PYI Corporation Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 498)

(Unless otherwise specified, "$" in this announcement shall mean Hong Kong dollar and "cent(s)" shall mean Hong Kong cent(s).)

2019 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 2018.

FINANCIAL HIGHLIGHTS

	9/2018	9/2017	Change
Revenue of the Group	$315 million	$299 million	+5%
Gross proceeds from securities trading of the Group	$70 million	$52 million	+35%
Share of revenue of associates and joint ventures	$2,141 million	$1,821 million	+18%
	$2,526 million	$2,172 million	+16%
Gross profit	$113 million	$96 million	+18%
Profit attributable to shareholders	$16 million	$503 million	-97%
Earnings per share	0.3 cent	9.5 cents	-97%

	9/2018	3/2018	Change
Shareholders' funds	$4,374 million	$4,712 million	-7%
Net asset value per share	$0.79	$0.85	-7%

RESULTS

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2018

	Notes	Unaudited Six months ended 30 September 2018 $'000	2017 $'000
Revenue of the Company and its subsidiaries	3	**315,347**	299,472
Gross proceeds from securities trading of the Company and its subsidiaries	3	**69,691**	51,690
Share of revenue of associates and joint ventures		**2,141,089**	1,820,468
		2,526,127	2,171,630
Group revenue			
Sales and services income	3	**275,732**	283,106
Interest income	3	**33,850**	9,813
Property rental and dividend income	3	**5,765**	6,553
		315,347	299,472
Cost of sales		**(202,145)**	(203,530)
Gross profit		**113,202**	95,942
Other income	5	**3,843**	4,607
Administrative expenses		**(77,233)**	(74,680)
Distribution and selling expenses		**(28,271)**	(91,527)
Other gains and losses	6	**14,283**	(16,192)
Other expenses		**(14,247)**	(12,926)
Finance costs	7	**(15,719)**	(31,576)
Gain on disposal of an associate	8	**–**	847,628
Impairment loss on property, plant and equipment		**–**	(144,797)
Net gain on fair value changes of investment properties		**44,943**	111,206
Share of results of associates		**21,757**	36,772
Share of results of joint ventures		**927**	1,307
Profit before taxation	9	**63,485**	725,764
Taxation	10	**(36,291)**	(200,719)
Profit for the period		**27,194**	525,045
Profit for the period attributable to:			
Owners of the Company		**16,072**	503,451
Non-controlling interests		**11,122**	21,594
		27,194	525,045
Earnings per share	11		
Basic earnings per share		**0.3 cent**	9.5 cents
Diluted earnings per share		**N/A**	9.5 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2018

	Unaudited Six months ended 30 September 2018 $'000	2017 $'000
Profit for the period	**27,194**	525,045
OTHER COMPREHENSIVE (EXPENSE) INCOME		
Item that will not be reclassified to profit or loss		
Change in carrying amount of investments in equity instruments	**(48,701)**	(36,881)
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising from translation of foreign operations	**(239,277)**	107,879
Share of exchange differences of associates and joint ventures	**(34,581)**	78,051
Reclassification adjustment on disposal of an associate	**–**	(126,471)
Other comprehensive (expense) income for the period	**(322,559)**	22,578
Total comprehensive (expense) income for the period	**(295,365)**	547,623
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	**(233,263)**	492,836
Non-controlling interests	**(62,102)**	54,787
	(295,365)	547,623

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2018

	Notes	Unaudited 30.9.2018 $'000	Audited 31.3.2018 $'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**1,241,579**	1,358,358
Investment properties	*14*	**1,288,310**	1,350,540
Project under development		**171,232**	186,297
Prepaid lease payments		**299,947**	342,192
Other intangible assets		**7,371**	8,460
Interests in associates		**635,717**	734,328
Interests in joint ventures		**115,792**	96,201
Investments in equity instruments	*15*	**388,097**	436,826
Other non-current assets		**82,039**	91,232
		4,230,084	4,604,434
CURRENT ASSETS			
Prepaid lease payments		**4,077**	4,766
Stock of properties	*16*	**1,514,276**	1,627,256
Inventories of finished goods		**6,085**	11,384
Loans receivable	*17*	**235,222**	372,700
Amounts due from associates		**76,064**	79,710
Amount due from a joint venture		**6,428**	7,619
Trade and other debtors, deposits and prepayments	*18*	**272,412**	265,108
Investments in debt instruments held for trading	*19*	**324,463**	320,174
Investments in equity instruments held for trading		**169,461**	35,964
Other financial asset	*20*	**185,612**	183,539
Pledged bank deposits		**15,370**	30,557
Short term bank deposits		**114,148**	248,276
Bank balances and cash		**329,284**	327,847
		3,252,902	3,514,900
CURRENT LIABILITIES			
Trade and other creditors and accrued expenses	*21*	**253,843**	286,364
Contract liabilities		**12,346**	–
Amounts due to associates		**6,000**	17,400
Amount due to a joint venture		**85**	–
Amounts due to non-controlling interests		**2,278**	2,478
Taxation payable		**8,139**	11,965
Bank and other borrowings – due within one year	*22*	**518,744**	536,235
		801,435	854,442
NET CURRENT ASSETS		**2,451,467**	2,660,458
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,681,551**	7,264,892

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2018

	Notes	Unaudited 30.9.2018 $'000	Audited 31.3.2018 $'000
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year	22	**473,726**	606,432
Amounts due to non-controlling interests		**93,394**	101,611
Deferred tax liabilities		**806,789**	843,707
Deferred income		**74,884**	77,925
Other payables		**19,661**	22,425
		1,468,454	1,652,100
		5,213,097	5,612,792
CAPITAL AND RESERVES			
Share capital	23	**551,958**	551,958
Reserves		**3,822,263**	4,159,856
Equity attributable to owners of the Company		**4,374,221**	4,711,814
Non-controlling interests		**838,876**	900,978
TOTAL EQUITY		**5,213,097**	5,612,792

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 September 2018

	Unaudited Six months ended 30 September 2018 $'000	2017 $'000 (Restated)
Net cash used in operating activities	**(24,871)**	(208,580)
Net cash from investing activities	**20,303**	1,673,036
Net cash used in financing activities	**(99,938)**	(353,499)
Net (decrease) increase in cash and cash equivalents	**(104,506)**	1,110,957
Effect of foreign exchange rate changes	**(28,185)**	11,617
Cash and cash equivalents brought forward	**576,123**	499,650
Cash and cash equivalents carried forward	**443,432**	1,622,224
Analysis of the balances of cash and cash equivalents		
Short term bank deposits	**114,148**	1,216,129
Bank balances and cash	**329,284**	406,095
	443,432	1,622,224

For the period ended 30 September 2018, the net unrealised exchange loss of about $22,176,000 arisen from amounts due from (to) group companies is considered as an adjustment to cash flow from operating activities for a more appropriate presentation. As such, the comparable figure of net unrealised exchange gain of about $8,220,000 included in the effect of foreign exchange rate changes of cash and cash equivalents previously reported in the condensed consolidated statement of cash flows for the period ended 30 September 2017 has been reclassified to net cash from operating activities for consistency, resulted in restatement of effect of foreign exchange rate changes of cash and cash equivalents from about $3,397,000 to about $11,617,000.

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" 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.

Other than changes in accounting policies resulting from application on HKFRS 9 (2014) and HKFRS 15, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9 (2014)	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 9 (2014) Financial Instruments and the related amendments

In the current period, the Group has applied HKFRS 9 (2014) "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 (2014) introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities in addition to those relating to classification and measurement of financial assets covered in HKFRS 9 (2009) which have been early adopted by the Group with 1 April 2014 as its date of initial application (i.e. the date on which the Group has reassessed the classification of its financial assets in accordance with requirements of HKFRS 9 (2009)); 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

2. Principal accounting policies – continued

2.1 Impacts and changes in accounting policies of application on HKFRS 9 (2014) Financial Instruments and the related amendments – continued

The Group has applied HKFRS 9 (2014) in accordance with the transition provisions set out in HKFRS 9 (2014), i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKFRS 9 (2009) "Financial Instruments".

2.1.1 Key changes in accounting policies resulting from application of HKFRS 9 (2014)

Classification and measurement of financial assets

Trade debtors arising from contracts with customers are initially measured in accordance with HKFRS 15.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (2014) (including amounts due from associates and a joint venture, trade and other debtors, loans receivable, bank deposits, bank balances and financial guarantee contracts). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade debtors without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2. Principal accounting policies – continued

2.1 Impacts and changes in accounting policies of application on HKFRS 9 (2014) Financial Instruments and the related amendments – continued

2.1.1 Key changes in accounting policies resulting from application of HKFRS 9 (2014) – continued

Impairment under ECL model - continued

Significant increase in credit risk - continued

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 "Leases".

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected loss is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

2. Principal accounting policies – continued

2.1 Impacts and changes in accounting policies of application on HKFRS 9 (2014) Financial Instruments and the related amendments – continued

2.1.1 Key changes in accounting policies resulting from application of HKFRS 9 (2014) – continued

Impairment under ECL model - continued

Measurement and recognition of ECL - continued

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of amounts due from associates and a joint venture, trade and other debtors and loans receivable where the corresponding adjustment is recognised through a loss allowance account.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9 (2014) and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9 (2014). The results of the assessment and the impact thereof are detailed in Note 2.1.2.

2.1.2 Summary of effects arising from initial application of HKFRS 9 (2014)

Impairment under ECL model

The Group applies the HKFRS 9 (2014) simplified approach to measure ECL which uses a lifetime ECL for all trade debtors. To measure the ECL, trade debtors have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition, except for a loan receivable which is measured on lifetime ECL basis as that credit risk had increased significantly since initial recognition.

As at 1 April 2018, the additional credit loss allowance of $10,732,000 in aggregate for amounts due from associates, trade and other debtors and loans receivable has been recognised against retained profits.

All loss allowances for financial assets including amounts due from associates, trade and other debtors and loans receivable as at 31 March 2018 reconcile to the opening loss allowance as at 1 April 2018 are as follows:

2. *Principal accounting policies – continued*

2.1 Impacts and changes in accounting policies of application on HKFRS 9 (2014) Financial Instruments and the related amendments – continued

2.1.2 Summary of effects arising from initial application of HKFRS 9 (2014) – continued

Impairment under ECL model - continued

	Amounts due from associates *$'000*	Trade and other debtors *$'000*	Loans receivable *$'000*
At 31 March 2018 - HKFRS 9 (2009)	-	37,092	21,000
Amounts remeasured through opening retained profits	1,125	1,800	7,807
At 1 April 2018	1,125	38,892	28,807

Interests in associates

The initial application of HKFRS 9 (2014) resulted in a decrease in the carrying amount of interests in associates of $9,869,000 with corresponding adjustment to retained profits.

2.2 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- Port, port logistics and supporting services
- Sale of liquefied petroleum gas ("LPG") and compressed natural gas ("CNG")
- Sale of properties
- Rental income under operating leases
- Dividend income from investments in equity instruments held for trading
- Interest income from financial assets

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

2. Principal accounting policies – continued

2.2 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers – continued

2.2.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a goods and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

<u>Over time recognition: measurement of progress towards completion satisfaction of a performance obligation</u>

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

2. Principal accounting policies – continued

2.2 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers – continued

2.2.2 Summary of effects arising from initial application of HKFRS 15

Except for (a) rental income, dividend income and interest income which fall outside the scope of HKFRS 15 and (b) revenue from sale of properties and sale of LPG and CNG products that is recognised at a point in time, revenue from other types of goods or services as described in note 3 is recognised over time.

The initial application of HKFRS 15 resulted in a decrease in the carrying amount of interests in associates of $83,729,000 with corresponding adjustments charged to retained profits by $83,745,000 and credited to translation reserve by $16,000 respectively.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	notes	Carrying amounts previously reported at 31 March 2018 *$'000*	Reclassification *$'000*	Remeasurement *$'000*	Carrying amounts under HKFRS 15 at 1 April 2018* *$'000*
Non-current asset					
Interests in associates	(a)	734,328	-	(83,729)	650,599
Current liabilities					
Trade and other creditors and accrued expenses	(b)	286,364	(7,648)	-	278,716
Contract liabilities	(b)	-	7,648	-	7,648
Capital and reserves					
Retained profits	(a)	3,698,600	-	(83,745)	3,614,855
Translation reserve	(a)	206,798	-	16	206,814

notes:

(a) In relation to construction contracts previously accounted under HKAS 11, an associate of the Group changed to apply input method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. The net effect arising from the initial application of HKFRS 15 by the associate resulted in a decrease in the Group's carrying amount of interests in associates of $83,729,000 with corresponding adjustments to retained profits and translation reserve.

(b) The reclassification of $7,648,000 from trade and other creditors and accrued expenses to contract liabilities under HKFRS 15 represented the Group's obligations to transfer to the customers of the services and the Group has received consideration from the customers.

* The amounts in this column are before the adjustments from the application of HKFRS 9 (2014).

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position at 30 September 2018 and its condensed consolidated income statement and condensed consolidated statement of comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

2. *Principal accounting policies – continued*

2.2 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers – continued

2.2.2 Summary of effects arising from initial application of HKFRS 15 – continued

Impact on the condensed consolidated statement of financial position at 30 September 2018

	notes	As reported $'000	Reclassification $'000	Remeasurement $'000	Amounts without application of HKFRS 15 $'000
Non-current asset					
Interests in associates	(a)	635,717	-	69,994	705,711
Current liabilities					
Trade and other creditors and accrued expenses	(b)	253,843	12,346	-	266,189
Contract liabilities	(b)	12,346	(12,346)	-	-
Capital and reserves					
Retained profits	(a)	3,612,574	-	70,012	3,682,586
Translation reserve	(a)	6,180	-	(18)	6,162

Impact on the condensed consolidated income statement for the six months ended 30 September 2018

	note	As reported $'000	Adjustments $'000	Amounts without application of HKFRS 15 $'000
Share of revenue of associates and joint ventures	(a)	2,141,089	(408,164)	1,732,925
Share of results of associates	(a)	21,757	(13,733)	8,024
Profit for the period attributable to:				
Owners of the Company	(a)	16,072	(13,733)	2,339

Impact on the condensed consolidated statement of comprehensive income for the six months ended 30 September 2018

	note	As reported $'000	Adjustments $'000	Amounts without application of HKFRS 15 $'000
Share of exchange differences of associates and joint ventures	(a)	(34,581)	(2)	(34,583)
Total comprehensive expense for the period attributable to:				
Owners of the Company	(a)	(233,263)	(13,735)	(246,998)

notes:

(a) The net effect arising from the application of HKFRS 15 resulted in an accumulated decrease of $69,994,000 in the carrying amount of interests in associates at 30 September 2018, of which $70,012,000 has been charged to retained profits and $18,000 has been credited to translation reserves. Meanwhile, the application of HKFRS 15 resulted in an increase of $408,164,000 in share of revenue of associates and joint ventures, $13,733,000 in share of results of associates and $2,000 in the share of exchange differences of associates and joint ventures for the current period.

(b) Prior to application of HKFRS 15, the Group's obligation to transfer goods and services to the customers for which the Group has received consideration from the customers amounting to $12,346,000 at 30 September 2018 would be recognised as trade and other creditors and accrued expenses. Such amount was reclassified to contract liabilities upon application of HKFRS 15.

2. *Principal accounting policies – continued*

2.3 *Impacts on opening condensed consolidated statement of financial position arising from the application of all new HKFRSs*

	Audited 31 March 2018 *$'000*	HKFRS 15 *$'000*	HKFRS 9 (2014) *$'000*	Restated 1 April 2018 *$'000*
Non-current assets				
Interests in associates	734,328	(83,729)	(9,869)	640,730
Others with no adjustments	3,870,106	-	-	3,870,106
	4,604,434	(83,729)	(9,869)	4,510,836
Current assets				
Loans receivable	372,700	-	(7,807)	364,893
Amounts due from associates	79,710	-	(1,125)	78,585
Trade and other debtors, deposits and prepayments	265,108	-	(1,800)	263,308
Others with no adjustments	2,797,382	-	-	2,797,382
	3,514,900	-	(10,732)	3,504,168
Current liabilities				
Trade and other creditors and accrued expenses	286,364	(7,648)	-	278,716
Contract liabilities	-	7,648	-	7,648
Others with no adjustments	568,078	-	-	568,078
	854,442	-	-	854,442
Net current assets	2,660,458	-	(10,732)	2,649,726
Total assets less current liabilities	7,264,892	(83,729)	(20,601)	7,160,562
Non-current liabilities				
Others with no adjustments	1,652,100	-	-	1,652,100
Net assets	5,612,792	(83,729)	(20,601)	5,508,462
Capital and reserves				
Retained profits	3,698,600	(83,745)	(20,601)	3,594,254
Translation reserve	206,798	16	-	206,814
Others with no adjustments	1,707,394	-	-	1,707,394
Total equity	5,612,792	(83,729)	(20,601)	5,508,462

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

3. *Revenue and gross proceeds*

Revenue and gross proceeds are analysed as follows:

	Unaudited Six months ended 30 September 2018 $'000	Unaudited Six months ended 30 September 2017 $'000
Sales and services income		
Income from port related services	**200,229**	185,433
Sale of LPG and CNG products	**75,503**	87,128
Sale of properties	**–**	10,545
	275,732	283,106
Interest income		
Interest income from loans receivable	**19,876**	4,762
Interest income from investments in debt instruments held for trading	**13,974**	5,051
	33,850	9,813
Property rental and dividend income		
Property rental and related income	**5,160**	6,240
Dividend income from investments in equity instruments held for trading	**605**	313
	5,765	6,553
Group revenue	**315,347**	299,472
Gross proceeds from securities trading	**69,691**	51,690
	385,038	351,162

4. *Segment information*

The operating segments of the Group are 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 business units with similar economic characteristics into an operating segment.

In respect of the enlarged business in the investment and trading of more diversified securities products during the year ended 31 March 2018, the previous operating and reportable segment of "Treasury" segment has been split into the segments of "Securities" and "Treasury" in reporting to the Managing Director of the Company, consistent with how performance of each business is assessed. As a result of the changes to reportable segments and segment presentation, the segment revenue and results for the period ended 30 September 2017 have been restated to conform to the current presentation.

4. *Segment information – continued*

The Group's operating and reportable segments are as follows:

Paul Y. Engineering Group	- 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, LPG and CNG products and logistics businesses
Property	- Development, investment, sale and leasing of real estate properties, developed land, land under development and projects under development
Securities	- Investment and trading of securities
Treasury	- Provision of credit services and cash management

Both ports and logistics segment and property segment include a number of different operations in various cities within the PRC, each of which is considered as a separate business unit by the Managing Director of the Company. For segment reporting purpose, these individual business units have been aggregated into reportable segments according to the nature and similarity of their products and services, the customer type or class, the method of products distribution or providing services, and the regulatory environment, which give rise to a more meaningful presentation.

The Managing Director of the Company assesses the performance of the operating segments based on a measure of earnings or loss before interest expense and tax ("EBIT or LBIT") and earnings or loss before interest expense, tax, depreciation and amortisation ("EBITDA or LBITDA").

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 2018 (Unaudited)

	Paul Y. Engineering Group *$'000*	Ports development *$'000*	Ports and logistics *$'000*	Property *$'000*	Securities *$'000*	Treasury *$'000*	Segment total and consolidated *$'000*
REVENUE	-	-	275,732	5,160	14,579	19,876	315,347
GROSS PROCEEDS FROM SECURITIES TRADING	-	-	-	-	69,691	-	69,691
	-	-	275,732	5,160	84,270	19,876	385,038
EBITDA (LBITDA)	15,498	-	102,926	42,009	(21,079)	39,211	178,565
Depreciation and amortisation**	-	-	(24,150)	(2,212)	(11)	(11)	(26,384)
Segment results – EBIT (LBIT)	15,498	-	78,776	39,797	(21,090)	39,200	152,181
Corporate and other expenses***							(72,977)
Finance costs							(15,719)
Profit before taxation							63,485
Taxation							(36,291)
Profit for the period							27,194

4. *Segment information – continued*

Segment revenues and results - continued

Six months ended 30 September 2017 (Unaudited and restated)

	Paul Y. Engineering Group *$'000*	Ports development *$'000*	Ports and logistics *$'000*	Property *$'000*	Securities *$'000*	Treasury *$'000*	Segment total and consolidated *$'000*
REVENUE	-	-	272,561	16,785	5,364	4,762	299,472
GROSS PROCEEDS FROM SECURITIES TRADING	-	-	-	-	51,690	-	51,690
	-	-	272,561	16,785	57,054	4,762	351,162
EBITDA*	4,985	-	795,082	82,722	9,006	3,037	894,832
Depreciation and amortisation**	-	-	(91,219)	(2,599)	-	-	(93,818)
Segment results – EBIT	4,985	-	703,863	80,123	9,006	3,037	801,014
Corporate and other expenses***							(43,674)
Finance costs							(31,576)
Profit before taxation							725,764
Taxation							(200,719)
Profit for the period							525,045

* Gain on disposal of an associate of about $847,628,000 and impairment loss on property, plant and equipment of about $144,797,000 had been recognised in the ports and logistics operating segment during the period ended 30 September 2017.

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

*** Including acquisition-related costs for potential projects of about $9,652,000 (2017: $6,341,000) and net exchange loss of about $22,072,000 (2017: gain of $7,868,000).

4. Segment information - continued

Segment assets and liabilities

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

At 30 September 2018 (Unaudited)

	Paul Y. Engineering Group $'000	Ports development $'000	Ports and logistics $'000	Property $'000	Securities $'000	Treasury $'000	Segment total and consolidated $'000
ASSETS							
Segment assets	429,992	358,769	2,180,971	3,287,131	695,312	487,807	7,439,982
Unallocated assets							43,004
Consolidated total assets							7,482,986
LIABILITIES							
Segment liabilities	-	-	997,664	1,139,245	64,726	51,560	2,253,195
Unallocated liabilities							16,694
Consolidated total liabilities							2,269,889

At 31 March 2018 (Audited)

	Paul Y. Engineering Group $'000	Ports development $'000	Ports and logistics $'000	Property $'000	Securities $'000	Treasury $'000	Segment total and consolidated $'000
ASSETS							
Segment assets	516,795	405,204	2,379,708	3,499,062	540,387	763,683	8,104,839
Unallocated assets							14,495
Consolidated total assets							8,119,334
LIABILITIES							
Segment liabilities	-	-	1,158,580	1,197,381	15,866	121,674	2,493,501
Unallocated liabilities							13,041
Consolidated total liabilities							2,506,542

Segment assets and liabilities comprise assets and liabilities of the operating subsidiaries, as well as interests in associates, joint ventures and investments in equity instruments that are engaged in relevant segmental businesses. Accordingly, segment assets exclude corporate assets which are mainly bank balances and cash, interest in a joint venture and other receivables, and segment liabilities exclude corporate liabilities which are mainly other payables.

For the purpose of resources allocation and assessment of segment performance, deferred tax liabilities are allocated to segment liabilities but the related deferred tax credit/charge are not reported to the Managing Director of the Company as part of segment results.

5. *Other income*

Other income includes:

	Unaudited Six months ended 30 September	
	2018	2017
	$'000	*$'000*
Bank and other interest income	**1,541**	2,506

6. *Other gains and losses*

	Unaudited Six months ended 30 September	
	2018	2017
	$'000	*$'000*
(Loss) gain on changes in fair value of investments in debt instruments held for trading	**(26,191)**	6,004
Loss on changes in fair value of investments in equity instruments held for trading	**(18,365)**	(178)
Gain on change in fair value of other financial asset	**10,799**	–
Net reversal of impairment loss recognised on loans receivable	**20,329**	–
Impairment loss reversed (recognised) on trade and other debtors	**52**	(30,761)
Impairment loss recognised on amounts due from associates	**(375)**	–
Net exchange (loss) gain	**(22,073)**	7,868
Gain on disposal of property, plant and equipment	**5,264**	234
Gain on disposal of investment properties	**–**	583
Gain on disposal of prepaid lease payments	**44,843**	58
	14,283	(16,192)

7. *Finance costs*

	Unaudited Six months ended 30 September 2018 $'000	2017 $'000
Borrowing costs on:		
Bank borrowings	**22,350**	36,794
Amounts due to associates	**–**	100
Amounts due to non-controlling interests	**2,589**	2,550
Imputed interest expense on other payables	**442**	484
Other borrowings	**2,730**	2,812
	28,111	42,740
Less: Amount capitalised in respect of construction in progress (included in property, plant and equipment)	**(4,956)**	(4,000)
Amount capitalised in respect of properties under development for sale (included in stock of properties)	**(5,088)**	(4,995)
Amount capitalised in respect of investment properties under development	**(2,348)**	(2,169)
	15,719	31,576

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.

8. *Disposal of an associate*

On 14 September 2017, the Group completed the disposal of 45% equity interest in Nantong Port Group Limited ("Nantong Port Group"), which was a sino-foreign joint venture enterprise registered in the PRC and engaged in operation of ports, at a consideration of about $1,966,201,000. Nantong Port Group ceased to be an associate of the Group upon and after the disposal. The disposal had resulted in the recognition of a gain of about $847,628,000 and a taxation charge of about $154,369,000 during the period ended 30 September 2017. Other reserves in relation to the associate amounting to about $30,345,000 were credited to the retained profits upon the disposal.

9. *Profit before taxation*

	Unaudited Six months ended 30 September	
	2018	2017
	$'000	*$'000*
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of other intangible assets:		
Amount provided for the period	**522**	31,874
Less: Amount capitalised in respect of properties under development for sale (included in stock of properties)	**(23)**	(23)
	499	31,851
Cost of inventories recognised as an expense	**56,593**	62,409
Depreciation of property, plant and equipment:		
Amount provided for the period	**25,963**	62,054
Less: Amount capitalised in respect of investment properties under development	**(22)**	(24)
Amount capitalised in respect of properties under development for sale (included in stock of properties)	**(56)**	(63)
	25,885	61,967
Release of prepaid lease payments	**2,661**	2,759
Total interest income (included in revenue and other income)	**(35,391)**	(12,319)

10. Taxation

	Unaudited Six months ended 30 September 2018 $'000	2017 $'000
Taxation charge (credit) comprises:		
Taxation arising in the PRC excluding Hong Kong:		
Current period	**4,391**	161,371
(Over)underprovision in prior periods	**(516)**	373
	3,875	161,744
Deferred taxation		
Land Appreciation Tax ("LAT")	**11,811**	28,037
Others	**20,605**	10,938
	32,416	38,975
Taxation attributable to the Company and its subsidiaries	**36,291**	200,719

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group's estimated assessable profits has been absorbed by tax losses brought forward for both periods.

The tax rate for the Group's subsidiaries in the PRC is 25% from 1 January 2008 onwards.

For the period ended 30 September 2017, the taxation arising in the PRC excluding Hong Kong included an income tax charge of about $154,369,000, which represented the PRC income tax charged on the gain on disposal of an associate (see Note 8 for details). 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, is 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.

11. *Earnings per share*

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

	Unaudited Six months ended 30 September 2018 $'000	2017 $'000
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	**16,072**	503,451

	Unaudited Six months ended 30 September 2018 Number of shares	2017 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,519,580,572**	5,310,723,315
Effect of dilutive potential ordinary shares:		
Share options	**–**	328,418
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,519,580,572**	5,311,051,733

No diluted earnings per share for the period ended 30 September 2018 as there were no potential ordinary shares in issue.

12. *Distribution*

No dividend was recognised as distribution during both periods.

13. *Movements in property, plant and equipment*

During the period, additions to the Group's property, plant and equipment amounted to about $24,487,000 (2017: $39,284,000), which mainly included the cost of construction in progress amounting to about $23,023,000 (2017: $32,265,000) incurred during the period.

14. *Investment properties*

	Leasehold properties in the PRC *$'000*	Developed land *$'000* (note a)	Land under development *$'000* (note b)	Total *$'000*
FAIR VALUE				
At 1 April 2018 (audited)	274,703	474,102	601,735	1,350,540
Exchange realignment	(22,317)	(38,883)	(49,675)	(110,875)
Transfer from property, plant and equipment	16	-	-	16
Additions	-	-	3,686	3,686
Net increase in fair value recognised in the condensed consolidated income statement	2,992	15,920	26,031	44,943
At 30 September 2018 (unaudited)	255,394	451,139	581,777	1,288,310

notes:

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

(b) In connection with the reclamation of certain land 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, the Land Being Formed that held for rentals and/or capital appreciation as investment properties had been recognised as land under development and classified and accounted for as investment properties.

15. *Investments in equity instruments*

	Unaudited 30.9.2018 ***$'000***	Audited 31.3.2018 *$'000*
Listed equity securities, at quoted market price in Hong Kong (note a)	**29,006**	31,272
PRC unlisted equity securities (note b)	**359,091**	405,554
	388,097	436,826

notes:

(a) As at 30 September 2018, the investment in Hong Kong listed equity securities represents 4.47% (31.3.2018: 4.47%) equity interest in South Shore Holdings Limited.

(b) As at 30 September 2018, the investments in unlisted equity securities are stated at fair value and include:

i) 9.9% equity interest in Jiangsu YangKou Port Development and Investment Co., Ltd. ("Yangkou Port Co"), which is engaged in the business of development of port and related infrastructures of about $358,769,000 (31.3.2018: $405,204,000); and

ii) less than 20% interests in certain PRC companies held by Yichang Port Group Limited (the “Yichang Port Group”), a non-wholly-owned subsidiary of the Company, which are mainly engaged in port related services of about $322,000 (31.3.2018: $350,000).

16. Stock of properties

	Unaudited 30.9.2018 *$'000*	Audited 31.3.2018 *$'000*
Properties under development for sale (note a)	**1,092,258**	1,179,235
Completed properties held for sale (note b)	**422,018**	448,021
	1,514,276	1,627,256

notes:

(a) Properties under development for sale are situated in Jiangsu province, the PRC. They comprise (1) Land Being Formed which is developed for future sale; (2) Formed Land which is also developed for future sale in the ordinary course of business.

At 30 September 2018, properties under development for sale amounting to about $356,890,000 (31.3.2018: $386,512,000) are carried at net realisable value.

(b) Completed properties held for sale are situated in Jiangsu Province, the PRC. At 30 September 2018, completed properties held for sale amounting to about $231,265,000 (31.3.2018: $240,478,000) are carried at net realisable value.

17. Loans receivable

	Unaudited 30.9.2018 *$'000*	Audited 31.3.2018 *$'000*
Fixed-rate loans receivable (note a)	**175,000**	325,000
Floating-rate loans receivable (note b)	**68,700**	68,700
	243,700	393,700
Less: Impairment allowance	**(8,478)**	(21,000)
	235,222	372,700

notes:

(a) The loans receivable bear fixed interest rates from 11% to 12% (31.3.2018: 11% to 12%) and are repayable within one year (31.3.2018: one year). The amounts are unsecured, except for an amount of $150,000,000 was secured by a first fixed charge over assets maintained in the borrower's securities account at 31 March 2018.

(b) The loans receivable are unsecured, bear variable interest rates from 5% to 6% (31.3.2018: 5% to 6%) over the Best Lending Rate of Hong Kong Dollar as quoted by The Hong Kong and Shanghai Banking Corporation Limited ("HKBLR") (i.e. 10.125% to 11.125% (31.3.2018: 10% to 11%)) and are repayable on demand.

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

The Group's 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 $89,650,000 (31.3.2018: $100,146,000). The Group does not hold any collateral over the balances. Their ageing analysis, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period is as follows:

	Unaudited 30.9.2018 *$'000*	Audited 31.3.2018 *$'000*
Within 90 days	**72,633**	82,625
More than 90 days and within 180 days	**15,854**	17,271
More than 180 days	**1,163**	250
	89,650	100,146

19. *Investments in debt instruments held for trading*

	Unaudited 30.9.2018 *$'000*	Audited 31.3.2018 *$'000*
Listed debt securities, at quoted market price in		
Hong Kong	**84,434**	88,020
Overseas	**240,029**	232,154
	324,463	320,174

As at 30 September 2018, debt securities of about $324,463,000 (31.3.2018: $95,654,000) are pledged to secure borrowing facilities obtained by the Group.

20. *Other financial asset*

As at 30 September 2018, the unlisted convertible bond issued by a Hong Kong listed company bears coupon interest rate at 10% (31.3.2018: 10%) per annum and is payable at maturity on 26 October 2018 or upon redemption by the issuer.

21. *Trade and other creditors and accrued expenses*

Included in trade and other creditors and accrued expenses are trade creditors of about $71,001,000 (31.3.2018: $75,059,000) and their ageing analysis presented based on the invoice date at the end of the reporting period is as follows:

	Unaudited 30.9.2018 *$'000*	Audited 31.3.2018 *$'000*
Within 90 days	**52,274**	54,242
More than 90 days and within 180 days	**3,613**	4,512
More than 180 days	**15,114**	16,305
	71,001	75,059

22. *Movements in bank and other borrowings*

During the period, the Group raised new bank and other borrowings of about $419,023,000 (2017: $874,754,000) and repaid about $489,992,000 (2017: $1,312,583,000). The secured bank and other borrowings as at 30 September 2018 were about $624,551,000 (31.3.2018: $636,460,000).

As at 30 September 2018, bank deposits of about $15,370,000 (31.3.2018: $30,557,000) were pledged to banks to secure general banking facilities granted to the Group.

23. *Share capital*

	Number of shares	**Value *$'000***
Ordinary shares of $0.10 each:		
Authorised:		
At 1 April 2017, 30 September 2017, 31 March 2018 and 30 September 2018	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 April 2017	4,587,408,572	458,741
Issue of shares under share option scheme (note a)	16,702,000	1,670
Issue of placing shares (note b)	915,470,000	91,547
At 30 September 2017, 31 March 2018 and 30 September 2018	5,519,580,572	551,958

notes:

(a) During the period ended 30 September 2017, the Company issued 16,702,000 ordinary shares of $0.10 each at the subscription price of $0.1624 per share upon exercise of the share options granted under the share option scheme of the Company.

(b) On 12 May 2017, a total of 915,470,000 new shares had been placed by the placing agent to not less than six independent placees at the price of $0.156 per share. The net proceeds of about $139 million had been used for working capital of the Group.

The 915,470,000 placing shares represented (i) about 19.94% of the issued share capital of the Company immediately before completion of the placing and (ii) about 16.63% of the issued share capital of the Company as enlarged by the allotment and issue of the new shares.

INTERIM DIVIDEND

The Board of PYI has resolved not to declare any interim dividend for the six months ended 30 September 2018 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE AND POSITION

For the six months ended 30 September 2018, the Group recorded a consolidated revenue of about $315 million (2017: $299 million), representing an increase of about 5% from last corresponding period. The growth in consolidated revenue was mainly attributed to higher contribution from securities and treasury business segments. After taking into account of (a) the gross proceeds from securities trading and (b) the share of revenue of associates and joint ventures, the total revenue and gross proceeds were about $2,526 million (2017: $2,172 million), representing an increase of 16% from last period which was due to the increase in share of revenue of associates and joint ventures contributed mainly by Paul Y. Engineering Group.

The Group's gross profit increased by 18% from last corresponding period to about $113 million (2017: $96 million), which represented a gross margin of 36% (2017: 32%) of the consolidated revenue. Overall improvement in gross profit of the Group during the period was mainly attributable to the increase in interest income from securities and treasury segments as benefited from the enlarged portfolio of investments in debt instruments held for trading and loans receivable.

The Group's distribution and selling expenses decreased by 70% to about $28 million (2017: $92 million), mainly due to absence of a one-off accelerated depreciation and amortisation in value of LPG fueling station assets (including LPG plant and machinery and related intangible assets) of about $68 million in last period.

During the period, the Group recorded a profit before taxation of about $63 million (2017: $726 million), which was composed of:

(i) net gain of about $15 million (2017: $5 million) in Paul Y. Engineering Group mainly engaged in management contracting and property development management businesses;
(ii) net gain of about $79 million (2017: $704 million) in ports and logistics business;
(iii) net gain of about $40 million (2017: $80 million) in property business;
(iv) net loss of about $21 million (2017: net gain of about $9 million) in securities business;
(v) net gain of about $39 million (2017: $3 million) in treasury business;
(vi) net corporate and other expenses of about $73 million (2017: $43 million), which included acquisition-related costs of about $10 million (2017: $6 million) and net exchange loss of about $22 million (2017: net gain of about $8 million); and
(vii) finance costs of about $16 million (2017: $32 million).

Net profit for the period attributable to the owners of PYI was about $16 million (2017: $503 million) and basic earnings per share was 0.3 cent (2017: 9.5 cents). The decrease in profitability from last period was mainly due to the absence of net effect of (a) a net gain after tax on disposal of 45% equity interest in Nantong Port Group of about $693 million; and (b) charging a one-off accelerated depreciation and amortisation and an impairment provision in value of LPG business assets of Minsheng Gas in total of about $205 million after crediting deferred tax credit of about $8 million for the period ended 30 September 2017.

When compared with the Group's financial position as at 31 March 2018, total assets decreased by 8% to about $7,483 million (31.3.2018: $8,119 million). As at 30 September 2018, net current assets amounted to about $2,451 million (31.3.2018: $2,660 million), whereas current ratio deriving from the ratio of current assets to current liabilities slightly decreased to 4.06 times (31.3.2018: 4.11 times). After taking into account (a) the net profit of about $16 million; (b) the decrease in carrying amount of equity investments not held for trading of about $49 million recognised in investment revaluation reserve; (c) the Renminbi exchange deficits of about $201 million arising from translation of foreign operations; (d) change in accounting policies effect in reducing opening retained profits by about $104 million, equity attributable to owners of PYI was decreased by 7% to about $4,374 million (31.3.2018: $4,712 million); representing $0.79 (31.3.2018: $0.85) per share as at 30 September 2018.

Net cash outflow from operating activities was about $25 million (2017: $209 million) and that net cash inflow from investing activities was about $20 million (2017: $1,673 million). Net cash outflow from financing activities was about $100 million (2017: $353 million) mainly resulted from net repayment of bank and other borrowings during the period. Consequently, there was a net decrease in available cash and cash equivalents of about $105 million (2017: net increase of about $1,111 million) during the period.

REVIEW OF OPERATIONS AND BUSINESS DEVELOPMENT

Ports and Logistics

During the period, the retaining ports and logistics business of PYI sustained to deliver stable performance after the disposal of Nantong Port Group in the last period. Nonetheless, PYI takes heed of the challenging economic landscape ahead through enhancement of operational efficiency measures.

Yichang Port Group (51% owned)

Yichang Port Group contributed about $18 million (2017: $21 million) to the segment's operating profit for the period. Yichang Port successfully captured the growing demand of lower margin dry cargo loading (e.g. ore and gravel) and multi-modal transportation, which successfully boosted the cargo throughput during the period, as well as mitigated the impact of the decline in demand of container transshipment services for the time being.

Yichang Port is situated on the Yangtze River near the Three Gorges Dam in Yichang, Hubei Province. Yichang Port Group is principally engaged in transport logistics and minor properties investments, providing transportation, cargo loading and discharging, storage, as well as container services in its 62.4%-owned Yunchi terminals, shipping agent, cargo agent, port logistics and port equipment rental services and commodities trading in Yichang Port.

Cargo throughput of Yichang Port Group for the six months ended 30 September 2018 increased by 30% to about 6.5 million tonnes (2017: 5.0 million tonnes) while the container throughput decreased by 11% to about 64,000 TEUs (2017: 72,000 TEUs).

Jiangyin Sunan Container Terminal (40% owned)

Jiangyin Sunan contributed a steady operating profit of about $6 million (2017: $6 million) to the Group. During the period ended 30 September 2017, a one-off write-off of premium on land acquisition rights of about $18 million (2018: Nil) had been shared by the Group, which resulted in a net loss by Jiangyin Sunan of about $12 million attributable to the segment’s operating result in last period.

Jiangyin Sunan is situated at New Harbour District of New Harbour City in Jiangyin City and occupies a land area of 0.49 sq km, shorelines of 589 m long at outer port and 1,090 m long at inner port with 11 berths. It is principally engaged in containers loading and discharging as well as the storage, maintenance, washing and leasing of containers.

Container throughput of Jiangyin Sunan in the first half of 2018 increased by 6% to about 272,000 TEUs (2017: 256,000 TEUs).

Jiaxing International Feeder Port (90% owned)

Jiaxing International Feeder Port contributed about $7 million (2017: $10 million) to the segment's operating profit for the period. Its operating result was affected by drop in containers throughput due to the decline in demand for imported raw materials by local enterprises.

Jiaxing International Feeder Port is situated at Nanhu District of Jiaxing City and occupies a shoreline of 570 m and a land mass of 326,000 sq m. The port has 10 berths which are principally engaged in loading, discharging and storage of containers. The port also features a range of integrated logistics supporting services such as examination, quarantine, storage and information services, etc.

Container throughput of Jiaxing International Feeder Port for the six months ended 30 September 2018 decreased by 22% to about 80,000 TEUs (2017: 102,000 TEUs).

LPG, CNG and Logistics (100% owned)

The LPG and CNG distribution and logistics businesses of Minsheng Gas achieved an operating profit of about $1 million (2017: $7 million) during the period. During the period, the resumption of land and properties of a CNG station by Wuchang Government under the Old City Conversion Project brought in a net gain on disposal of about $47 million (2017: Nil), before the relevant deferred tax charge of about $12 million (2017: Nil). While for the period ended 30 September 2017, accelerated depreciation and amortisation in value of LPG fueling station assets (including LPG plant and machinery and related intangible assets) in total of about $68 million had been charged to distribution and selling expenses and an impairment write-down in value of its LPG storage-tank farm of about $145 million had been made. Consequently, the segment operating result contributed by Minsheng Gas in this period restored to net profit of about $48 million from net loss of $206 million in last period.

Currently, Minsheng Gas owns and operates the largest LPG storage-tank farm and a river terminal in mid-stream Yangtze, and has seven LPG and five CNG automotive fueling stations in Wuhan City. Competition from CNG industry continued to put pressure on the sale volume and profit margin of Minsheng Gas's LPG distribution business in Wuhan City, while Minsheng Gas is well positioned for the conversion of the remaining LPG fueling stations into CNG to strengthen the profitability and sale performance. Minsheng Gas is also considering its options in exploring new market opportunities in line with the nation-wide promotion of liquefied natural gas.

Ports Development

Yangkou Port (9.9% owned)

The Group's 9.9% equity interest in Yangkou Port Co did not contribute dividend income to the segment's operating profit for the period (2017: Nil).

Yangkou Port is an offshore type deep-sea harbour along the South East Coast of Jiangsu Province, which declared soft open in October 2008. Strategically located near the mouth of the Yangtze River, Yangkou Port is ideally situated to become one of China's largest trans-shipment hubs for dry and liquid bulk cargoes.

PYI continues to enjoy the future growth of Yangkou Port through the 9.9% equity interest, which is intended to be held for long-term investment purpose and is classified as an investment in equity instrument. As at 30 September 2018, the investment in Yangkou Port Co was stated at fair value of about $359 million (31.3.2018: $405 million).

Engineering Business

Paul Y. Engineering (48.2% owned)

Paul Y. Engineering contributed about $15 million (2017: $5 million) to the segment's operating profit for the period. The increase was mainly attributable to the accounting impact in adoption of new accounting standards which increase the share of profit of Paul Y. Engineering by $10 million.

During the period, Paul Y. Engineering recorded a revenue of about $4,391 million (2017: $3,075 million) and secured new contracts of about $12,533 million (2017: $4,435 million) in aggregate value. As at 30 September 2018, the total value of contracts on hand of Paul Y. Engineering was about $31,702 million (31.3.2018: $31,538 million) and the value of work remaining was about $23,499 million (31.3.2018: $15,090 million). Paul Y. Engineering will continue to explore new development opportunities in overseas markets and to expand the local construction business by using cautious tendering strategies.

Headquartered in Hong Kong, Paul Y. Engineering is dedicated to providing full-fledged engineering and property services, with operations in Hong Kong, the Mainland, Macau, Singapore and Malaysia. For over 70 years, Paul Y. Engineering has been at the heart of some of the most challenging and impactful construction projects that have shaped the iconic skylines of Hong Kong and many other cities. Its projects include commercial and residential buildings, institutional facilities, highways, airport runways, railways, tunnels, port works, water and sewage treatment facilities etc.

Property

The property business recorded an operating profit of about $40 million (2017: $80 million) for the period which was mainly attributable to the net gain on fair value changes of investment properties of about $45 million (2017: $111 million), before the relevant deferred tax charges of about $20 million (2017: $51 million). While provision for doubtful receivables of about $31 million (2018: Nil) was included in the operating result for the last period.

The Group has 11.5 sq km land bank situated at Xiao Yangkou, which is under development as a regional tourism site of national standard with hotspring and recreational facilities. As at 30 September 2018, about 6.89 sq km (31.3.2018: 6.89 sq km) out of the 11.5 sq km land bank had reached the developing stage or the developed and serviced stage. The development status of the 11.5 sq km land bank was summarised as follows:

Area (sq km)	Stage of development	Intended purpose	Classification
0.88	Developed land	Rental/Capital appreciation	Investment properties
2.00	Land under development	Rental/Capital appreciation	Investment properties
2.09	Developed land	Sale	Stock of properties
1.89	Land under development	Sale	Stock of properties
0.03	Developed land	Self-use	Prepaid lease payment
4.61	Pending development	Undetermined	Project under development
11.50			

The investment properties of about 2.88 sq km are measured at fair value of about $1,033 million (31.3.2018: $1,076 million) and recorded a gain on revaluation of about $42 million (2017: $105 million) for the period.

As at 30 September 2018, a gross floor area of about 6,000 sq m of "Nantong International Trade Center", a commercial and office development in the central business district of Nantong City, was rented out for hotel operation and classified as investment properties. The investment properties recorded a gain on fair value change of about $1 million for the period (2017: Nil). The Group also holds a gross floor area of about 13,000 sq m of "Nantong International Trade Center" for sale. The building contributed rental income of about $1.5 million (2017: $3 million) to the Group during the period.

In the main urban district of Yichang City along Yangtze River, the Group holds certain commercial, residential and industrial properties with gross floor area of about 134,000 sq m (inclusive of commercial shops of about 5,000 sq m) through Yichang Port Group for rental and were classified as investment properties as at 30 September 2018. The investment properties recorded a gain on fair value changes of about $2 million (2017: $6 million) and contributed rental income of about $5 million (2017: $5 million) to the Group during the period.

In the Hangzhou Hi-Tech Industry Development Zone of Bingjiang, Hangzhou City, the Group holds jointly with Paul Y. Engineering an office building known as "Pioneer Technology Building", which has a gross floor area of about 20,000 sq m. The building generated rental income of about $5 million (2017: $6 million) during the period and its occupancy reached about 95% as at 30 September 2018.

Securities
The securities business recorded operating loss of about $21 million (2017: profit of $9 million) to the Group for the period which was mainly attributable to loss on changes in fair value of investment in equity and debt instruments held for trading of about $45 million (2017: gain of $6 million). In the meanwhile, interest income from investments in debt instruments increased by 180% to about $14 million (2017: $5 million) as benefited from the enlarged average portfolio on the investment in debt instruments held for trading during the current period and a gain on change in fair value of other financial asset of about $11 million (2017: Nil) was recorded.

As at 30 September 2018, the Group's portfolio in securities business mainly consisted of (a) the investment in debt instruments held for trading amounted to about $324 million (31.3.2018: $320 million), equivalent to about 4% (31.3.2018: 4%) of the Group's total assets; (b) investment in equity instruments held for trading amounted to about $169 million (31.3.2018: $36 million), equivalent to about 2% (31.3.2018: 0.4%) of the Group's total assets; and (c) unlisted convertible securities amounted to about $186 million (31.3.2018: $184 million), equivalent to about 2% (31.3.2018: 2%) of the Group's total assets.

The Group will continue to monitor its portfolio of investments in diversified securities products to achieve satisfactory return in the coming period.

Treasury
The treasury business contributed about $39 million (2017: $3 million) to the Group's operating profit for the period. The operating profit of the current period was mainly attributable to interest income from loans receivable of about $20 million (2017: $5 million) due to higher average amount of loans advanced to borrowers, and net reversal of provision on loans receivable of about $20 million (2017: Nil).

As at 30 September 2018, carrying amounts of the Group’s portfolio of (a) high-yield loans receivable amounted to about $235 million (31.3.2018: $373 million), equivalent to about 3% (31.3.2018: 4.6%) of the Group's total assets; and (b) interest-bearing borrowings to an associate of about $74 million (31.3.2018: $75 million), equivalent to about 1% (31.3.2018: 0.9%) of the Group's total assets.

The Group will continue to exploring for business opportunities under prudent credit strategy and maintain a healthy loan portfolio with a view to contribute a stable and favorable income stream to the Group.

MATERIAL ACQUISITION AND DISPOSAL
The Group did not have material acquisition and disposal of subsidiaries, associates and joint ventures during the period.

EVENT AFTER THE REPORTING PERIOD
There were no major subsequent events occurred since the end of the reporting period and up to the date of this announcement.

OUTLOOK

Trades and logistics have maintained steady performance in this period. In light of current government policies which assert particular emphasis on the more efficient utilisation of port assets in Yangtze River region by way of consolidation of ownership and operations, PYI will, in line with such policies, continue to focus on capturing potential divestment opportunities to further crystalise the value of its Yangtze Strategy. With a strengthened balance sheet following the disposal of Nantong Port Group and placement of new shares and while expanding our treasury investment and securities trading business and diversifying into provision of financial services, PYI is poised to explore new and alternative business and investment opportunities.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2018, the Group had total assets of $7,483 million (31.3.2018: $8,119 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 eight years. The Group mainly generated revenue and incurred costs in Hong Kong dollar and Renminbi. During the period, no financial instruments had been used for hedging purpose and no foreign currency net investments are hedged by currency borrowings or other hedging instruments. 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 2018, the Group's total borrowings amounted to about $1,088 million (31.3.2018: $1,247 million) with about $521 million (31.3.2018: $539 million) repayable on demand or within one year and about $567 million (31.3.2018: $708 million) repayable after one year, which comprised (a) bank and other borrowings; and (b) amounts due to non-controlling interests that were interest bearing. Borrowings denominated in Hong Kong dollar of about $99 million (31.3.2018: $130 million) bore interest at floating rate and about $1 million (31.3.2018: $1 million) bore interest at fixed rate. Borrowings denominated in Renminbi of about $510 million (31.3.2018: $562 million) bore interest at floating rate and about $462 million (31.3.2018: $538 million) bore interest at fixed rate. Borrowings denominated in United States Dollar of about $16 million (31.3.2018: $16 million) bore interest at floating rate. The Group's gearing ratio was 0.25 (31.3.2018: 0.26), which was calculated based on the total borrowings of about $1,088 million (31.3.2018: $1,247 million) and the Group's shareholders' funds of about $4,374 million (31.3.2018: $4,712 million).

Cash, bank balances and deposits of the Group as at 30 September 2018 amounted to about $459 million (31.3.2018: $607 million), of which about $333 million (31.3.2018: $345 million) was denominated in Renminbi, about $122 million (31.3.2018: $259 million) was denominated in Hong Kong dollar and about $4 million (31.3.2018: $3 million) was denominated in other currencies. The balance of about $15 million (31.3.2018: $31 million) had been pledged to bank to secure general credit facilities granted to the Group. As at 30 September 2018, the Group had a net debt position (being bank borrowings net of cash, bank balances and deposits) of about $388 million (2017: $437 million).

CONTINGENT LIABILITY

As at 30 September 2018, the Group provided guarantee to a bank of about $5.7 million (31.3.2018: Nil) in respect of a bank facility granted to a third party.

PLEDGE OF ASSETS

As at 30 September 2018, certain property interests, property, plant and equipment, bank balances, debt instruments and securities account of the Group with an aggregate value of about $1,271 million (31.3.2018: $1,010 million) were pledged to banks and financial institutions to secure general credit facilities granted to the Group. The Company's investments in certain subsidiaries of about $279 million pledged for the credit facilities at 31 March 2018 were released during the period.

COMMITMENTS

As at 30 September 2018, 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 properties interests in a total amount of about $66 million (31.3.2018: $48 million).

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2018, the Group employed a total of 1,406 (31.3.2018: 1,432) full time employees. Remuneration packages consisted of salary as well as performance-based bonus. Further, the Company has implemented various 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 both the Group's staff in Hong Kong and the Mainland.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

CORPORATE GOVERNANCE

Throughout the six months ended 30 September 2018, PYI has complied with all code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules (the "CG Code"), except for the following deviation:

Code Provision A.2.1 of the CG Code 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 Tom Ko Yuen, the Managing Director (equivalent to CEO) of PYI, has been appointed as chairman of PYI ("Chairman") and has performed the roles of Chairman and CEO with effect from 26 September 2011.

The Board of PYI believes that it is appropriate and in the interests of PYI for Mr Lau Tom Ko Yuen 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 of PYI 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 not less than half the number thereof being independent non-executive directors.

PYI has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code for dealing in the securities of PYI by PYI's directors and the relevant employees of the Group. According to specific enquiries made by PYI, all PYI's directors and relevant employees of the Group have confirmed their compliance with the required standard set out in the Model Code throughout the six months ended 30 September 2018.

REVIEW OF ACCOUNTS

The Group's unaudited results for the six months ended 30 September 2018 have been reviewed by (a) the Group's auditor, Messrs. Deloitte Touche Tohmatsu, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA; and (b) the Audit Committee of PYI.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on PYI's website at www.pyicorp.com under "Investor Relations" and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk under "Listed Company Information". The 2019 Interim Report will be despatched to the shareholders of PYI and posted on the aforesaid websites in December 2018.

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

Hong Kong, 23 November 2018

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

Mr Lau Tom Ko Yuen	:	Chairman and Managing Director
Mr Sue Ka Lok	:	Executive Director
Ms Wu Yan Yee	:	Executive Director
Mr Chan Shu Kin	:	Independent Non-Executive Director
Ms Wong Lai Kin, Elsa	:	Independent Non-Executive Director
Mr Leung Chung Ki	:	Independent Non-Executive Director