Paul Y. Engineering Group Limited
保華建業集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 577)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2011

FINANCIAL HIGHLIGHTS

• Turnover	HK$4,334 million	+19%
• Gross profit	HK$192 million	-2%
• Profit attributable to owners of the Company	HK$30 million	-33%
• Earnings per share – Basic	5.0 HK cents	-32%
• Dividend per share – Final	1.0 HK cent	-38%
• Dividend payout ratio	20%	-2%
• NAV per share	HK$1.00	+5%
• Net cash	HK$153 million	–

RESULTS

The board of directors (the "Board") of Paul Y. Engineering Group Limited ("Paul Y. Engineering" or the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2011, together with the comparative figures for 2010, as follows:

Consolidated Income Statement

		For the year ended 31 March	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**4,333,791**	3,644,873
Cost of sales		**(4,141,601)**	(3,449,549)
Gross profit		**192,190**	195,324
Other income	*3*	**12,889**	22,894
Administrative expenses		**(155,611)**	(152,195)
Finance costs		**(10,076)**	(13,561)
Gain on disposal of an associate		**–**	25
Gain on disposal of a subsidiary		**–**	185
Impairment loss recognised in respect of goodwill		**(74)**	(2,692)
Share of results of associates		**(552)**	3,072
Share of results of jointly controlled entities		**2,892**	(5,241)
Profit before tax		**41,658**	47,811
Income tax expense	*4*	**(7,895)**	(1,240)
Profit for the year	*5*	**33,763**	46,571
Profit for the year attributable to:			
Owners of the Company		**30,083**	44,688
Non-controlling interests		**3,680**	1,883
		33,763	46,571
Earnings per share	*7*	***HK cents***	*HK cents*
Basic		**5.0**	7.4
Diluted		**N/A**	7.4

Consolidated Statement of Comprehensive Income

	For the year ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
Profit for the year	**33,763**	46,571
Other comprehensive income (expense) for the year:		
Exchange differences arising on translation of foreign operations	**7,671**	291
Increase in fair value of available-for-sale investments	**–**	96
Share of translation reserve of associates	**2,171**	146
Transfer to profit or loss on disposal of available-for-sale investments	**(48)**	–
Release of translation reserve upon disposal of an associate	**(4)**	–
	9,790	533
Total comprehensive income for the year	**43,553**	47,104
Total comprehensive income attributable to:		
Owners of the Company	**39,873**	45,221
Non-controlling interests	**3,680**	1,883
	43,553	47,104

Consolidated Statement of Financial Position

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**148,956**	67,741
Prepaid land lease payments		**20,261**	20,836
Goodwill		**61,646**	61,646
Other intangible assets		**7,570**	7,570
Interests in associates		**82,178**	71,262
Interests in jointly controlled entities		**4,065**	–
Available-for-sale investments		**–**	437
Other debtors – non-current portion		**153,211**	129,486
		477,887	358,978
CURRENT ASSETS			
Prepaid land lease payments		**575**	575
Amounts due from customers for contract works		**258,350**	203,794
Trade and other debtors, deposits and prepayments	*8*	**1,371,647**	1,373,721
Amounts due from related companies		**54,373**	47,427
Amounts due from associates		**43,760**	26,672
Amounts due from jointly controlled entities		**22,956**	4
Amounts due from fellow subsidiaries		**126,845**	137,518
Loan to a related company		**8,148**	15,000
Other loans receivable		**–**	62,500
Investments held for trading		**–**	116
Pledged bank deposits		**75,026**	31,569
Short term bank deposits		**177,513**	127,183
Bank balances and cash		**154,568**	163,833
		2,293,761	2,189,912
CURRENT LIABILITIES			
Amounts due to customers for contract works		**947,938**	962,813
Trade and other creditors and accrued expenses	*9*	**848,426**	663,446
Amounts due to related companies		**131**	1,940
Amounts due to associates		**57,557**	1,003
Amount due to a jointly controlled entity		**45,000**	–
Amounts due to shareholders with non-controlling interests		**61**	64
Taxation payable		**14,344**	7,837
Bank borrowings – due within one year		**244,667**	317,402
		2,158,124	1,954,505
NET CURRENT ASSETS		**135,637**	235,407
TOTAL ASSETS LESS CURRENT LIABILITIES		**613,524**	594,385
NON-CURRENT LIABILITY			
Bank borrowings – due after one year		**9,203**	4,972
		604,321	589,413

	2011	2010
	HK$'000	*HK$'000*
CAPITAL AND RESERVES		
Share capital	**303,477**	303,000
Reserves	**301,916**	271,657
Equity attributable to owners of the Company	**605,393**	574,657
Non-controlling interests	**(1,072)**	14,756
TOTAL EQUITY	**604,321**	589,413

Condensed Consolidated Statement of Cash Flows

	For the year ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
Net cash from (used in) operating activities	**212,377**	(31,477)
Net cash used in investing activities		
Additions to property, plant and equipment	**(99,158)**	(38,498)
Refundable deposits paid for potential projects	**(50,000)**	–
(Increase) decrease in pledged bank deposits	**(43,457)**	33,730
Increase in loan to a related company	**(10,500)**	(24,000)
Additional contribution to an associate	**(9,300)**	–
Contribution to a jointly controlled entity	**(4,600)**	–
Repayment of other loans receivable	**62,500**	56,000
Refundable deposits refunded for potential projects	**25,000**	–
Repayment of loans to related companies	**17,352**	9,000
Increase in other loans receivable	**–**	(88,500)
Others	**7,423**	13,003
	(104,740)	(39,265)
Net cash used in financing activities		
Repayment of bank loans	**(303,499)**	(211,140)
Contribution repaid to non-controlling shareholders	**(19,508)**	–
Interest paid	**(8,855)**	(12,855)
Dividends paid	**(9,137)**	(7,379)
New bank loans raised	**226,022**	216,425
Advance from a jointly controlled entity	**45,000**	–
	(69,977)	(14,949)
Net increase (decrease) in cash and cash equivalents	**37,660**	(85,691)
Effect of foreign exchange rate changes	**3,405**	182
Cash and cash equivalents at beginning of the year	**291,016**	376,525
Cash and cash equivalents at end of the year	**332,081**	291,016
Analysis of the balances of cash and cash equivalents		
Short term bank deposits	**177,513**	127,183
Bank balances and cash	**154,568**	163,833
	332,081	291,016

Notes:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The application of HKAS 17 does not affect the classification of the Group's leasehold land.

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[2]
HKFRS 9	Financial Instruments[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 24 (as revised in 2009)	Related Party Disclosures[5]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate
[2] Effective for annual periods beginning on or after 1 July 2011
[3] Effective for annual periods beginning on or after 1 January 2013
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 July 2010

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that the application of other new and revised standards, amendments and interpretations will have no material impact on the consolidated financial statements.

2. SEGMENT INFORMATION

The Group is organised into the following two reportable segments:

Management Contracting	–	building construction and civil engineering
Property Development Management	–	development management, project management, facilities and asset management

The accounting policies of the reportable segment are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by/loss from each reportable segment without allocation of corporate income, central administrative costs, gain on disposal of an associate, gain on disposal of a subsidiary, finance costs, share of results of associates and jointly controlled entities. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

The assets of the Group are allocated to reportable segments except for other intangible assets, interests in associates, interests in jointly controlled entities, available-for-sale investments, loan to a related company, other loans receivable, investments held for trading, pledged bank deposits, short term bank deposits and bank balances and cash.

The liabilities of the Group are allocated to reportable segments except for taxation payable and bank borrowings.

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

For the year ended 31 March 2011

	Management Contracting	Property Development Management	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE				
External sales	**4,312,931**	**20,860**	**–**	**4,333,791**
Inter-segment sales	**–**	**1,781**	**(1,781)**	**–**
Total	**4,312,931**	**22,641**	**(1,781)**	**4,333,791**
Segment profit	**82,861**	**3,634**		**86,495**
Corporate income				**12,889**
Central administrative costs				**(49,990)**
Finance costs				**(10,076)**
Share of results of associates				
– associates engaged in property investment				**4,698**
– others				**(5,250)**
Share of results of jointly controlled entities				**2,892**
Profit before tax				**41,658**

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

	Management Contracting HK$'000	Property Development Management HK$'000	Unallocated HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	**2,121,799**	**57,706**	**–**	**2,179,505**
Interests in associates				**82,178**
Interests in jointly controlled entities				**4,065**
Pledged bank deposits				**75,026**
Short term bank deposits				**177,513**
Bank balances and cash				**154,568**
Other unallocated assets				**98,793**
Consolidated assets				**2,771,648**
LIABILITIES				
Segment liabilities	**1,884,545**	**3,881**	**–**	**1,888,426**
Bank borrowings				**253,870**
Other unallocated liabilities				**25,031**
Consolidated liabilities				**2,167,327**
OTHER INFORMATION				
Additions to property, plant and equipment	**96,137**	**–**	**3,021**	**99,158**
Depreciation of property, plant and equipment	**14,253**	**315**	**1,762**	**16,330**
(Gain) loss on disposal of property, plant and equipment	**(263)**	**–**	**264**	**1**

For the year ended 31 March 2010

	Management Contracting	Property Development Management	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE				
External sales	3,629,593	15,280	–	3,644,873
Inter-segment sales	–	3,871	(3,871)	–
Total	3,629,593	19,151	(3,871)	3,644,873
Segment profit (loss)	109,947	(12,132)		97,815
Corporate income				22,894
Central administrative costs				(57,378)
Gain on disposal of an associate				25
Gain on disposal of a subsidiary				185
Finance costs				(13,561)
Share of results of associates				
– associates engaged in property investment				4,209
– others				(1,137)
Share of results of jointly controlled entities				(5,241)
Profit before tax				47,811

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

	Management Contracting	Property Development Management	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Segment assets	1,975,121	39,254	–	2,014,375
Interests in associates				71,262
Pledged bank deposits				31,569
Short term bank deposits				127,183
Bank balances and cash				163,833
Other unallocated assets				140,668
Consolidated assets				2,548,890
LIABILITIES				
Segment liabilities	1,602,232	2,987	–	1,605,219
Bank borrowings				322,374
Other unallocated liabilities				31,884
Consolidated liabilities				1,959,477
OTHER INFORMATION				
Additions to property, plant and equipment	36,284	–	2,214	38,498
Depreciation of property, plant and equipment	8,619	699	1,436	10,754
Loss (gain) on disposal of property, plant and equipment	73	(36)	–	37

Geographical information

The Group's operations are mainly located in Hong Kong, Macau and the People's Republic of China (the "PRC") (excluding Hong Kong and Macau).

The following table provides an analysis of the Group's turnover based on geographical location where construction works or other services are provided:

	2011	2010
	HK$'000	*HK$'000*
Hong Kong	**4,091,489**	3,311,575
Macau	**107,551**	112,357
PRC	**134,751**	220,941
	4,333,791	3,644,873

The following is an analysis of the carrying amounts of non-current assets excluding available-for-sale investments and other debtors (non-current portion), analysed by the geographical area in which the assets are located:

	Carrying amounts of non-current assets	
	2011	2010
	HK$'000	*HK$'000*
Hong Kong	**238,645**	156,674
Macau	**478**	70
PRC	**85,553**	72,311
	324,676	229,055

Information about major customers

Revenue from the two (2010: three) largest customers in respect of construction contracts amounted to approximately HK$1,139,929,000 and HK$690,842,000 (2010: HK$1,104,886,000, HK$411,296,000 and HK$392,807,000), respectively, which individually contributed more than 10% of total turnover of the Group. All these customers are under the management contracting segment.

3. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Bank interest income	**648**	408
Interest income on other debtors	**172**	1,056
Interest income on amounts due from fellow subsidiaries	**9,883**	12,853
Interest income on other loans receivable	**1,138**	6,833
Interest income on loans to related companies	**1,048**	1,693
Imputed interest income on deferred consideration receivable	**–**	51
	12,889	22,894

4. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
Overseas tax (including Macau and PRC)		
Current tax	**1,487**	1,137
Underprovision in prior years	**6,408**	103
	7,895	1,240

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the assessable profit were wholly absorbed by tax losses brought forward for both years.

Pursuant to tax incentive approved under Section 19 of Decree Law No. 15/2008 and Decree Law No. 24/2009, Macau Complementary income tax is levied at a fixed rate of 9% on the taxable income above Macau Pataca ("MOP") 200,000 but below MOP300,000, and thereafter at a fixed rate at 12%.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate is 25% for the Group's subsidiaries in the PRC from 1 January 2008 onwards. Pursuant to the relevant laws and regulations in the PRC, a PRC subsidiary of the Group was exempted from PRC income tax for two years starting from 1 January 2008, followed by a 50% reduction for the next three years.

However, during the year ended 31 March 2011, the above PRC subsidiary obtained further confirmation from the PRC tax authority in respect of the change of tax exemption period. The two years tax exemption period started from 1 January 2006 instead of 1 January 2008 and the 50% reduction period was changed from 1 January 2008 to 31 December 2010 instead of from 1 January 2010 to 31 December 2012. An underprovision in income tax has been charged to the consolidated income statement for the year ended 31 March 2011.

5. PROFIT FOR THE YEAR

	2011	2010
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**17,744**	12,412
Less: Amount capitalised in respect of contracts in progress	**(1,414)**	(1,658)
	16,330	10,754
Loss on disposal of property, plant and equipment	**1**	37
Release of prepaid land lease payments	**575**	575
Share of taxation expense of associates (included in share of results of associates)	**1,200**	1,951
Share of taxation expense of jointly controlled entities (included in share of results of jointly controlled entities)	**614**	–

6. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Dividends recognised as distributions to owners of the Company during the current year:		
Final dividend for 2010 – 1.6 HK cents (2010: 1.5 HK cents for 2009) per share	**9,696**	9,040
Dividends proposed:		
Final dividend proposed for 2011 – 1.0 HK cent (2010: 1.6 HK cents for 2010) per share	**6,070**	9,696

Of the dividends declared during the year, approximately HK$559,000 (2010: HK$1,661,000) were settled in shares under the Company's scrip dividend scheme announced by the directors of the Company on 16 July 2010 and were credited to the retained profits of the Company during the year.

The amount of the final dividend proposed for the year ended 31 March 2011 has been calculated by reference to the 606,954,322 (2010: 605,999,795) issued shares as at the date of this announcement.

7. EARNINGS PER SHARE

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

	2011	2010
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company and earnings for the purposes of basic and diluted earnings per share	**30,083**	44,688
	Number of shares	*Number of shares*
Weighted average number of ordinary shares for the purpose of basic (2010: basic and diluted) earnings per share *(Note)*	**606,439,140**	604,197,370

Note: Diluted earnings per share for the year ended 31 March 2011 has not been calculated as no potential ordinary shares were outstanding for the year.

Diluted earnings per share for the year ended 31 March 2010 did not assume the exercise of the Company's share options because the exercise price of the Company's share options granted was higher than the average market price for the shares for that year.

8. TRADE AND OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

The Group's credit terms for its management contracting business are negotiated at terms determined and agreed with its trade customers. The credit periods are ranging from 60 to 90 days.

Included in trade and other debtors, deposits and prepayments are trade debtors, net of allowance for doubtful debts, of approximately HK$470,678,000 (2010: HK$536,191,000) and their aged analysis presented based on the invoice date at the end of the reporting period is as follows:

	2011	2010
	HK$'000	*HK$'000*
Within 90 days	**433,723**	478,180
More than 90 days and within 180 days	**1,083**	37,041
More than 180 days	**35,872**	20,970
	470,678	536,191

9. TRADE AND OTHER CREDITORS AND ACCRUED EXPENSES

Included in trade and other creditors and accrued expenses are trade creditors of approximately HK$290,768,000 (2010: HK$132,065,000) and their aged analysis presented based on the invoice date is as follows:

	2011	2010
	HK$'000	*HK$'000*
Within 90 days	**268,985**	123,715
More than 90 days and within 180 days	**4,379**	344
More than 180 days	**17,404**	8,006
	290,768	132,065

REVIEW OF FINANCIAL PERFORMANCE AND POSITIONS

For the year under review, the local economy continued to improve with strong growth in GDP and drop in the unemployment rate. The continued surge in capital works expenditure by both the private and public sectors resulted in demand for construction and project development services. Nevertheless, competition in the construction industry was still intense in terms of pricing and human resources.

For the year ended 31 March 2011, the Group recorded a consolidated turnover of approximately HK$4,334 million (2010: HK$3,645 million), representing an increase of approximately 19% from that of the last year. However, the gross margin decreased by approximately 2% to approximately HK$192 million (2010: HK$195 million) as a result of the rise in manpower costs and material price. Profit attributable to owners of the Company for the year decreased by approximately 33% to approximately HK$30 million (2010: HK$45 million) mainly due to the decrease in interest income and increase in income tax expense. Basic earnings per share was 5.0 HK cents.

With a proposed final dividend per share of 1.0 HK cent, the dividend payout ratio is approximately 20%.

The Group has maintained a strong financial position with total assets increased by approximately 9% to HK$2,772 million. Current assets were approximately HK$2,294 million, representing approximately 1.1 times the current liabilities. The equity attributable to owners of the Company stood at approximately HK$605 million.

Net cash flow from operating activities was about HK$212 million and net cash outflow in respect of investing and financing activities was approximately HK$174 million, resulting in a net increase in cash and cash equivalents of about HK$38 million for the year.

REVIEW OF OPERATIONS

Management Contracting remained the core business and the major contributor of revenue this year. Turnover of this division amounted to HK$4,313 million (2010: HK$3,630 million), up by about 19%. It reported operating profit of approximately HK$83 million (2010: HK$110 million). As at 31 March 2011, the value of contracts on hand was approximately HK$10,406 million (2010: HK$10,006 million), while the value of work remaining had increased by about 8% to approximately HK$5,908 million as compared to approximately HK$5,466 million as at 31 March 2010.

During the year under review, the Management Contracting division secured new construction contracts with an aggregate value of approximately HK$4,669 million, representing an increase of approximately 4% as compared to the amount of HK$4,481 million for the last corresponding year. Set out below are some of the new contracts secured during the year:

- Express Rail Link – Contract 810B West Kowloon Terminus Station South *
- Concordia – The Proposed Comprehensive Development at Coloane, Macau (Lot No. 3)*
- Commercial Development at 3 Connaught Road Central
- Construction of Sai Chuen Road Housing Development
- Hotel Development at Des Voeux Road West
- Foundation Works for Tsuen Wan Adventist Hospital Extension
- West Island Line Contract No. 755 – Power Supply System *
- Main Contract for Noble Hills, Guanlan, Shenzhen
- Main Building and E&M Contract for Phase Dlb, Laguna Verona, Dongguan

* Projects being carried out through joint ventures

Subsequent to the year end, the division secured further contracts of approximately HK$1,656 million, including:

- Proposed Residential Development at Area 85, Tseung Kwan O
- Proposed Residential Development at 28 Barker Road
- Foundation Works for Proposed Office Development at Heung Yip Road

The Property Development Management division reported a profit of approximately HK$4 million for the year under review. However, the value of contracts on hand for Property Development Management division at the year end was reduced to approximately HK$1 million.

LIQUIDITY AND CAPITAL RESOURCES

Under its prudent funding and treasury policies, the Group maintains a variety of credit facilities to meet requirements for working capital. At 31 March 2011, cash, bank balances and deposits stood at approximately HK$407 million. The Group had total borrowings of approximately HK$254 million at the year end of which approximately HK$245 million are repayable within one year.

Approximately 99% of the Group's borrowings as at 31 March 2011 bear interest at floating rates and are denominated either in Hong Kong Dollars or Renminbi. The Renminbi borrowings are directly tied in with the Group's business in the Mainland. The Group's gearing ratio, based on total borrowings of approximately HK$254 million and equity attributable to owners of the Company of around HK$605 million, is reduced from approximately 0.56 at 31 March 2010 to about 0.42 at 31 March 2011.

EMPLOYEES

The Group had 1,354 full-time employees, including the Directors of the Group, as at 31 March 2011. The Group offers competitive remuneration package that is based on overall market rates and employee performance, as well as the performance of the Group. Remuneration package is comprised of salary, a performance-based bonus, and other benefits including training, provident funds and medical coverage. Three share incentive schemes (namely share option scheme, share award scheme and share financing plan) are in place to motivate and reward eligible employees.

PLEDGE OF ASSETS

As at 31 March 2011, the Group pledged bank deposits of approximately HK$75 million, property plant and equipment of approximately HK$35 million, and charged the Group's benefits over certain construction contracts to secure the general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at the year end, the Group had contingent liabilities in respect of guarantee of approximately HK$37 million given to banks for banking facilities granted to an associate and jointly controlled entities.

COMMITMENTS

As at the year end, the Group has expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment of approximately HK$5 million.

SECURITIES IN ISSUE

As at 31 March 2011, there were 606,954,322 shares in issue, with no outstanding share options.

During the year under review, 954,527 shares were issued by way of scrip dividend. No share options were granted.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of 1.0 HK cent per share (2010: 1.6 HK cents per share) for the year ended 31 March 2011 to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 7 September 2011. The final dividend is expected to be paid to shareholders via post on or around Friday, 7 October 2011.

CLOSE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the purpose of determining the entitlements to the proposed final dividend from Monday, 5 September 2011 to Wednesday, 7 September 2011, both dates inclusive, during which period no share transfers shall be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Standard Limited (26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong) no later than 4:00 p.m. on Friday, 2 September 2011.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 March 2011, there were no purchases, sales or redemptions by the Company, or any of its subsidiaries, of the Company's listed securities.

OUTLOOK

The global market remains very complex. The disaster in Japan, the political unrest in the Middle East, the Eurozone sovereign debt problem and the expiry of the quantitative easing policy in the United States will further increase the uncertainty and volatility in the foreign exchange and the worry for the possible shock to the global economy. However, the strong economic growth in the Mainland China and the infrastructure projects put on stream by the HKSAR Government will continue to underpin the growth of the local construction industry in the impending years.

Some of the Ten Major Infrastructure Projects have been rolled out in the market as scheduled. Other major projects invested by the HKSAR Government are also expected to commence in the forthcoming years. The HKSAR Government estimates that the capital works expenditure for each of the next few years will exceed HK$60 billion per annum. However, the balance between market demand and supply will inevitably be shifted as the industrial capacity is filled up rapidly over a short period of time. As a result, the shortage of trained professionals and skilled labour may erode the profit margin of those committed projects. The recent ruling against the environmental impact report on the Hong Kong-Zhuhai-Macau Bridge will surely delay the launch of some scheduled projects. Accordingly, competition is expected to become severe in the short run when all the contractors put their focus on those unaffected projects. On the other hand, the continuous growth of the overall economy in the Mainland and Macau will drive the demand for infrastructure and professional engineering services constantly. Those contractors who have carefully planned their resources and capacity will outperform the market consequently. The Group will maintain an optimal balance of risk and return to shareholders, and strive for growth but remain vigilant for any adverse effects on our profit margin arising from drastic fluctuation of exchange rates, labour and material costs.

Looking forward, the Group will continue to take a proactive approach in tapping opportunities in the market while managing the risks through joint ventures with other contractors in major infrastructure projects and enhancement of operation efficiency. More emphasis will be put in the Mainland China and Macau market. With a solid existing business, the Group will explore new business opportunities in the regions for enhancing the returns to our shareholders, should such opportunities arise.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance because it believes that is the best way to enhance shareholder value. The Company has complied with all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2011. It has also adopted most of the recommended best practices stated therein.

AUDIT COMMITTEE

The principal duties of the audit committee of the Company (the "Audit Committee") include oversight of the Group's financial reporting system and internal control procedures, review of the Group's financial information, and review of the relationship with the external auditor of the Company.

The Audit Committee comprises three independent non-executive directors of the Company, namely:

– Ir James Chiu, *OBE, JP (Chairman of the Audit Committee)*
– Professor Lee Chack Fan, *SBS, JP*
– Mr Iain Ferguson Bruce

The Group's results for the year ended 31 March 2011 has been reviewed by the Audit Committee.

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 2011 as set out in this preliminary results announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's 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 HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmastu on this preliminary results announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company.

All directors of the Company have confirmed, following specific enquiry by the Company, that they complied with the required standard set out in the Model Code during the year ended 31 March 2011.

ANNUAL GENERAL MEETING

The 2011 Annual General Meeting of the Company will be held on Friday, 26 August 2011. Notice of the 2011 Annual General Meeting will be published on the Company's website at www.pyengineering.com and the Stock Exchange's website, and despatched to shareholders in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website at www.pyengineering.com and the Stock Exchange's website. The 2011 Annual Report will be despatched to shareholders and will also be published on the websites of both the Stock Exchange and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our shareholders, customers, and business partners for their continuous support and contributions. I would also like to express my gratitude to my fellow directors for their guidance, and thank all our staff for their dedication and hard work.

On behalf of the Board
James Chiu, *OBE, JP*
Chairman

Hong Kong, 24 June 2011

As at the date of this announcement, the directors of the Company are:

Ir James Chiu, *OBE, JP*	:	Chairman (Independent Non-Executive Director)
Mr Lau Ko Yuen, Tom	:	Deputy Chairman (Non-Executive Director)
Mr Chan Fut Yan	:	Deputy Chairman (Executive Director)
Ir Dr Wong Kam Cheong, Stanley	:	Executive Director & Chief Executive Officer
Professor Lee Chack Fan, *SBS, JP*	:	Independent Non-Executive Director
Mr Iain Ferguson Bruce	:	Independent Non-Executive Director

* *For identification purpose only*