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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).)

2020 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 2019.

FINANCIAL HIGHLIGHTS

	9/2019	9/2018	Change
Revenue of the Group	$256 million	$315 million	-19%
Gross proceeds from securities trading of the Group	$32 million	$70 million	-54%
Share of revenue of associates and joint ventures	$2,538 million	$2,141 million	+19%
	$2,826 million	$2,526 million	+12%
Gross profit	$80 million	$113 million	-29%
(Loss) profit attributable to shareholders	$(205) million	$16 million	-1,381%
(Loss) earnings per share	(3.7) cents	0.3 cent	-1,333%

	9/2019	3/2019	Change
Shareholders' funds	$4,091 million	$4,446 million	-8%
Net asset value per share	$0.74	$0.81	-9%

RESULTS

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2019

	Notes	Unaudited Six months ended 30 September 2019 $'000	2018 $'000
Revenue of the Company and its subsidiaries	4	**256,289**	315,347
Gross proceeds from securities trading of the Company and its subsidiaries	4	**31,457**	69,691
Share of revenue of associates and joint ventures	4	**2,537,788**	2,141,089
		2,825,534	2,526,127
Group revenue			
Sales and services income	3	**222,173**	275,732
Interest income	3	**29,946**	33,850
Property rental and dividend income	3	**4,170**	5,765
		256,289	315,347
Cost of sales		**(176,332)**	(202,145)
Gross profit		**79,957**	113,202
Other income	5	**3,191**	3,843
Administrative expenses		**(64,927)**	(77,233)
Distribution and selling expenses		**(25,204)**	(28,271)
Other gains and losses	6	**(21,558)**	28,034
Net loss on fair value changes of financial assets	7	**(161,836)**	(33,757)
Other expenses		**(7,017)**	(14,247)
Impairment loss (recognised) reversed on financial assets, net	8	**(71,876)**	20,006
Finance costs	9	**(14,845)**	(15,719)
Gain on disposal of subsidiaries	10	**88,459**	–
Net gain on fair value changes of investment properties	16	**26,446**	44,943
Share of results of associates		**19,875**	21,757
Share of results of joint ventures		**(1,099)**	927
(Loss) profit before taxation	11	**(150,434)**	63,485
Taxation	12	**(46,808)**	(36,291)
(Loss) profit for the period		**(197,242)**	27,194
(Loss) profit for the period attributable to:			
Owners of the Company		**(205,348)**	16,072
Non-controlling interests		**8,106**	11,122
		(197,242)	27,194
(Loss) earnings per share	13		
Basic (loss) earnings per share		**(3.7) cents**	0.3 cent
Diluted earnings per share		**N/A**	0.3 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2019

	Unaudited Six months ended 30 September 2019 $'000	2018 $'000
(Loss) profit for the period	**(197,242)**	27,194
OTHER COMPREHENSIVE (EXPENSE) INCOME		
Item that will not be reclassified to profit or loss		
Change in carrying amount of investments in equity instruments	**(30,325)**	(48,701)
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising from translation of foreign operations	**(144,602)**	(239,277)
Share of exchange differences of associates and joint ventures	**(18,643)**	(34,581)
Reclassification adjustment on disposal of subsidiaries	**8,584**	–
Other comprehensive expense for the period	**(184,986)**	(322,559)
Total comprehensive expense for the period	**(382,228)**	(295,365)
Total comprehensive expense for the period attributable to:		
Owners of the Company	**(355,113)**	(233,263)
Non-controlling interests	**(27,115)**	(62,102)
	(382,228)	(295,365)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2019

	Notes	**Unaudited 30.9.2019 *$'000***	Audited 31.3.2019 *$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**464,870**	1,308,915
Right-of-use assets	*15*	**164,672**	–
Investment properties	*16*	**1,095,055**	1,324,481
Project under development		**165,211**	175,428
Prepaid lease payments		–	302,131
Other intangible assets		**2,888**	7,004
Interests in associates		**655,823**	654,591
Interests in joint ventures		**112,313**	118,446
Investments in equity instruments	*17*	**345,191**	375,845
Other non-current assets		–	84,050
		3,006,023	4,350,891
CURRENT ASSETS			
Prepaid lease payments		–	4,180
Stock of properties	*18*	**1,523,752**	1,556,864
Inventories of finished goods		**9,021**	12,631
Loans receivable	*19*	**190,030**	230,322
Amounts due from associates		**73,605**	70,721
Amount due from a joint venture		**4,080**	4,839
Trade and other debtors, deposits and prepayments	*20*	**186,336**	310,609
Investments in debt instruments held for trading		**308,033**	299,241
Investments in equity instruments held for trading		**226,848**	309,950
Pledged bank deposits		–	117
Short term bank deposits		**169,089**	137,507
Bank balances and cash		**294,402**	380,621
		2,985,196	3,317,602
CURRENT LIABILITIES			
Trade and other creditors and accrued expenses	*21*	**173,694**	298,733
Lease liabilities		**4,400**	–
Contract liabilities		**50,737**	4,055
Amount due to a joint venture		**83**	–
Amounts due to non-controlling interests		**87,912**	95,683
Taxation payable		**5,504**	10,302
Bank and other borrowings – due within one year	*22*	**236,774**	674,231
		559,104	1,083,004
NET CURRENT ASSETS		**2,426,092**	2,234,598
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,432,115**	6,585,489

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2019

	Notes	Unaudited 30.9.2019 $'000	Audited 31.3.2019 $'000
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year	22	**223,956**	370,053
Deferred tax liabilities		**734,788**	810,269
Lease liabilities		**3,810**	–
Deferred income		–	76,092
Other payables		–	19,499
		962,554	1,275,913
		4,469,561	5,309,576
CAPITAL AND RESERVES			
Share capital	23	**551,958**	551,958
Reserves		**3,539,023**	3,894,136
Equity attributable to owners of the Company		**4,090,981**	4,446,094
Non-controlling interests		**378,580**	863,482
TOTAL EQUITY		**4,469,561**	5,309,576

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 September 2019

	Unaudited Six months ended 30 September 2019 $'000	2018 $'000
Net cash used in operating activities	**(52,382)**	(24,871)
Net cash from investing activities	**165,286**	20,303
Net cash used in financing activities	**(160,751)**	(99,938)
Net decrease in cash and cash equivalents	**(47,847)**	(104,506)
Effect of foreign exchange rate changes	**(6,790)**	(28,185)
Cash and cash equivalents brought forward	**518,128**	576,123
Cash and cash equivalents carried forward	**463,491**	443,432
Analysis of the balances of cash and cash equivalents		
Short term bank deposits	**169,089**	114,148
Bank balances and cash	**294,402**	329,284
	463,491	443,432

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 of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 March 2019.

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

HKFRS 16	Leases
HK(IFRIC) - Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. Principal accounting policies – continued

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17") and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of land and buildings, motor vehicles and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less an accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

2. Principal accounting policies – continued

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" – continued

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 – continued

As a lessee – continued

Right-of-use assets – continued

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) when the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

2. Principal accounting policies – continued

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" – continued

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 – continued

As a lessee – continued

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 April 2019, the Group applies HKFRS 15 "Revenue from Contracts with Customers" to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2. Principal accounting policies – continued

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" – continued

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) - Interpretation 4 "Determining whether an Arrangement contains a Lease" and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 modified retrospective approach with the cumulative effect recognised at the date of initial application on 1 April 2019 and has not restated comparative amounts. Right-of-use assets relating to the Group's operating leases are measured at the amount of lease liabilities on initial application by applying HKFRS 16.C8(b)(ii) transition, adjusted by the amount of any advance/prepaid lease payments.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by relevant group entities range from 4.2% to 6.9%.

2. Principal accounting policies – continued

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" – continued

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 – continued

As a lessee – continued

	At 1 April 2019 $'000
Operating lease commitments disclosed as at 31 March 2019	17,490
Less: Recognition exemption - leases with lease term ending within 12 months from the date of initial application	(5,872)
	11,618
Lease liabilities discounted at relevant incremental borrowing rates relating to operating leases recognised upon application of HKFRS 16 as at 1 April 2019	9,964
Analysed as	
Current	3,724
Non-current	6,240
	9,964

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Right-of-use assets $'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	9,964
Advance lease payments for operating leases adjusted to right-of-use assets on transition at 1 April 2019	983
Reclassified from prepaid lease payments (note)	306,311
	317,258
By class:	
Leasehold lands	306,311
Land and buildings	9,845
Motor vehicles	1,102
	317,258

note: Upfront payments for leasehold lands in the People's Republic of China (the "PRC") were classified as prepaid lease payments as at 31 March 2019. Upon application of HKFRS 16, the current and non-current portions of prepaid lease payments amounting to $4,180,000 and $302,131,000 respectively were reclassified to right-of-use assets.

2. *Principal accounting policies – continued*

2.1 *Impacts and changes in accounting policies of application on HKFRS 16 "Leases" – continued*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 – continued

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commenced after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 April 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 April 2019.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and should be adjusted to reflect the discounting effect. The discounting effect is immaterial to the condensed consolidated financial statements.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 *$'000*	Adjustments *$'000*	Carrying amounts under HKFRS 16 at 1 April 2019 *$'000*
Non-current assets			
Prepaid lease payments	302,131	(302,131)	-
Right-of-use assets	-	317,258	317,258
Current assets			
Prepaid lease payments	4,180	(4,180)	-
Trade and other debtors, deposits and prepayments	310,609	(983)	309,626
Current liabilities			
Lease liabilities	-	3,724	3,724
Non-current liabilities			
Lease liabilities	-	6,240	6,240

note: For the purpose of reporting cash flows under indirect method for the six months ended 30 September 2019, movements have been computed based on opening statement of financial position as at 1 April 2019 as disclosed above.

3. Revenue

Revenue is analysed as follows:

	Unaudited Six months ended 30 September	
	2019	2018
	$'000	*$'000*
Sales and services income		
Income from port related services	**123,800**	200,229
Sale of LPG and CNG products	**72,579**	75,503
Sale of properties	**25,794**	–
	222,173	275,732
Interest income		
Interest income from loans receivable	**16,432**	19,876
Interest income from investments in debt instruments held for trading	**13,514**	13,974
	29,946	33,850
Property rental and dividend income		
Property rental and related income	**2,000**	5,160
Dividend income from investments in equity instruments held for trading	**2,170**	605
	4,170	5,765
	256,289	315,347

Revenue from contracts with customers is derived from the PRC, which includes (i) revenue from sale of properties under property segment and sale of liquefied petroleum gas ("LPG") and compressed natural gas ("CNG") products under ports and logistics segment that are recognised at a point in time and (ii) income from port related services under ports and logistics segment that is recognised over time.

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.

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").

4. Segment information – continued

Segment revenues and results

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

Six months ended 30 September 2019 (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 of the Group	-	-	196,379	27,794	15,684	16,432	256,289
Gross proceeds from securities trading of the Group	-	-	-	-	31,457	-	31,457
Share of revenue of associates and joint ventures	2,514,175	-	20,841	2,772	-	-	2,537,788
	2,514,175	-	217,220	30,566	47,141	16,432	2,825,534
EBITDA (LBITDA)*	13,237	-	140,995	12,882	(147,225)	(55,887)	(35,998)
Depreciation and amortisation**	-	-	(24,178)	(1,703)	(297)	(297)	(26,475)
Segment results – EBIT (LBIT)	13,237	-	116,817	11,179	(147,522)	(56,184)	(62,473)
Corporate and other expenses***							(73,116)
Finance costs							(14,845)
Loss before taxation							(150,434)
Taxation							(46,808)
Loss for the period							(197,242)

4. *Segment information – continued*

Segment revenues and results - continued

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 of the Group	-	-	275,732	5,160	14,579	19,876	315,347
Gross proceeds from securities trading of the Group	-	-	-	-	69,691	-	69,691
Share of revenue of associates and joint ventures	2,117,953	-	20,424	2,712	-	-	2,141,089
	2,117,953	-	296,156	7,872	84,270	19,876	2,526,127
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

* Gain on disposal of subsidiaries of about $88,459,000 (2018: Nil) has been recognised in the ports and logistics operating segment during the period.

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

*** Including acquisition-related costs for potential projects of about $5,788,000 (2018: $9,652,000) and net exchange loss of about $21,678,000 (2018: $22,073,000).

4. *Segment information – continued*

Segment assets and liabilities

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

At 30 September 2019 (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	420,623	340,659	961,959	3,087,660	539,179	592,498	5,942,578
Unallocated assets							48,641
Consolidated total assets							5,991,219
LIABILITIES							
Segment liabilities	-	-	302,489	1,156,265	731	39,654	1,499,139
Unallocated liabilities							22,519
Consolidated total liabilities							1,521,658

At 31 March 2019 (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	421,867	360,560	2,259,035	3,396,561	610,544	577,962	7,626,529
Unallocated assets							41,964
Consolidated total assets							7,668,493
LIABILITIES							
Segment liabilities	-	-	1,016,799	1,198,278	8,460	121,799	2,345,336
Unallocated liabilities							13,581
Consolidated total liabilities							2,358,917

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 certain bank balances and cash, interest in a joint venture and other receivables, and segment liabilities exclude corporate liabilities which are mainly certain 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 2019 $'000	2018 $'000
Bank and other interest income	**1,878**	1,541

6. *Other gains and losses*

	Unaudited Six months ended 30 September 2019 $'000	2018 $'000
Net exchange loss	**(21,678)**	(22,073)
Gain on disposal of property, plant and equipment	**120**	5,264
Gain on disposal of prepaid lease payments	–	44,843
	(21,558)	28,034

7. *Net loss on fair value changes of financial assets*

	Unaudited Six months ended 30 September 2019 $'000	2018 $'000
Loss on changes in fair value of investments in debt instruments held for trading	**(30,676)**	(26,191)
Loss on changes in fair value of investments in equity instruments held for trading	**(131,160)**	(18,365)
Gain on change in fair value of other financial asset	–	10,799
	(161,836)	(33,757)

8. *Impairment loss (recognised) reversed on financial assets, net*

	Unaudited Six months ended 30 September 2019 $'000	2018 $'000
Impairment loss (recognised) reversed on loans receivable	**(66,292)**	20,329
Impairment loss (recognised) reversed on trade and other debtors	**(5,584)**	52
Impairment loss recognised on amounts due from associates	–	(375)
	(71,876)	20,006

9. *Finance costs*

	Unaudited Six months ended 30 September 2019 $'000	2018 $'000
Borrowing costs on:		
Bank borrowings	**16,450**	22,350
Amounts due to non-controlling interests	**2,456**	2,589
Imputed interest expense on other payables	**193**	442
Imputed interest expense on lease liabilities	**262**	–
Other borrowings	**4,533**	2,730
	23,894	28,111
Less: Amount capitalised in respect of construction in progress (included in property, plant and equipment)	**(2,771)**	(4,956)
Amount capitalised in respect of properties under development for sale (included in stock of properties)	**(4,117)**	(5,088)
Amount capitalised in respect of investment properties under development	**(2,161)**	(2,348)
	14,845	15,719

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.

10. *Disposal of subsidiaries*

At the end of June 2019, the Group completed the disposal of its entire investment of 51% equity interest in Yichang Port Group Limited ("Yichang Port Group"), which was a sino-foreign joint venture enterprise registered in the PRC and mainly engaged in operation of ports, at a consideration of about RMB381,220,000 (equivalent to about $433,697,000). Yichang Port Group and its subsidiaries ceased to be subsidiaries of the Group upon and after the disposal.

10. *Disposal of subsidiaries – continued*

	$'000
Net assets disposed of:	
Property, plant and equipment	**791,144**
Investment properties	**187,217**
Right-of-use assets	**134,556**
Other intangible assets	**3,431**
Investments in equity instruments	**321**
Other non-current assets	**81,946**
Trade and other debtors, deposits and prepayments	**116,141**
Bank balances and cash	**177,502**
Trade and other creditors and accrued expenses	**(111,141)**
Contract liabilities	**(7,494)**
Amounts due to non-controlling interests	**(2,275)**
Taxation payable	**(7,241)**
Bank and other borrowings	**(428,852)**
Deferred tax liabilities	**(41,676)**
Deferred income	**(73,882)**
Other payables	**(18,137)**
Total net assets	**801,560**
Less: non-controlling interests	**(484,995)**
	316,565

	$'000
Gain on disposal of subsidiaries:	
Cash consideration	**433,697**
Directly attributable costs and levies	**(20,089)**
Net assets disposed of	**(801,560)**
Non-controlling interests	**484,995**
Gain on disposal before taxation and release of attributable reserve	**97,043**
Cumulative exchange differences in respect of the net assets of subsidiaries reclassified from equity to profit or loss on loss of control of subsidiaries	**(8,584)**
Gain on disposal before taxation	**88,459**
Less: taxation (Note 12)	**(28,065)**
Gain on disposal after taxation	**60,394**
Net cash inflow arising on disposal:	
Cash consideration	**433,697**
Less: income tax, directly attributable costs and levies	**(48,154)**
Net cash consideration received	**385,543**
Less: bank balances and cash disposed of	**(177,502)**
	208,041

10. *Disposal of subsidiaries – continued*

Yichang Port Group contributed about $88.6 million to the revenue of the Group and about $4.3 million to the net profit attributable to owners of the Company for the period ended 30 September 2019. The net cash utilised by Yichang Port Group for the period was not significant.

Other reserves in relation to the above subsidiaries amounting to about $11,546,000 had been credited to the retained profits upon the disposal.

11. *(Loss) profit before taxation*

	Unaudited Six months ended 30 September	
	2019	2018
	$'000	*$'000*
(Loss) profit before taxation has been arrived at after charging (crediting):		
Amortisation of other intangible assets:		
Amount provided for the period	**478**	522
Less: Amount capitalised in respect of properties under development for sale (included in stock of properties)	**(22)**	(23)
	456	499
Cost of inventories recognised as an expense	**69,989**	56,593
Provision for stock of properties (included in cost of sales)	**18,356**	–
Depreciation of property, plant and equipment:		
Amount provided for the period	**22,903**	25,963
Less: Amount capitalised in respect of investment properties under development	**(3)**	(22)
Amount capitalised in respect of construction in progress (included in property, plant and equipment)	**(5)**	–
Amount capitalised in respect of properties under development for sale (included in stock of properties)	**(10)**	(56)
	22,885	25,885
Depreciation of right-of-use assets	**4,695**	–
Release of prepaid lease payments	**–**	2,661

12. Taxation

	Unaudited Six months ended 30 September	
	2019	2018
	$'000	*$'000*
Taxation charge (credit) comprises:		
Taxation arising in the PRC excluding Hong Kong:		
Current period	**32,409**	4,391
Under(over)provision in prior periods	**2,136**	(516)
	34,545	3,875
Deferred taxation		
Land Appreciation Tax ("LAT")	**7,349**	11,811
Others	**4,914**	20,605
	12,263	32,416
Taxation attributable to the Company and its subsidiaries	**46,808**	36,291

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the condensed consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit 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 2019, the taxation arising in the PRC excluding Hong Kong included an income tax charge of about $28,065,000, which represented the PRC income tax charged on the gain on disposal of subsidiaries (see Note 10 for details). The capital gain derived from equity rights transfer by a non-resident enterprise, representing the difference between the consideration 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.

13. *(Loss) earnings per share*

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

	Unaudited Six months ended 30 September 2019 $'000	Unaudited Six months ended 30 September 2018 $'000
(Loss) profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share	**(205,348)**	16,072

	Unaudited Six months ended 30 September 2019 Number of shares	Unaudited Six months ended 30 September 2018 Number of shares
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**5,519,580,572**	5,519,580,572

The Company does not have any dilutive potential ordinary shares outstanding during the six months ended 30 September 2019. The computation of diluted earnings per share for the six months ended 30 September 2018 did not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of the Company's shares.

14. *Distribution*

No dividend was recognised as distribution during both periods. The board of directors of the Company has resolved not to declare any dividend for the six months ended 30 September 2019 (2018: Nil).

15. *Movements in property, plant and equipment and right-of-use assets*

During the period, additions to the Group's property, plant and equipment amounted to about $20,194,000 (2018: $24,487,000), which mainly included the cost of construction in progress amounting to about $18,195,000 (2018: $23,023,000) incurred during the period.

During the period, the Group entered into a new lease agreement for the use of land and building, thereby recognised right-of-use asset at amount equal to the corresponding lease liability of about $424,000.

16. 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 2019 (audited)	269,288	464,061	591,132	1,324,481
Exchange realignment	(9,305)	(27,245)	(34,919)	(71,469)
Additions	-	-	2,814	2,814
Disposal of subsidiaries (Note 10)	(187,217)	-	-	(187,217)
Net increase (decrease) in fair value recognised in the condensed consolidated income statement	(19)	9,009	17,456	26,446
At 30 September 2019 (unaudited)	72,747	445,825	576,483	1,095,055

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.

17. Investments in equity instruments

	Unaudited 30.9.2019 ***$'000***	Audited 31.3.2019 *$'000*
Listed equity securities, at quoted market price in Hong Kong (note a)	**4,532**	14,956
PRC unlisted equity securities (note b)	**340,659**	360,889
	345,191	375,845

notes:

(a) As at 30 September 2019, the investment in Hong Kong listed equity securities represents 4.47% (31.3.2019: 4.47%) equity interest in South Shore Holdings Limited.

(b) As at 30 September 2019, the investments in unlisted equity securities are stated at fair value and include 9.9% equity interest in Jiangsu YangKou Port Development and Investment Co., Ltd., which is engaged in the business of development of port and related infrastructures of about $340,659,000 (31.3.2019: $360,560,000).

As at 31 March 2019, the investments in unlisted equity securities also included less than 20% interests in certain PRC companies held by Yichang Port Group, which were mainly engaged in port related services of about $329,000. These investments were disposed of during the period (see Note 10 for details).

18. Stock of properties

	Unaudited 30.9.2019 $'000	Audited 31.3.2019 $'000
Properties under development for sale (note a)	**1,069,595**	1,129,309
Completed properties held for sale (note b)	**454,157**	427,555
	1,523,752	1,556,864

notes:

(a) At 30 September 2019, properties under development for sale amounting to about $348,088,000 (31.3.2019: $368,101,000) are carried at net realisable value.

(b) At 30 September 2019, completed properties held for sale amounting to about $366,295,000 (31.3.2019: $240,368,000) are carried at net realisable value which provision of stock of properties of about $18,356,000 (2018: Nil) has been recognised during the period.

19. Loans receivable

	Unaudited 30.9.2019 $'000	Audited 31.3.2019 $'000
The amounts, net of allowance, include:		
Fixed-rate loans receivable (note a)	**142,705**	164,200
Floating-rate loans receivable (note b)	**47,325**	66,122
	190,030	230,322

notes:

(a) The gross amount of loans receivable of about $196,000,000 (31.3.2019: $170,000,000), before netting off cumulative loss allowance of about $53,295,000 (31.3.2019: $5,800,000), are unsecured, bear fixed interest rates from 11% to 15% (31.3.2019: 11% to 15%) and are repayable within one year (31.3.2019: one year).

(b) The gross amount of loans receivable of about $68,700,000 (31.3.2019: $68,700,000), before netting off cumulative loss allowance of about $21,375,000 (31.3.2019: $2,578,000), are unsecured, bear variable interest rates from 5% to 6% (31.3.2019: 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% (31.3.2019: 10.125% to 11.125%)) and are repayable on demand.

During the period, the Group provided $66,292,000 impairment allowance, in particular, specific loss allowance of about $62,356,000 for loans receivable in which the respective interest receivables have been defaulted and the directors of the Company considered the borrower is in financial difficulty.

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

Included in trade and other debtors, deposits and prepayments are trade debtors of about $47,672,000 (31.3.2019: $126,219,000). The Group's credit terms for trade debtors normally range from 30 days to 90 days. 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 30.9.2019 ***$'000***	Audited 31.3.2019 *$'000*
Within 90 days	**32,170**	109,263
More than 90 days and within 180 days	**13,669**	16,240
More than 180 days	**1,833**	716
	47,672	126,219

21. *Trade and other creditors and accrued expenses*

Included in trade and other creditors and accrued expenses are trade creditors of about $57,502,000 (31.3.2019: $103,297,000) and their ageing analysis presented based on the invoice date at the end of the reporting period is as follows:

	Unaudited 30.9.2019 ***$'000***	Audited 31.3.2019 *$'000*
Within 90 days	**54,251**	86,645
More than 90 days and within 180 days	**2,434**	3,456
More than 180 days	**817**	13,196
	57,502	103,297

22. *Movements in bank and other borrowings*

During the period, the Group raised new bank and other borrowings of about $547,826,000 (2018: $419,023,000) and repaid about $705,370,000 (2018: $489,992,000). The secured bank and other borrowings as at 30 September 2019 were about $399,045,000 (31.3.2019: $628,195,000).

As at 30 September 2019, no bank deposit were pledged to banks to secure general banking facilities granted to the Group (31.3.2019: $117,000).

23. *Share capital*

	Number of shares	Value *$'000*
Ordinary shares of $0.10 each:		
Authorised:		
At 1 April 2018, 30 September 2018, 31 March 2019 and 30 September 2019	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 April 2018, 30 September 2018, 31 March 2019 and 30 September 2019	5,519,580,572	551,958

24. *Acquisition of assets through acquisition of subsidiaries*

During the period ended 30 September 2019, the Group acquired a group of subsidiaries from an independent third party which was mainly holding parcels of land in Hong Kong, that was classified as stock of properties upon the acquisition, at a consideration of about $27,238,000. The acquisition had been accounted for as an acquisition of assets and liabilities. The effect of the acquisition is summarised as follows:

	$'000
Net assets acquired:	
Stock of properties	**80,835**
Prepayments	**4**
Bank balances and cash	**13**
Other creditors and accrued expenses	**(12,248)**
Bank and other borrowings	**(40,000)**
	28,604
Less: non-controlling interests	**(1,366)**
	27,238
Net cash outflow arising on acquisition of assets through subsidiaries:	
Bank balances and cash acquired	**13**
Cash consideration paid	**(27,238)**
Net cash outflow	**(27,225)**

INTERIM DIVIDEND

The Board of PYI has resolved not to declare any interim dividend for the six months ended 30 September 2019 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE AND POSITION

For the six months ended 30 September 2019, the Group recorded a consolidated revenue of about $256 million (2018: $315 million), representing a decrease of about 19% from last corresponding period, mainly due to decrease in revenue contributed by Yichang Port Group which was disposed of at the end of June 2019. 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 $2,826 million (2018: $2,526 million), representing an increase of 12% from last period, mainly resulted from the increase in share of revenue of Paul Y. Engineering.

The Group's gross profit decreased by 29% from last corresponding period to about $80 million (2018: $113 million), which was mainly attributable to disposal of Yichang Port Group and a provision of about $18 million (2018: Nil) made for the stock of properties held for sale situated at Nantong City, Jiangsu Province, the PRC charged to the cost of sales. Excluding the above one-off provision for stock of properties, the Group achieved a gross margin of about 38% (2018: 36%) of the consolidated revenue in current period.

During the period, the Group recorded a loss before taxation of about $150 million (2018: profit before taxation of about $63 million), which was composed of:

(i) net gain of about $13 million (2018: $15 million) in Paul Y. Engineering mainly engaged in management contracting and property development management businesses;
(ii) net gain of about $117 million (2018: $79 million) in ports and logistics business;
(iii) net gain of about $11 million (2018: $40 million) in property business;
(iv) net loss of about $147 million (2018: $21 million) in securities business;
(v) net loss of about $56 million (2018: net gain of about $39 million) in treasury business;
(vi) net corporate and other expenses of about $73 million (2018: $73 million), which included acquisition-related costs of about $6 million (2018: $10 million) and net exchange loss of about $22 million (2018: $22 million); and
(vii) finance costs of about $15 million (2018: $16 million).

Net loss for the period attributable to the owners of PYI was about $205 million (2018: net profit of about $16 million) and basic loss per share was 3.7 cents (2018: basic earnings per share of 0.3 cent). The net loss was mainly attributable to (a) loss on changes in fair value of investments in debt and equity instruments held for trading of about $162 million (of which $29 million was realised and $133 million was unrealised); (b) provision on loans and interest receivables of about $72 million; (c) net exchange loss of about $22 million; and set-off by (d) a net gain after taxation on disposal of 51% equity interest in Yichang Port Group of about $60 million.

When compared with the Group's financial position as at 31 March 2019, total assets decreased by 22% to about $5,991 million (31.3.2019: $7,668 million) which was mainly attributable to the disposal of Yichang Port Group. As at 30 September 2019, net current assets amounted to about $2,426 million (31.3.2019: $2,235 million), whereas current ratio deriving from the ratio of current assets to current liabilities increased to 5.34 times (31.3.2019: 3.06 times). After taking into account (a) the net loss of about $205 million; (b) the decrease in carrying amount of equity investments not held for trading of about $30 million recognised in investment revaluation reserve; (c) the reclassification of exchange deficits to profit or loss upon disposal of Yichang Port Group of about $8 million; and (d) the Renminbi exchange deficits of about $128 million arising from translation of foreign operations, equity attributable to owners of PYI was decreased by 8% to about $4,091 million (31.3.2019: $4,446 million), representing $0.74 (31.3.2019: $0.81) per share as at 30 September 2019.

Net cash outflow from operating activities was about $52 million (2018: $25 million). Net cash inflow from investing activities was about $165 million (2018: $20 million) which was mainly contributed from the disposal of Yichang Port Group. Net cash outflow from financing activities was about $161 million (2018: $100 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 $48 million (2018: $105 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. Nonetheless, PYI takes heed of the challenging economic landscape ahead through enhancement of operational efficiency measures.

Yichang Port Group (51% owned before the disposal at the end of June 2019)

Yichang Port Group contributed about $105 million (2018: $18 million) to the segment profit for the period, which comprised the gain on disposal of the Group's 51% equity interest in Yichang Port Group of about $88 million (2018: Nil) and Yichang Port Group's operating result of about $17 million (2018: $18 million) up to the date of disposal at the end of June 2019. A tax charge of about $28 million (2018: Nil) in relation to the disposal was recognised to the condensed consolidated income statement during the period.

Cargo throughput of Yichang Port Group for the three months ended 30 June 2019 amounted to about 3.7 million tonnes (six months ended 30 September 2018: 6.5 million tonnes) while the container throughput amounted to about 31,000 TEUs (six months ended 30 September 2018: 64,000 TEUs).

In light of current government policies directives which assert particular emphasis on more efficient utilisation of port assets and elimination of ill-fated competition in the Yangtze River region by way of consolidation of ownership and operations, which would also serve as a good opportunity for the Group to realise a considerable gain and to generate cash inflow to diversify and explore other business prospects and investment opportunities, a conditional agreement for the disposal of the Group's 51% equity interest in Yichang Port Group was entered into on 22 May 2019. The disposal was completed at the end of June 2019. The consideration amount, net of tax and directly attributable costs paid, of about $386 million was received in full during the period.

Jiangyin Sunan Container Terminal (40% owned)

Jiangyin Sunan contributed a steady operating profit of about $6 million (2018: $6 million) to the segment during the 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 2019 slightly decreased by 1% to about 268,000 TEUs (2018: 272,000 TEUs).

Jiaxing International Feeder Port (90% owned)

Jiaxing International Feeder Port contributed about $5 million (2018: $7 million) to the segment's operating profit for the period. Despite the growth in container throughput during the period, the increase in operating cost and the decrease in average revenue per TEU in aggregate resulted in an overall decrease in its operating result.

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 2019 increased by 13% to about 90,000 TEUs (2018: 80,000 TEUs).

LPG, CNG and Logistics (100% owned)

The liquefied petroleum gas ("LPG") and compressed natural gas ("CNG") distribution and logistics businesses of Minsheng Gas achieved an operating profit of about $1 million (2018: $1 million) during the period. During the period ended 30 September 2018, the resumption of land and properties of a CNG station by Wuchang Government under the Old City Conversion Project had brought in a disposal gain of about $47 million (2019: Nil), before the relevant deferred tax charge of about $12 million (2019: Nil). Due to the absence of the above one-off gain on disposal, the overall segment profit contributed by Minsheng Gas in this period reduced to $1 million (2018: $48 million).

Currently, Minsheng Gas owns and operates the largest LPG storage-tank farm and a river terminal in Hubei Province, and has seven LPG and five CNG automotive fueling stations in Wuhan City.

Sales of LPG decreased by 39% to about 3,100 tonnes (2018: 5,100 tonnes) for the six months ended 30 September 2019 resulted from reduced number of LPG-powered vehicles. With continuing efforts by Minsheng Gas, more bus routes in Wuhan City were secured to regularly fuel in Minsheng Gas's CNG fueling stations which boosted the sales of CNG by 28% to about 12,000 m^3 (2018: 9,400 m^3) during the period.

Since 2013 and in line with the policy of Wuhan municipal government to promote more CNG-powered vehicles in Wuhan City, Minsheng Gas has established a diversification strategy to transform its LPG fueling stations into CNG to improve sale and profitability. Five LPG automotive fueling stations had been transformed into CNG stations. The transformation process is on-going.

Meanwhile, the PRC Government has made a strong commitment to reduce the carbon emission at the 2015 United Nations Climate Change Conference in Paris and has issued policies to speed up the development of clean energy such as liquefied natural gas ("LNG"). Given that LNG is more efficient in terms of storage and long-distance transportation as compared to piped natural gas, there is tremendous growth potential for LNG storage and infrastructure development. In consideration of the LNG growth potential, Minsheng Gas intends to seize the opportunity to further expand its business by initiating a two-phase development plan to construct new LNG storage tanks and LNG berths catering to industrial demands as well as that for LNG vessels. The gradual diversification in the business of Minsheng Gas from LPG to CNG, following to the focus in LNG is in line with national policies and market demand. Under the development plan, the LNG storage facilities of Minsheng Gas will be designated as a regional storage and trans-shipment hub for LNG in Hubei Province.

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 (2018: 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 2019, the investment in Yangkou Port Co was stated at fair value of about $341 million (31.3.2019: $361 million).

Engineering Business

Paul Y. Engineering (48.2% owned)

Paul Y. Engineering contributed about $13 million (2018: $15 million) to the segment's operating profit for the period. During the period, Paul Y. Engineering recorded a revenue of about $5,213 million (2018: $4,391 million) and secured new contracts of about $9,115 million (2018: $12,533 million) in aggregate value. As at 30 September 2019, the total value of contracts on hand of Paul Y. Engineering was about $39,792 million (31.3.2019: $32,722 million) and the value of work remaining was about $25,177 million (31.3.2019: $20,277 million).

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 $11 million (2018: $40 million) for the period which was mainly attributable to the net gain on fair value changes of investment properties of about $26 million (2018: $45 million), before the relevant deferred tax charges of about $12 million (2018: $20 million), offset by a provision of about $18 million (2018: Nil) made for the stock of properties held for sale situated at Nantong City, Jiangsu Province, the PRC.

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 2019, about 6.89 sq km (31.3.2019: 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	Right-of-use assets
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 $1,022 million (31.3.2019: $1,055 million) and recorded a gain on revaluation of about $26 million (2018: $42 million) for the period.

As at 30 September 2019, a gross floor area of about 6,000 sq m of "Nantong International Trade Center", a commercial and office building in the central business district of Nantong City, was rented out for hotel operation and classified as investment properties. The Group also holds a gross floor area of about 11,000 sq m (31.3.2019: 13,000 sq m) of "Nantong International Trade Center" for sale while a provision of about $18 million was made during the period. The building contributed revenue from sales of properties of about HK$26 million (2018: Nil) and rental income of about $1 million (2018: $1.5 million) to the Group during the period.

Before the disposal of Yichang Port Group, the Group held certain commercial, residential and industrial properties with gross floor area of about 145,000 sq m (inclusive of commercial shops of about 5,000 sq m) in the main urban district of Yichang City for rental through Yichang Port Group. These properties were classified as investment properties and generated rental income of about $2 million (2018: $5 million) to the Group during the period. After the disposal of Yichang Port Group, the Group does not hold any investment properties in Yichang City.

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 (2018: $5 million) during the period and its occupancy was about 86% as at 30 September 2019.

Securities
The securities business of the Group recorded an operating loss of about $147 million (2018: $21 million) for the period which was mainly attributable to the net fair value loss of investments in debt and equity instruments held for trading of about $162 million (2018: $45 million), of which $29 million (2018: gain of $21 million) was realised and $133 million (2018: $66 million) was unrealised. During the period ended 30 September 2018, fair value gain of other financial asset of about $11 million (2019: Nil) was recorded.

As at 30 September 2019, the Group's portfolio in securities business mainly consisted of (a) the investment in debt instruments held for trading amounted to about $308 million (31.3.2019: $299 million), equivalent to about 5% (31.3.2019: 4%) of the Group's total assets; and (b) investment in equity instruments held for trading amounted to about $227 million (31.3.2019: $310 million), equivalent to about 4% (31.3.2019: 4%) of the Group's total assets.

The persistence of ongoing China-US trade disputes and the instabilities in the European economy arising from the unresolved Brexit issue might continue to pose negative impact to the sentiment of the Hong Kong and global securities market which continues to raise challenges to the Group's securities segment in future. The Group will continue to monitor its portfolio of investments in diversified securities products to improve performance in the coming period.

Treasury
The treasury business of the Group recorded an operating loss of about $56 million (2018: profit of $39 million) for the period which was mainly attributable to the provision on loans and interest receivables of about $72 million (2018: reversal of provision of about $20 million), offset by interest income of about $16 million (2018: $20 million) derived from loans receivable.

As at 30 September 2019, carrying amounts of the Group’s portfolio of (a) high-yield loans receivable amounted to about $190 million (31.3.2019: $230 million), equivalent to about 3% (31.3.2019: 3%) of the Group's total assets; and (b) interest-bearing borrowings to an associate of about $69 million (31.3.2019: $69 million), equivalent to about 1% (31.3.2019: 1%) of the Group's total assets.

The Group will continue to explore 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
At the end of June 2019, the Group completed the disposal of its entire investment of 51% equity interest in Yichang Port Group, which was a sino-foreign joint venture enterprise registered in the PRC and mainly engaged in operation of ports, at a consideration of about RMB381 million (equivalent to about $434 million). Yichang Port Group and its subsidiaries ceased to be subsidiaries of the Group upon and after the disposal.

Apart from the above, the Group did not have other 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

During the first half of this financial year, being affected by the escalating China-US trade tension, the macroeconomic condition in China was challenging, though our ports and logistics have maintained steady performance. 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 and refocus on other bulk commodities with higher growth potential, in particular LNG, as well as exploring into other alternative business opportunities with a view to enhancing the PYI shareholders' value.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2019, the Group had total assets of $5,991 million (31.3.2019: $7,668 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 seven 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 2019, the Group's total borrowings amounted to about $549 million (31.3.2019: $1,140 million) with about $325 million (31.3.2019: $770 million) repayable on demand or within one year and about $224 million (31.3.2019: $370 million) repayable after one year, which comprised bank and other borrowings and amounts due to non-controlling interests that were interest bearing. Borrowings denominated in Hong Kong dollar of about $36 million (31.3.2019: $120 million) bore interest at floating rate and about $1 million (31.3.2019: $1 million) bore interest at fixed rate. Borrowings denominated in Renminbi of about $176 million (31.3.2019: $528 million) bore interest at floating rate and about $336 million (31.3.2019: $491 million) bore interest at fixed rate. The Group's gearing ratio was 0.13 (31.3.2019: 0.26), which was calculated based on the total borrowings of about $549 million (31.3.2019: $1,140 million) and the Group's shareholders' funds of about $4,091 million (31.3.2019: $4,446 million).

Cash, bank balances and deposits of the Group as at 30 September 2019 amounted to about $463 million (31.3.2019: $518 million), of which about $193 million (31.3.2019: $295 million) was denominated in Renminbi, about $265 million (31.3.2019: $165 million) was denominated in Hong Kong dollar and about $5 million (31.3.2019: $58 million) was denominated in other currencies mainly in United States Dollar. As at 30 September 2019, the Group had a net cash position (being cash, bank balances and deposits net of bank borrowings) of about $3 million (31.3.2019: net debt position of about $392 million, being bank borrowings net of cash, bank balances and deposits).

CONTINGENT LIABILITY

As at 30 September 2019, the Group had no contingent liability (31.3.2019: guarantee provided to a bank in respect of a banking facility granted to a third party of about $6 million).

PLEDGE OF ASSETS

As at 30 September 2019, certain property interests and property, plant and equipment of the Group with an aggregate value of about $599 million (31.3.2019: certain property interests, property, plant and equipment, debt instruments and securities account, bank balances and trade receivables in aggregate of about $1,102 million) were pledged to banks and financial institutions to secure general credit facilities granted to the Group.

COMMITMENTS

As at 30 September 2019, 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 $44 million (31.3.2019: $54 million).

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2019, the Group employed a total of 593 (31.3.2019: 1,343) 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 2019, 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 2019, 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 2019.

REVIEW OF ACCOUNTS

The Group's unaudited results for the six months ended 30 September 2019 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 2020 Interim Report will be despatched to the shareholders of PYI and posted on the aforesaid websites in December 2019.

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

Hong Kong, 22 November 2019

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