and (4) with effect from 1 November 2012, Mr Li Chang An was not entitled to a fee of $26,000 per annum for serving as a member of the Company's Audit Committee upon his resignation from that position.

At the same meeting, shareholders of the Company approved the reappointment of Deloitte Touche Tohmatsu as the Company's external auditor for the financial year ending 31 March 2013.

During the period under review, the Board of the Company 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, the Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code for dealing in the securities of the Company by the Directors of the Company and the relevant employees of the Group. According to specific enquiries made by the Company, all Directors of the Company 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 2012 to 30 September 2012.

The Company's Directors have complied with the requirement of Securities and Futures Ordinance regarding disclosure of their respective interests in the Company and its associated corporations during the period.

REVIEW OF ACCOUNTS

The Group's results for the six months ended 30 September 2012 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 the Company's corporate website at www.pyicorp.com under "Investors" and the HKExnews at www.hkexnews.hk under "Latest Listed Company Information". The 2013 Interim Report will be dispatched to the Company's shareholders and posted at the aforesaid websites in or before mid of December 2012.

BOARD OF DIRECTORS

As at the date of this announcement, the composition of the Board of PYI is as follows:

Mr Lau Ko Yuen, Tom	:	Chairman and Managing Director
Mr Chan Yiu Lun, Alan	:	Executive Director
Dr Chan Kwok Keung, Charles *(with Mr Chan Yiu Lun, Alan as alternate)*	:	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
Ms Wong Lai Kin Elsa	:	Independent Non-Executive Director

On behalf of the Board
PYI Corporation Limited
Lau Ko Yuen, Tom
Chairman and Managing Director

Hong Kong, 16 November 2012