# 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 FINAL RESULTS

The board of directors (the "Board") of PYI Corporation Limited ("PYI" or the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2020.

## FINANCIAL HIGHLIGHTS

| | 2020 | 2019 | Change |
|---|---|---|---|
| Revenue of the Group | $364 million | $628 million | -42% |
| Gross proceeds from securities trading of the Group | $68 million | $126 million | -46% |
| Share of revenue of associates and joint ventures | $5,344 million | $4,556 million | +17% |
| | $5,776 million | $5,310 million | +9% |
| Gross profit | $124 million | $209 million | -41% |
| (Loss) profit attributable to shareholders | $(572) million | $49 million | -1,267% |
| (Loss) earnings per share | (10.4) cents | 0.9 cent | -1,256% |
| Shareholders' funds | $3,678 million | $4,446 million | -17% |
| Net asset value per share | $0.67 | $0.81 | -17% |

# RESULTS
## CONSOLIDATED INCOME STATEMENT
***For the year ended 31 March 2020***

| | Notes | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| Revenue of the Company and its subsidiaries | 4 | **363,929** | 628,368 |
| Gross proceeds from securities trading of the Company and its subsidiaries | 4 | **68,271** | 126,000 |
| Share of revenue of associates and joint ventures | 4 | **5,344,040** | 4,556,237 |
| | | **5,776,240** | 5,310,605 |
| Group revenue | | | |
| Sales and services income | 3 | **303,820** | 551,878 |
| Interest income | 3 | **54,471** | 65,797 |
| Others | 3 | **5,638** | 10,693 |
| | | **363,929** | 628,368 |
| Cost of sales | | **(239,659)** | (419,649) |
| Gross profit | | **124,270** | 208,719 |
| Other income | 5 | **5,921** | 7,728 |
| Administrative expenses | | **(159,828)** | (140,776) |
| Distribution and selling expenses | | **(45,372)** | (54,147) |
| Other gains and losses | 6 | **(25,592)** | 39,065 |
| Net (loss) gain on fair value changes of financial assets | 7 | **(223,766)** | 1,139 |
| Other expenses | | **(28,745)** | (33,360) |
| Impairment loss (recognised) reversed on financial assets, net | 8 | **(166,135)** | 20,113 |
| Finance costs | 9 | **(24,005)** | (32,007) |
| Gain on disposal of subsidiaries | 20 | **88,573** | – |
| Net gain on fair value changes of investment properties | 14 | **46,663** | 38,718 |
| Share of results of associates | | **(94,166)** | 33,215 |
| Share of results of joint ventures | | **(5,341)** | 677 |
| (Loss) profit before taxation | 10 | **(507,523)** | 89,084 |
| Taxation | 11 | **(57,432)** | (24,728) |
| (Loss) profit for the year | | **(564,955)** | 64,356 |
| (Loss) profit for the year attributable to: | | | |
| Owners of the Company | | **(572,268)** | 49,208 |
| Non-controlling interests | | **7,313** | 15,148 |
| | | **(564,955)** | 64,356 |
| (Loss) earnings per share | | | |
| Basic | 12 | **(10.4) cents** | 0.9 cent |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
***For the year ended 31 March 2020***

| | **2020** **$'000** | 2019 *$'000* |
|---|---|---|
| (Loss) profit for the year | **(564,955)** | 64,356 |
| OTHER COMPREHENSIVE (EXPENSE) INCOME | | |
| *Item that will not be reclassified to profit or loss* | | |
| Change in carrying amount of investments in equity instruments | **(61,551)** | (60,960) |
| *Items that may be subsequently reclassified to profit or loss* | | |
| Exchange differences arising from translation of foreign operations | **(153,229)** | (177,197) |
| Share of exchange differences of associates and joint ventures | **(27,849)** | (24,961) |
| Reclassification adjustment on disposal of subsidiaries | **8,584** | – |
| Other comprehensive expense for the year | **(234,045)** | (263,118) |
| Total comprehensive expense for the year | **(799,000)** | (198,762) |
| Total comprehensive expense for the year attributable to: | | |
| Owners of the Company | **(768,235)** | (161,390) |
| Non-controlling interests | **(30,765)** | (37,372) |
| | **(799,000)** | (198,762) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
***At 31 March 2020***

| | Notes | **2020 $'000** | 2019 $'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **157,731** | 1,308,915 |
| Right-of-use assets | | **64,904** | – |
| Investment properties | *14* | **1,109,706** | 1,324,481 |
| Project under development | | **163,950** | 175,428 |
| Prepaid lease payments | | **–** | 302,131 |
| Other intangible assets | | **2,832** | 7,004 |
| Interests in associates | | **294,698** | 654,591 |
| Interests in joint ventures | | **108,261** | 118,446 |
| Investments in equity instruments | | **313,966** | 375,845 |
| Other non-current assets | | **–** | 84,050 |
| | | **2,216,048** | 4,350,891 |
| CURRENT ASSETS | | | |
| Prepaid lease payments | | **–** | 4,180 |
| Stock of properties | *15* | **1,522,775** | 1,556,864 |
| Inventories of finished goods | | **2,835** | 12,631 |
| Loans receivable | *16* | **150,119** | 230,322 |
| Amounts due from associates | | **68,552** | 70,721 |
| Amount due from a joint venture | | **3,335** | 4,839 |
| Trade and other debtors, deposits and prepayments | *17* | **154,160** | 310,609 |
| Investments in debt instruments held for trading | | **248,335** | 299,241 |
| Investments in equity instruments held for trading | | **191,668** | 309,950 |
| Pledged bank deposits | | **11,528** | 117 |
| Short-term bank deposits | | **48,959** | 137,507 |
| Bank balances and cash | | **295,617** | 380,621 |
| | | **2,697,883** | 3,317,602 |
| Assets classified as held for sale | *19* | **753,412** | – |
| | | **3,451,295** | 3,317,602 |
| CURRENT LIABILITIES | | | |
| Trade and other creditors and accrued expenses | *18* | **124,180** | 298,733 |
| Contract liabilities | | **47,472** | 4,055 |
| Lease liabilities | | **7,778** | – |
| Amounts due to non-controlling interests | | **96,132** | 95,683 |
| Taxation payable | | **2,305** | 10,302 |
| Bank and other borrowings – due within one year | | **190,781** | 674,231 |
| | | **468,648** | 1,083,004 |
| Liabilities associated with assets classified as held for sale | *19* | **195,709** | – |
| | | **664,357** | 1,083,004 |
| NET CURRENT ASSETS | | **2,786,938** | 2,234,598 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **5,002,986** | 6,585,489 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
***At 31 March 2020***

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| NON-CURRENT LIABILITIES | | |
| Bank and other borrowings – due after one year | **201,091** | 370,053 |
| Lease liabilities | **12,201** | – |
| Deferred tax liabilities | **736,905** | 810,269 |
| Deferred income | **–** | 76,092 |
| Other payables | **–** | 19,499 |
| | **950,197** | 1,275,913 |
| | **4,052,789** | 5,309,576 |
| CAPITAL AND RESERVES | | |
| Share capital | **551,958** | 551,958 |
| Reserves | **3,125,901** | 3,894,136 |
| Equity attributable to owners of the Company | **3,677,859** | 4,446,094 |
| Non-controlling interests | **374,930** | 863,482 |
| TOTAL EQUITY | **4,052,789** | 5,309,576 |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
***For the year ended 31 March 2020***

| | Note | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| Net cash (used in) from operating activities | | **(119,621)** | 84,618 |
| Net cash from (used in) investing activities | | **75,582** | (25,511) |
| Net cash used in financing activities | | **(76,840)** | (98,621) |
| Net decrease in cash and cash equivalents | | **(120,879)** | (39,514) |
| Effect of foreign exchange rate changes | | **(9,464)** | (18,481) |
| Cash and cash equivalents brought forward | | **518,128** | 576,123 |
| Cash and cash equivalents carried forward | | **387,785** | 518,128 |
| Analysis of the balances of cash and cash equivalents | | | |
| Short-term bank deposits | | **48,959** | 137,507 |
| Bank balances and cash | | **295,617** | 380,621 |
| Bank balances and cash included in assets classified as held for sale | *19* | **43,209** | – |
| | | **387,785** | 518,128 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## *1. Basis of preparation*

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

## *2. Principal accounting policies*

The 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.

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

| | |
|---|---|
| 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 year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

***HKFRS 16 "Leases"***

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

**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 standard 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.

## 2. *Principal accounting policies – continued*

***HKFRS 16 "Leases" – continued***

**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.

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%.

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

| | **At 1 April 2019** *$'000* |
|---|---|
| Operating lease commitments disclosed as at 31 March 2019 | 17,490 |
| Less: Recognition exemption - short-term leases and 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 |

## *2. Principal accounting policies – continued*

***HKFRS 16 "Leases" – continued***

**As a lessee – continued**

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.

**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 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 consolidated financial statements.

## 2. *Principal accounting policies – continued*

***HKFRS 16 "Leases" – continued***

The following adjustments were made to the amounts recognised in the 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 year ended 31 March 2020, movements in working capital 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:

| | **2020** **$'000** | 2019 $'000 |
|---|---|---|
| Sales and services income | | |
| Income from port related services | **163,545** | 400,128 |
| Sale of LPG and CNG products | **114,654** | 146,148 |
| Sale of properties | **25,621** | 5,602 |
| | **303,820** | 551,878 |
| Interest income | | |
| Interest income from loans receivable | **27,049** | 37,763 |
| Interest income from investments in debt instruments held for trading | **27,422** | 28,034 |
| | **54,471** | 65,797 |
| Others | | |
| Property rental and related income | **2,863** | 9,482 |
| Dividend income from investments in equity instruments held for trading | **2,775** | 1,211 |
| | **5,638** | 10,693 |
| | **363,929** | 628,368 |

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, CNG and LNG distribution and logistics businesses |
| Property | - Development, investment, sale and leasing of real estate properties, developed land and 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 revenue and results**

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

For the year ended 31 March 2020

| | 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 | - | - | 278,199 | 28,484 | 30,197 | 27,049 | 363,929 |
| Gross proceeds from securities trading of the Group | - | - | - | - | 68,271 | - | 68,271 |
| Share of revenue of associates and joint ventures | 5,296,756 | - | 41,866 | 5,418 | - | - | 5,344,040 |
| | 5,296,756 | - | 320,065 | 33,902 | 98,468 | 27,049 | 5,776,240 |
| EBITDA (LBITDA)* | (106,934) | - | 157,103 | 16,978 | (196,387) | (137,602) | (266,842) |
| Depreciation and amortisation** | - | - | (43,276) | (2,231) | (594) | (594) | (46,695) |
| Segment results – EBIT (LBIT) | (106,934) | - | 113,827 | 14,747 | (196,981) | (138,196) | (313,537) |
| Corporate and other expenses*** | | | | | | | (169,981) |
| Finance costs | | | | | | | (24,005) |
| Loss before taxation | | | | | | | (507,523) |
| Taxation | | | | | | | (57,432) |
| Loss for the year | | | | | | | (564,955) |

## 4. *Segment information – continued*

**Segment revenues and results – continued**

For the year ended 31 March 2019

| | 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 | - | - | 546,276 | 15,084 | 29,245 | 37,763 | 628,368 |
| Gross proceeds from securities trading of the Group | - | - | - | - | 126,000 | - | 126,000 |
| Share of revenue of associates and joint ventures | 4,508,366 | - | 42,259 | 5,612 | - | - | 4,556,237 |
| | 4,508,366 | - | 588,535 | 20,696 | 155,245 | 37,763 | 5,310,605 |
| EBITDA | 19,855 | 919 | 151,198 | 29,299 | 26,716 | 56,265 | 284,252 |
| Depreciation and amortisation** | - | - | (46,945) | (4,231) | (22) | (22) | (51,220) |
| Segment results – EBIT | 19,855 | 919 | 104,253 | 25,068 | 26,694 | 56,243 | 233,032 |
| Corporate and other expenses*** | | | | | | | (111,941) |
| Finance costs | | | | | | | (32,007) |
| Profit before taxation | | | | | | | 89,084 |
| Taxation | | | | | | | (24,728) |
| Profit for the year | | | | | | | 64,356 |

* Segment results of Paul Y. Engineering Group included an impairment loss adjustment on share of results of the associate amounted to about $122,987,000 (2019: Nil) recognised during the year ended 31 March 2020, which was resulted from the alignment of accounting policy on expected credit loss provision ("ECL Provision") of PYI regarding certain non-trade receivables of the associate.

Gain on disposal of subsidiaries of about $88,573,000 (2019: Nil) has been recognised in the ports and logistics operating segment during the year ended 31 March 2020.

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

*** Represents mainly unallocated administrative expenses and includes acquisition-related costs for potential projects of about $22,721,000 (2019: $26,983,000) and net exchange loss of about $25,577,000 (2019: $9,682,000).

## 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 31 March 2020

| | 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 | 298,958 | 309,706 | 946,527 | 3,204,966 | 444,747 | 389,126 | 5,594,030 |
| Unallocated assets | | | | | | | 73,313 |
| Consolidated total assets | | | | | | | 5,667,343 |
| LIABILITIES | | | | | | | |
| Segment liabilities | - | - | 247,894 | 1,298,271 | 487 | 37,130 | 1,583,782 |
| Unallocated liabilities | | | | | | | 30,772 |
| Consolidated total liabilities | | | | | | | 1,614,554 |

At 31 March 2019

| | 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, interests in joint ventures, right-of-use assets and other receivables, and segment liabilities exclude corporate liabilities which are mainly certain other payables and lease liabilities.

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.

## 4. *Segment information – continued*

**Geographical information**

The Group's operations are mainly located in Hong Kong and the PRC other than Hong Kong.

The following is an analysis of the Group's revenue by geographical market based on location of customers, irrespective of the origin of the goods/services:

| | **2020** **$'000** | 2019 $'000 |
|---|---|---|
| Hong Kong | **56,062** | 57,780 |
| The PRC other than Hong Kong | **306,683** | 561,360 |
| Others | **1,184** | 9,228 |
| | **363,929** | 628,368 |

## 5. *Other income*

Other income includes:

| | **2020** **$'000** | 2019 $'000 |
|---|---|---|
| Bank and other interest income | **3,191** | 3,343 |
| Rental income from short term leasing of stock of properties | **1,727** | 2,422 |
| Dividend income from investment in an equity instrument | **–** | 919 |

## 6. *Other gains and losses*

| | **2020** **$'000** | 2019 $'000 |
|---|---|---|
| Net exchange loss | **(25,577)** | (9,682) |
| (Loss) gain on disposal of property, plant and equipment | **(15)** | 2,471 |
| Gain on disposal of investment properties | **–** | 2,155 |
| Gain on disposal of prepaid lease payments | **–** | 44,121 |
| | **(25,592)** | 39,065 |

## 7. *Net (loss) gain on fair value changes of financial assets*

| | **2020 $'000** | 2019 $'000 |
|---|---|---|
| Loss on changes in fair value of investments in debt instruments held for trading | **(58,384)** | (11,633) |
| (Loss) gain on changes in fair value of investments in equity instruments held for trading | **(165,382)** | 311 |
| Gain on change in fair value of other financial asset | **–** | 12,461 |
| | **(223,766)** | 1,139 |

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

| | **2020 $'000** | 2019 $'000 |
|---|---|---|
| Impairment loss (recognised) reversed on loans receivable | **(124,003)** | 20,429 |
| Impairment loss recognised on trade and other receivables (including interest receivables) | **(34,782)** | (41) |
| Impairment loss recognised on amounts due from associates | **(7,350)** | (275) |
| | **(166,135)** | 20,113 |

## 9. *Finance costs*

| | **2020 $'000** | 2019 $'000 |
|---|---|---|
| Borrowing costs on: | | |
| Bank borrowings | **31,520** | 44,261 |
| Amounts due to non-controlling interests | **3,969** | 5,092 |
| Imputed interest expense on other payables | **193** | 873 |
| Imputed interest expense on lease liabilities | **590** | – |
| Other borrowings | **4,538** | 7,677 |
| | **40,810** | 57,903 |
| Less: Amount capitalised in respect of construction in progress (included in property, plant and equipment) | **(2,771)** | (11,232) |
| Amount capitalised in respect of properties under development for sale (included in stock of properties) | **(9,646)** | (9,776) |
| Amount capitalised in respect of investment properties under development | **(4,388)** | (4,888) |
| | **24,005** | 32,007 |

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 year.

## *10. (Loss) profit before taxation*

| | **2020**<br>***$'000*** | 2019<br>*$'000* |
|---|---|---|
| (Loss) profit before taxation has been arrived at after charging: | | |
| Amortisation of other intangible assets: | | |
| Amount provided for the year | **520** | 1,032 |
| Less: Amount capitalised in respect of properties under development for sale (included in stock of properties) | **(44)** | (46) |
| | **476** | 986 |
| Cost of inventories recognised as an expense | **81,126** | 107,083 |
| Write-down of stock of properties (included in cost of sales) | **18,233** | – |
| Depreciation of property, plant and equipment: | | |
| Amount provided for the year | **41,475** | 50,366 |
| Less: Amount capitalised in respect of properties under development for sale (included in stock of properties) | **(14)** | (94) |
| Amount capitalised in respect of construction in progress (included in property, plant and equipment) | **(10)** | (4) |
| Amount capitalised in respect of investment properties under development | **(5)** | (34) |
| | **41,446** | 50,234 |
| Depreciation of right-of-use assets: | | |
| Amount provided for the year | **10,452** | – |
| Less: Amount capitalised in respect of construction in progress (included in property, plant and equipment) | **(208)** | – |
| | **10,244** | – |
| Release of prepaid lease payments | **–** | 5,151 |

## 11. *Taxation*

| | **2020** **$'000** | 2019 $'000 |
|---|---|---|
| Taxation charge (credit) comprises: | | |
| Hong Kong Profits Tax: | | |
| Current year | **–** | 15 |
| (Over)underprovision in prior years | **(15)** | 23 |
| | **(15)** | 38 |
| Taxation arising in the PRC excluding Hong Kong: | | |
| Current year | **32,680** | 9,449 |
| Under(over)provision in prior years | **2,226** | (509) |
| | **34,906** | 8,940 |
| Deferred taxation: | | |
| Land Appreciation Tax ("LAT") | **13,684** | 8,049 |
| Others | **8,857** | 7,701 |
| | **22,541** | 15,750 |
| Taxation attributable to the Company and its subsidiaries | **57,432** | 24,728 |

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate for the Group's subsidiaries in the PRC is 25% for both years.

For the year ended 31 March 2020, 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 20 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 subjected 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.

## 12. *(Loss) earnings per share*

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

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| (Loss) profit for the year attributable to owners of the Company for the purpose of basic (loss) earnings per share | **(572,268)** | 49,208 |

| | 2020 & 2019<br>Number of shares |
|---|---|
| Number of ordinary shares for the purpose of basic (loss) earnings per share | **5,519,580,572** |

The Company does not have any dilutive potential ordinary shares outstanding during the year ended 31 March 2020. The computation of diluted earnings per share for the year ended 31 March 2019 did not assume the exercise of the Company's share options of which the exercise price was higher than the average market price of the Company's shares.

## 13. *Distribution*

No dividend was recognised as distribution during both years.

The Board of the Company has resolved not to recommend for shareholders' approval the payment of any final dividend for the year ended 31 March 2020 (2019: Nil).

## *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 31 March 2019 | 269,288 | 464,061 | 591,132 | 1,324,481 |
| Exchange realignment | (9,781) | (30,779) | (39,663) | (80,223) |
| Additions | - | - | 6,002 | 6,002 |
| Disposal of subsidiaries (Note 20) | (187,217) | - | - | (187,217) |
| Net increase (decrease) in fair value recognised in the consolidated income statement | (3,151) | 16,554 | 33,260 | 46,663 |
| At 31 March 2020 | 69,139 | 449,836 | 590,731 | 1,109,706 |

notes:

(a) In prior years, 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. Stock of properties*

| | **2020** ***$'000*** | 2019 *$'000* |
|---|---|---|
| Properties under development for sale (note a) | **998,953** | 1,129,309 |
| Completed properties held for sale (note b) | **523,822** | 427,555 |
| | **1,522,775** | 1,556,864 |

notes:

(a) At 31 March 2020, properties under development for sale amounting to about $345,778,000 (2019: $368,101,000) are carried at net realisable value.

(b) At 31 March 2020, completed properties held for sale amounting to about $367,180,000 (2019: $240,368,000) are carried at net realisable value which write-down of stock of properties of about $18,233,000 (2019: Nil) has been recognised during the year.

## 16. *Loans receivable*

| | **2020 $'000** | 2019 $'000 |
|---|---|---|
| The amounts, net of allowance, include: | | |
| Fixed-rate loans receivable (note a) | **132,944** | 164,200 |
| Floating-rate loans receivable (note b) | **17,175** | 66,122 |
| | **150,119** | 230,322 |

notes:

(a) The gross amount of loans receivable of about $213,800,000 (2019: $170,000,000), before netting off cumulative loss allowance of about $80,856,000 (2019: $5,800,000), are unsecured, bear fixed interest rates from 10% to 15% (2019: 11% to 15%) and are repayable within one year (2019: one year).

(b) The gross amount of loans receivable of about $68,700,000 (2019: $68,700,000), before netting off cumulative loss allowance of about $51,525,000 (2019: $2,578,000), are unsecured, bear variable interest rates from 5% to 6% (2019: 5% to 6%) over the Best Lending Rate of Hong Kong Dollar as quoted by The Hongkong and Shanghai Banking Corporation Limited ("HKBLR") (i.e. 10% to 11% (2019: 10.125% to 11.125%)) and are repayable on demand.

During the year, the Group provided $124,003,000 (2019: reversal of $20,429,000) impairment allowance, in particular, specific loss allowances of about $122,697,000 (2019: Nil) for loans receivable which have been in default and considered as credit-impaired.

## 17. *Trade and other debtors, deposits and prepayments*

Included in trade and other debtors, deposits and prepayments are trade debtors of about $25,295,000 (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 (2019: Nil). 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:

| | **2020 $'000** | 2019 $'000 |
|---|---|---|
| Within 90 days | **5,943** | 109,263 |
| More than 90 days and within 180 days | **13,526** | 16,240 |
| More than 180 days | **5,826** | 716 |
| | **25,295** | 126,219 |

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

Included in trade and other creditors and accrued expenses are trade creditors of about $23,502,000 (2019: $103,297,000) and their ageing analysis presented based on the invoice date at the end of the reporting period is as follows:

| | **2020** **$'000** | 2019 $'000 |
|---|---|---|
| Within 90 days | **21,707** | 86,645 |
| More than 90 days and within 180 days | – | 3,456 |
| More than 180 days | **1,795** | 13,196 |
| | **23,502** | 103,297 |

## 19. *Assets classified as held for sale/Liabilities associated with assets classified as held for sale*

On 16 December 2019, the Group entered into conditional agreements with independent third parties for the disposal of its (i) 90% equity interest in Jiaxing International Container Feeder Port Limited ("Jiaxing Port"), and (ii) 100% equity interest in Paul Y. Corporation Limited ("Paul Y. Corp"), which holds a 40% equity interest in Jiangyin Sunan International Container Terminal Co., Ltd. ("Jiangyin Sunan"), at a consideration of RMB373 million (equivalent to about $414 million) and RMB286 million (equivalent to about $318 million) respectively, subject to adjustments.

The disposals were approved by the shareholders in a special general meeting held on 5 February 2020 while the completions are yet to complete as at the date of this announcement.

The major classes of assets and liabilities of Jiaxing Port and Paul Y. Corp after elimination of inter-company balances at the end of the reporting period are as follows:

| | **2020** **$'000** |
|---|---|
| Property, plant and equipment | **340,418** |
| Right-of-use assets | **107,795** |
| Interest in an associate | **243,922** |
| Trade and other debtors, deposits and prepayments | **18,068** |
| Bank balances and cash | **43,209** |
| Total assets classified as held for sale | **753,412** |
| Trade and other creditors and accrued expenses | **24,305** |
| Bank borrowings | **169,029** |
| Deferred tax liabilities | **2,375** |
| Total liabilities associated with assets classified as held for sale | **195,709** |

## 20. *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.

| | **2020** |
|---|---|
| | ***$'000*** |
| Net assets disposed of: | |
| Property, plant and equipment | **791,144** |
| Right-of-use assets | **134,556** |
| Investment properties | **187,217** |
| 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** |

## 20. *Disposal of subsidiaries – continued*

| | 2020 *$'000* |
|---|---|
| Gain on disposal of subsidiaries: | |
| Cash consideration | **433,697** |
| Directly attributable costs and levies | **(19,975)** |
| Net assets disposed of | **(801,560)** |
| Non-controlling interests | **484,995** |
| Gain on disposal before taxation and release of attributable reserve | **97,157** |
| 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 | **88,573** |
| Less: taxation (Note 11) | **(28,065)** |
| Gain on disposal after taxation | **60,508** |
| Net cash inflow arising on disposal: | |
| Cash consideration | **433,697** |
| Less: income tax, directly attributable costs and levies | **(48,040)** |
| Net cash consideration received | **385,657** |
| Less: bank balances and cash disposed of | **(177,502)** |
| | **208,155** |

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 year ended 31 March 2020.

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

## *21. Acquisition of assets through acquisition of subsidiaries*

During the year ended 31 March 2020, the Group acquired a group of subsidiaries from an independent third party at a consideration of about $27,238,000. The group of subsidiaries was mainly holding parcels of land in Hong Kong that were classified as stock of properties upon the acquisition. The acquisition had been accounted for as an acquisition of assets and liabilities.

The effect of the acquisition is summarised as follows:

| | **2020**<br>***$'000*** |
|---|---|
| Net assets acquired: | |
| Stock of properties | **80,835** |
| Prepayments | **4** |
| Bank balances and cash | **13** |
| Other creditors and accrued expenses | **(4,536)** |
| Amount due to a non-controlling interest | **(7,712)** |
| Bank and other borrowings | **(40,000)** |
| | **28,604** |
| Less: non-controlling interest | **(1,366)** |
| Cash consideration paid | **27,238** |

Net cash outflow arising on acquisition of assets through acquisition of subsidiaries:

| | |
|---|---|
| Bank balances and cash acquired | **13** |
| Cash consideration paid | **(27,238)** |
| Net cash outflow | **(27,225)** |

# FINAL DIVIDEND

The Board of PYI has resolved not to recommend payment of a final dividend for the year ended 31 March 2020 (2019: Nil).

# CLOSURE OF THE REGISTER OF MEMBERS

The register of members of PYI will be closed during the period from Tuesday, 1 September 2020 to Friday, 4 September 2020, both dates inclusive, during which period no transfer of share(s) of PYI will be registered for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2020 Annual General Meeting (the "2020 AGM") to be held on Friday, 4 September 2020. In order to be eligible to attend and vote at the 2020 AGM, all transfer document(s), accompanied by the relevant share certificate(s), must be lodged with PYI's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 31 August 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW OF FINANCIAL PERFORMANCE AND POSITION

For the year ended 31 March 2020, the Group recorded a consolidated revenue of about $364 million (2019: $628 million), representing a decrease of about 42% from last year, 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 (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 $5,776 million (2019: $5,310 million), representing an increase of 9% from last year, mainly resulted from the increase in share of revenue of Paul Y. Engineering Group.

As a result of the disposal of Yichang Port Group, the Group's gross profit decreased by 41% from last year to about $124 million (2019: $209 million), which represented a gross margin of 34% (2019: 33%) of the consolidated revenue.

During the year, the Group recorded a loss before taxation of about $507 million (2019: profit before taxation of about $89 million), which was composed of:

(i) net loss of about $107 million (2019: gain of about $20 million) in Paul Y. Engineering Group mainly engaged in management contracting and property development management businesses;
(ii) net gain of about $114 million (2019: $104 million) in ports and logistics business;
(iii) net gain of about $15 million (2019: $25 million) in property business;
(iv) net loss of about $197 million (2019: gain of about $27 million) in securities business;
(v) net loss of about $138 million (2019: gain of about $56 million) in treasury business;
(vi) net corporate and other expenses of about $170 million (2019: $112 million), which included acquisition-related costs of about $23 million (2019: $27 million) and net exchange loss of about $26 million (2019: $10 million); and
(vii) finance costs of about $24 million (2019: $32 million).

Net loss for the year attributable to the owners of PYI was about $572 million (2019: net profit of about $49 million) and basic loss per share was 10.4 cents (2019: basic earnings per share of 0.9 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 $224 million (of which $29 million was realised and $195 million was unrealised); (b) impairment loss recognised for financial assets (mainly loans and the related interest receivables) of about $166 million; and (c) net loss of associates shared by PYI of about $94 million. Meanwhile, the increase in net corporate expenses was mainly attributable to the discretionary bonus of about $43 million (2019: Nil) granted to the Hong Kong and mainland executives for their endeavour in implementing PYI Yangtze Strategy throughout the years.

When compared with the Group's financial position as at 31 March 2019, total assets decreased by 26% to about $5,667 million (2019: $7,668 million) which was mainly attributable to the disposal of Yichang Port Group. As at 31 March 2020, net current assets amounted to about $2,787 million (2019: $2,235 million), whereas current ratio deriving from the ratio of current assets to current liabilities increased to 5.19 times (2019: 3.06 times). After taking into account (a) the net loss of about $572 million; (b) the decrease in carrying amount of equity investments not held for trading of about $62 million recognised in investment revaluation reserve; (c) the Renminbi exchange deficits of about $143 million arising from translation of foreign operations; and (d) the reclassification of exchange deficits to profit or loss upon disposal of Yichang Port Group of about $9 million, equity attributable to owners of PYI decreased by 17% to about $3,678 million (2019: $4,446 million), representing $0.67 (2019: $0.81) per share as at 31 March 2020.

Net cash outflow from operating activities was about $120 million (2019: inflow of about $85 million). Net cash inflow from investing activities was about $76 million (2019: outflow of about $26 million) and net cash outflow from financing activities was about $77 million (2019: $99 million). Consequently, there was a net decrease in available cash and cash equivalents of about $121 million (2019: $40 million) during the year.

## REVIEW OF OPERATIONS AND BUSINESS DEVELOPMENT

### *Ports and Logistics*

The ports and logistics business of PYI sustained to deliver stable performance during the year in spite of the pandemic in the last quarter. 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, PYI continued to focus on capturing potential divestment opportunities on the traditional container and dry bulk terminals and refocus on other bulk commodities terminals and infrastructures with higher growth potential, in particular liquified natural gas ("LNG").

During the year, PYI entered into conditional agreements for the disposals of Yichang Port Group, Jiangyin Sunan and Jiaxing International Feeder Port. The disposal of Yichang Port Group was completed at the end of June 2019. The disposals of Jiangyin Sunan and Jiaxing International Feeder Port were approved by the shareholders in a special general meeting held on 5 February 2020. While the completion process is in an advanced stage, completions have not yet taken place as at the date of this announcement.

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

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 and the consideration amount, net of tax and directly attributable costs paid, of about $386 million was received in full during the year.

Yichang Port Group contributed about $105 million (2019: $38 million) to the segment's operating profit for the year, which comprised the gain on disposal of the Group's 51% equity interest in Yichang Port Group of about $88 million (2019: Nil) and Yichang Port Group’s operating result of about $17 million up to the date of disposal at the end of June 2019 (2019: $38 million). A tax charge of about $28 million (2019: Nil) in relation to the disposal was recognised to the consolidated income statement during the year.

Cargo throughput of Yichang Port Group for the three months ended 30 June 2019 amounted to about 3.7 million tonnes (2019: 13 million tonnes) while its container throughput amounted to about 31,000 TEUs (2019: 141,000 TEUs).

**Jiangyin Sunan Container Terminal (40% owned)**

Jiangyin Sunan contributed about $12 million (2019: $13 million) to the segment's operating profit for the year.

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.

Annual container throughput of Jiangyin Sunan in 2019 decreased by 6% to about 539,000 TEUs (2018: 574,000 TEUs).

### Jiaxing International Feeder Port (90% owned)

Jiaxing International Feeder Port contributed about $9 million (2019: $7 million) to the segment's operating profit for the year, as a result of the increased container throughput during the year due to the increase in demand for the 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.

Annual container throughput of Jiaxing International Feeder Port for the year ended 31 March 2020 increased by 19% to about 185,000 TEUs (2019: 156,000 TEUs).

### LPG, CNG and LNG Distribution and Logistics (100% owned)

The liquefied petroleum gas ("LPG") and compressed natural gas ("CNG") distribution and logistics businesses of Minsheng Gas recorded an operating loss of $12 million (2019: $1 million) to the segment result for the year, mainly affected by the reduced number of LPG-powered vehicles in Wuhan City and the outbreak of COVID-19 pandemic in the first quarter of 2020. Due to the absence of the one-off disposal gain of about $47 million (2020: Nil) from the resumption of land and properties of a CNG station by Wuchang Government under the Old City Conversion Project recognised in last year, the overall segment result of Minsheng Gas turns from profit of $46 million to loss of $12 million for the year.

Sales of LPG decreased by 50% to about 4,600 tonnes (2019: 9,200 tonnes) and the sales of CNG decreased by 2% to about 19,500 $m^3$ (2019: 19,800 $m^3$) for the year ended 31 March 2020.

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

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 including 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 residential and industrial demands as well as that for LNG vessels. The gradual diversification in the business of Minsheng Gas from LPG to CNG, followed by the focus on 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 Jiangsu Yangkou Port Development and Investment Co. Ltd. ("Yangkou Port Co") did not contribute dividend income to the segment's profit for the year (2019: $1 million).

Yangkou Port Co principally engaged in the business of development of port and related infrastructures at Yangkou Port, an offshore type deep-sea harbour along the South East Coast of Jiangsu Province, the PRC. 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.

Yangkou Port Co was a 60% owned subsidiary of PYI before its 50.1% equity interest was disposed on 26 May 2011. The remaining 9.9% equity interest in Yangkou Port Co was initially measured at fair value at the date of its deemed acquisition on 26 May 2011, amounted to about $353 million. 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 31 March 2020, the investment in Yangkou Port Co was stated at fair value of about $310 million (2019: $361 million), equivalent to about 5.5% (2019: 4.7%) of the Group's total assets. The unrealised decrease in fair value of $51 million (2019: $44 million) for the year was recognised in other comprehensive expense.

## *Engineering Business*

**Paul Y. Engineering (48.2% owned)**

Paul Y. Engineering contributed segment operating profit of about $16 million (2019: $20 million) for the year ended 31 March 2020. To align with the accounting policy of ECL Provision of PYI regarding certain non-trade receivables of Paul Y. Engineering, an impairment loss adjustment of about $123 million (2019: Nil) was made on PYI's share of results of Paul Y. Engineering, resulted in an overall segment loss of about $107 million (2019: profit of $20 million).

During the year, Paul Y. Engineering recorded a revenue of about $10,982 million (2019: $9,348 million) and secured new contracts of about $15,770 million (2019: $14,599 million) in aggregate value. As at 31 March 2020, the total value of contracts on hand of Paul Y. Engineering was about $44,307 million (2019: $32,722 million) and the value of work remaining was about $26,633 million (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 $15 million (2019: $25 million) for the year which was mainly attributable to the net gain on fair value changes of investment properties of about $47 million (2019: $39 million), before the relevant deferred tax charge of about $22 million (2019: $15 million), offset by a write-down of the stock of properties held for sale situated at Nantong City, Jiangsu Province, the PRC of about $18 million (2019: Nil) and net development expenses for resort project at Xiao Yangkou of about $6 million (2019: $6 million).

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 31 March 2020, about 6.89 sq km (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 $1,041 million (2019: $1,055 million) and recorded a gain on fair value change of about $50 million (2019: $33 million) for the year.

As at 31 March 2020, 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 loss on fair value change of about $3 million (2019: gain of $1 million) for the year. The Group also holds a gross floor area of about 11,000 sq m (2019: 13,000 sq m) of "Nantong International Trade Center" for sale, for which a write-down of about $18 million (2019: Nil) was made during the year. The building contributed revenue from sales of properties of about $26 million (2019: Nil) and rental income of about $2 million (2019: $3 million) to the Group during the year.

In the Hangzhou Hi-Tech Industry Development Zone of Bingjiang, Hangzhou City, the Group holds, as joint venture 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 recorded a loss on fair value change of about $9 million (2019: Nil) and generated rental income of about $11 million (2019: $11 million) during the year. Its occupancy reached about 92% as at 31 March 2020.

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 (2019: $9 million) to the Group during the year. After the disposal of Yichang Port Group, the Group does not hold any investment properties in Yichang City.

### *Securities*

Under influence from various unprecedented events including the social incidents in Hong Kong, the global outbreak of COVID-19 pandemic and the China-US trade disputes, the securities market has become volatile for the year. The securities business recorded operating loss of about $197 million (2019: profit of $27 million) for the year which was mainly attributable to the fair value loss on investments in debt and equity instruments held for trading of about $224 million (2019: $11 million), of which $29 million (2019: gain of $14 million) was realised and $195 million (2019: $25 million) was unrealised.

As at 31 March 2020, the Group's portfolio in securities business mainly consisted of (a) the investment in debt instruments held for trading amounted to about $248 million (2019: $299 million), equivalent to about 4% (2019: 4%) of the Group's total assets and (b) investment in equity instruments held for trading amounted to about $192 million (2019: $310 million), equivalent to about 3% (2019: 4%) of the Group's total assets.

Looking forward, the ongoing impact from COVID-19 and persistent rising tension between China and the United States might continue to pose negative impacts to the sentiment of the Hong Kong and global securities market that continue 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 year.

### *Treasury*

The treasury business of the Group recorded an operating loss of about $138 million (2019: profit of $56 million) for the year which was mainly attributable to the ECL Provision of about $165 million (2019: reversal of impairment provision of about $20 million) mainly on the loans and related interest receivables which have been in default and considered as credit-impaired, offset by interest income of about $27 million (2019: $36 million) derived from loans receivable.

The impairment provision on loans and interest receivables for the year was mainly attributable to the additional ECL Provision of about $106 million recognised on the unsecured loans principal of about $134 million and the accrued interests of about $18 million due from Master Glory Group Limited ("MGGL", a company whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with stock code of 0275.HK) (collectively the "MGGL Loans"), resulted in a cumulative ECL Provision of about $114 million as at 31 March 2020.

In consideration that (i) after the proposed rights issue of MGGL with intended use of proceeds for debt repayment was voted down by its shareholders in the special general meeting held on 23 April 2019, there was no alternative proposal published or concrete action taken by MGGL for the settlement of its debts due; (ii) the trading of shares of MGGL has been suspended since 2 July 2019 due to its non-compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for publication of its annual results for the year ended 31 March 2019 and interim results for the period ended 30 September 2019 within the period of time required under the Listing Rules; (iii) during the year, MGGL failed to settle the loan principals and interests payable to the Group on the maturity dates; and (iv) several winding up petitions were filed against MGGL by its creditors in November 2019 for failure to settle its indebtedness, it was considered that the liquidity and financial position of MGGL has significantly deteriorated during the year. After taking reference to the historical market default records and other forward-looking factors, the management determined to provide 75% loss allowance on the outstanding MGGL Loans as at 31 March 2020 ("Internal Assessment").

To assess the reasonableness of the Internal Assessment, the Group engaged an independent professional valuer to perform an additional analysis to reassess the impairment provision on MGGL Loans in accordance with HKFRS 9 by adopting its independently selected parameters which contain credit rating portfolio similar to MGGL ("External Assessment"). The External Assessment indicated that the average loss rate was approximately 72%. Since the difference of the impairment provision between Internal Assessment and External Assessment is not significant, the management of the Group considered that it was fair and reasonable to adopt the Internal Assessment for the impairment provision of MGGL.

Subsequent to the reporting period, on 1 June 2020, the High Court of the Hong Kong Special Administrative Region granted the winding up order against MGGL. The Group is considering participation in the liquidation process of MGGL to ensure maximum recovery of the MGGL Loans. Further update announcement in respect of the MGGL Loans will be made if and when necessary.

As at 31 March 2020, carrying amounts, after impairment allowance, of the Group's portfolio of (a) high-yield loans receivable amounted to about $150 million (2019: $230 million), equivalent to about 3% (2019: 3%) of the Group's total assets and (b) interest-bearing borrowings to an associate amounted to about $61 million (2019: $69 million), equivalent to about 1% (2019: 1%) of the Group's total assets.

There remain significant uncertainties in the worldwide economy and enterprises' recovery from COVID-19 pandemic. Management will remain cautious in monitoring the risks and collectability of existing loan portfolio. Meanwhile, the management will continue to explore for business opportunities under a balanced credit strategy and maintain a healthy loan portfolio with a view to contribute a stable and favourable income stream to the Group.

## SIGNIFICANT INVESTMENTS

Except for the 9.9% equity interest in Yangkou Port Co as set out in the Ports Development under the Review of Operations and Business Development section, the Group did not hold any significant investments in any investee company with a value of above 5% of the Group's total assets.

## 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 material acquisition and disposal of subsidiaries, associates and joint ventures during the year.

## 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 financial year, being affected by COVID-19 pandemic and 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. With our ports divestment strategy due to be completed, PYI is poised to refocus on other bulk commodities with higher growth potential, in particular LNG, as well as exploring other alternative business opportunities with a view to enhancing the PYI shareholders' value.

## LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2020, the Group had total assets of $5,667 million (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 ten years. The Group mainly generated revenue and incurred costs in Hong Kong dollar and Renminbi. During the year, 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 31 March 2020, the Group's total borrowings amounted to about $392 million (2019: $1,140 million) with about $191 million (2019: $770 million) repayable on demand or within one year and about $201 million (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 (2019: $120 million) bore interest at floating rate and none of them (2019: $1 million) bore interest at fixed rate. Borrowings denominated in Renminbi of about $10 million (2019: $528 million) bore interest at floating rate and about $346 million (2019: $491 million) bore interest at fixed rate. The Group's gearing ratio was 0.11 (2019: 0.26), which was calculated based on the total borrowings of about $392 million (2019: $1,140 million) and the Group's shareholders' funds of about $3,678 million (2019: $4,446 million). After including the bank borrowings of about $169 million classified as held for sale, the Group had total borrowings of about $561 million, represented a gearing ratio of 0.15.

Cash, bank balances and deposits of the Group as at 31 March 2020 amounted to about $356 million (2019: $518 million), of which about $222 million (2019: $295 million) was denominated in Renminbi, about $82 million (2019: $165 million) was denominated in Hong Kong dollar and about $52 million (2019: $58 million) was denominated in other currencies mainly in United States Dollar. The balance of about $12 million (2019: $0.1 million) had been pledged to bank to secure general credit facilities granted to the Group. As at 31 March 2020, the Group had a net debt position (being bank borrowings net of cash, bank balances and deposits) of about $36 million (2019: $392 million). After including the bank balances and cash of about $43 million and bank borrowings of about $169 million classified as held for sale, the Group had a net debt position of about $162 million.

### CONTINGENT LIABILITY

As at 31 March 2020, the Group had no contingent liability (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 31 March 2020, certain property interests, property, plant and equipment and bank balances of the Group with an aggregate value of about $493 million (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 31 March 2020, the Group had expenditure contracted for but not provided for in the consolidated financial statements in respect of acquisition of certain property, plant and equipment and properties interests in a total amount of about $117 million (2019: $54 million).

## NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group employed a total of 566 (2019: 1,343 which included 751 employees of Yichang Port Group Limited) 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 year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## CORPORATE GOVERNANCE

In the Corporate Governance Report published in PYI's 2019 Annual Report (which can be viewed on PYI's website (www.pyicorp.com)), we reported that, save for the deviation disclosed therein, PYI has applied the principles and complied with all applicable code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules (the "CG Code") for the year ended 31 March 2019.

Throughout the year ended 31 March 2020, PYI continued to comply with the code provisions as set out in 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 year ended 31 March 2020.

## REVIEW OF ACCOUNTS

The Group's results for the year ended 31 March 2020 have been reviewed by the Audit Committee of PYI.

## SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, condensed consolidated statement of cash flows and the related notes thereto for the year ended 31 March 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

## APPRECIATION

We would like to take this opportunity to express our gratitude to our shareholders, clients and partners for their continuous support and confidence to the Group and our appreciation to our executives and staff across the nation for their dedication and contribution during the past year.

## PUBLICATION OF FINAL RESULTS AND ANNUAL 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 ("HKEx") at www.hkexnews.hk under "Listed Company Information". The 2020 Annual Report will be despatched to shareholders of PYI and posted on the aforesaid websites in July 2020.

## ANNUAL GENERAL MEETING

The 2020 AGM is scheduled to be held on Friday, 4 September 2020. Notice of the 2020 AGM will be published on the websites of both HKEx and PYI and despatched to PYI's shareholders in due course.

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

Hong Kong, 26 June 2020

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 |