
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult a licensed securities dealer, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **PYI Corporation Limited** (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



PYI Corporation Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 498)

NOTICE OF ANNUAL GENERAL MEETING

PROPOSALS FOR RE-ELECTION OF RETIRING DIRECTORS, REMUNERATION OF DIRECTORS, GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES, REFRESHING OF 10% LIMIT ON GRANT OF OPTIONS UNDER THE PYI SHARE OPTION SCHEME AND REFRESHING OF 10% LIMIT ON GRANT OF OPTIONS UNDER THE PYE SHARE OPTION SCHEME

A notice convening the annual general meeting of the Company to be held at JW Marriott Ballroom on Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 8 September 2006 at 10:30 a.m. is set out on pages 13 and 16 of this circular. If you are not able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the principal place of business of the Company in Hong Kong at 31st Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

31 July 2006

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	3
Re-election of Retiring Directors	3
Remuneration of Directors	5
General Mandates to Issue Shares and to Repurchase Shares	6
Refreshing of the 10% Limit on Grant of Options under the PYI Share Option Scheme	6
Refreshing of the 10% Limit on Grant of Options under the PYE Share Option Scheme	7
Annual General Meeting	7
Procedure for Demanding a Poll	8
Responsibility Statement	8
Recommendation	8
Appendix I – Particulars of Retiring Directors Standing for Re-election	9
Appendix II – Explanatory Statement on Securities Repurchase Mandate	11
Notice of Annual General Meeting	13

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“2005 AGM”	the annual general meeting of PYI held on 8 September 2005
“2006 AGM”	the annual general meeting of PYI to be held at JW Marriott Ballroom on Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 8 September 2006 at 10:30 a.m., notice of which is set out on pages 13 and 16 of this circular
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company
“Company” or “PYI”	PYI Corporation Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“Eligible Person(s)”	any employee (whether full time or part time), executives or officers, directors (including executive, non-executive and independent non-executive directors) of any member of the Group or any Invested Entity and any celebrity, consultant, adviser or agent of any member of the Group or any Invested Entity, who, in the sole discretion of the Board, have contributed or will contribute to the growth and development of the Group or any Invested Entity
“General Mandates”	the general mandate to issue Shares and Securities Repurchase Mandate to be sought at the 2006 AGM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Invested Entity”	any entity in which the Group holds an equity interest
“Latest Practicable Date”	28 July 2006, being the latest practicable date for ascertaining certain information in this circular prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Paul Y. Engineering”	Paul Y. Engineering Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“PYE 2006 AGM”	the annual general meeting of Paul Y. Engineering to be held at 7/F, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 6 September 2006 at 11:00 a.m.
“PYE Refreshment”	Proposal by Paul Y. Engineering for refreshing of the 10% limit on grant of options under the PYE Share Option Scheme and all other share option scheme(s) of Paul Y. Engineering
“PYE Share Option Scheme”	the share option scheme adopted by Paul Y. Engineering on 7 September 2005
“PYI Share Option Scheme”	the share option scheme of the Company adopted on 27 August 2002

DEFINITIONS

“Securities Repurchase Mandate”	the proposed new general mandate to be sought at the 2006 AGM to authorise the Directors to repurchase the Shares in the manner as set out in the notice of the 2006 AGM
“Scheme Mandate Limit”	10% of the issued Share Capital as at the date of adoption of the Share Option Scheme/date of approval of the refreshing of the scheme mandate limit (as the case may be) which may be issued upon exercise of all options granted/to be granted under the Share Option Scheme and any other scheme(s) of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Capital”	the aggregate nominal amount of the share capital of the Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the Share Capital
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers

LETTER FROM THE BOARD



PYI Corporation Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 498)

Chow Ming Kuen, Joseph *OBE, JP*
(Chairman and Independent Non-Executive Director)
Lau Ko Yuen, Tom
(Deputy Chairman and Managing Director)
Chan Kwok Keung, Charles
(Non-Executive Director)
Kwok Shiu Keung, Ernest
(Independent Non-Executive Director)
Chan Shu Kin
(Independent Non-Executive Director)

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business
in Hong Kong:
31st Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

31 July 2006

To the Shareholders and,
for information only, holders of
share options of PYI

Dear Sir or Madam,

NOTICE OF ANNUAL GENERAL MEETING

PROPOSALS FOR RE-ELECTION OF RETIRING DIRECTORS, REMUNERATION OF DIRECTORS, GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES, REFRESHING OF 10% LIMIT ON GRANT OF OPTIONS UNDER THE PYI SHARE OPTION SCHEME AND REFRESHING OF 10% LIMIT ON GRANT OF OPTIONS UNDER THE PYE SHARE OPTION SCHEME

INTRODUCTION

The purpose of this circular is to give you notice of the 2006 AGM, and information on matters to be dealt with at the 2006 AGM. They are: (a) re-election of the retiring Directors; (b) remuneration of Directors (c); grant of the General Mandates; (d) refreshing of the Scheme Mandate Limit; and (e) the PYE Refreshment.

RE-ELECTION OF RETIRING DIRECTORS

The Board currently consists of five Directors, including:

- (i) Managing Director, Mr Lau Ko Yuen, Tom. He will hold office until the conclusion of the Company's annual general meeting to be held in 2007;

LETTER FROM THE BOARD

- (ii) a non-executive Director, Dr Chan Kwok Keung, Charles. His term of office will expire at the conclusion of the 2006 AGM; and
- (iii) three independent non-executive Directors, namely Dr Chow Ming Kuen, Joseph, Mr Kwok Shiu Keung, Ernest and Mr Chan Shu Kin. The term of office of Mr Kwok Shiu Keung, Ernest will expire at the conclusion of the 2006 AGM while Dr Chow Ming Kuen, Joseph and Mr Chan Shu Kin will hold office until the conclusion of the Company's annual general meeting to be held in 2008.

Pursuant to bye-laws 87(1) and 87(2) of the Bye-laws, Dr Chan Kwok Keung, Charles and Mr Kwok Shiu Keung, Ernest are eligible for re-election to hold office until the conclusion of the Company's annual general meeting to be held in 2009.

Bye-law 88 of the Bye-laws provides that no person other than a Director retiring at the meeting) shall be eligible for election as a Director at any general meeting unless:

- (i) he is recommended by the Directors; or
- (ii) a notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election as Director and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the registered office or at the head office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that the period for lodgment of such notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Accordingly, if a Shareholder wishes to nominate a person to stand for election as a Director, the following documents must be validly served on the Company, namely (i) his notice of intention to propose a resolution; and (ii) a notice executed by the nominated candidate of his willingness to be elected together with (A) the candidate's information required to be disclosed under Rule 13.51(2) of the Listing Rules and other information, as referred to under the heading "Requisite information of the candidate(s) nominated by Shareholders" below; and (B) the candidate's written consent to the publication of his personal data.

In order to ensure that Shareholders have sufficient time to receive and consider the particulars of the nominated candidate(s), Shareholders are urged to submit their proposals as early as practicable, preferably before Thursday, 24 August 2006 so that a supplementary circular containing particulars of the candidate(s) proposed by Shareholders can be despatched to Shareholders, and an announcement can be placed in the newspapers on or about 25 August 2006.

Requisite information of the candidate(s) nominated by Shareholders

In order to enable Shareholders to make an informed decision on their election of Directors, the said notice of intention to propose a resolution by a Shareholder should be accompanied by the following information of the nominated candidate:

- (a) full name and age;
- (b) positions held with PYI and/or other members of PYI group (if any);
- (c) previous experience including other directorships in listed public companies in the last three years and other major appointments and qualifications;
- (d) current employment and such other information (which may include business experience and professional qualifications and educational background) of which Shareholders should be aware, pertaining to the ability or integrity of the candidate;
- (e) length or proposed length of service with PYI (if any);
- (f) relationships with any Directors or senior management of PYI, or an appropriate negative statement;
- (g) interests in shares of PYI within the meaning of Part XV of the SFO, or an appropriate negative statement;

LETTER FROM THE BOARD

- (h) contact details; and
- (i) a declaration made by the nominated candidate in respect of the information required under Rule 13.51(2)(h) to (w) of the Listing Rules, or an appropriate negative statement to that effect where there is no information to be disclosed pursuant to any of such requirements.

Recommendations of the Nomination Committee

The Nomination Committee, comprising three members, namely Dr Chow Ming Kuen, Joseph, Mr Lau Ko Yuen, Tom and Mr Kwok Shiu Keung, Ernest, held a meeting on 7 July 2006 to nominate the re-election of retiring Directors in the 2006 AGM. Mr Kwok Shiu Keung, Ernest, being a retiring Director, abstained from voting on the relevant resolution of the Nomination Committee regarding his re-election. The Nomination Committee, with the aforesaid abstention of Mr. Kwok, has nominated and recommended to the Board that Dr Chan Kwok Keung, Charles and Mr Kwok Shiu Keung, Ernest, both being eligible, be re-elected as Directors at the 2006 AGM. In addition, both Dr Chan Kwok Keung, Charles and Mr Kwok Shiu Keung, Ernest had abstained from voting at the Board meeting when their nominations were considered and approved by the Board for recommendation to Shareholders for approval.

The biographical details of both Dr Chan and Mr Kwok are set out in Appendix I of this circular.

The Nomination Committee is also responsible for, inter alia, assessing the independence of independent non-executive Directors. In doing so, the Nomination Committee has reviewed the individual Director's annual confirmation of independence declared pursuant to Rule 3.13 of the Listing Rules. As a good corporate governance practice, every Committee member has abstained from participating in the assessment of his own independence.

Mr Kwok Shiu Keung, Ernest, an independent non-executive Director, is eligible and will stand for re-election at the 2006 AGM. Mr Kwok has served the Board for more than nine years, having been appointed in August 1993. Despite this length of service, there is no evidence that the independence of Mr Kwok, especially in terms of exercising independent judgment and objective challenges to the management, has been or will be in any way compromised or affected. The Board is confident that Mr Kwok, as a reputable professional with profound experience, will continue to make valuable contribution to the Company by providing his balanced and objective views to the Board. Mr Kwok has also provided an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee is fully satisfied that Mr Kwok meets the independence guidelines set out in Rule 3.13 of the Listing Rules and continues to be independent. The Board therefore comes to the view that Mr Kwok should be re-elected for a further term at the 2006 AGM.

REMUNERATION OF DIRECTORS

At the 2005 AGM, Shareholders approved the directors' fees for an aggregate amount of not exceeding HK\$3,000,000 per annum to be paid to all Directors and be divided amongst the Directors as the Board may agree. Based on this approval, the Board resolved the following allocation: (i) a director's fee of HK\$300,000 per annum be paid to each Director; (ii) an additional fee of HK\$300,000 per annum be paid to the Chairman; and (iii) an additional fee of HK\$20,000 per annum be paid to each Director for being a member of any board committee for their services rendered to the Company during the period from the conclusion of the 2005 AGM to the conclusion of the 2006 AGM. A Director who has not served the entire period will receive payment in proportion to his period of service.

The Remuneration Committee had, at its meeting held on 7 July 2006, reviewed the current scale of directors' fees and considered that they were reasonable under the current market environment and having regard to the nature of the Board's work, workload and the requisite time spent by the Directors on the board activities. The Remuneration Committee recommended that the existing aggregate amount of directors' fee of not exceeding HK\$3,000,000 per annum for all Directors shall remain unchanged for the coming year.

Bye-law 96 of the Bye-laws provides that the ordinary remuneration of Directors shall from time to time be determined by the Company in general meeting. Accordingly, an ordinary resolution will be proposed at the 2006 AGM for Shareholders to consider and, if thought fit, approve the paying of an aggregate amount of not exceeding HK\$3,000,000 per annum to all Directors and that the Board be authorised to divide this amount amongst the Directors. If approved by Shareholders, the proposed directors' fees will be effective from 8 September 2006. Payment will be made in proportion to the period of service in the case of a Director who has not served the entire period.

LETTER FROM THE BOARD

GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES

At the 2005 AGM, ordinary resolutions were passed to grant the general mandates to the Directors to issue Shares and to repurchase Shares. Such general mandates will expire at the conclusion of the 2006 AGM. Ordinary resolutions will be proposed at the 2006 AGM to grant to the Directors a new general mandate, inter alia, (a) to allot and issue Shares not exceeding 20% of the issued Share Capital as at the date of the passing of such resolution; (b) to repurchase Shares not exceeding 10% of the issued Share Capital as at the date of the passing of such resolution; and (c) to extend the general mandate to issue Shares by the number of Shares purchased under the Securities Repurchase Mandate.

The Directors believe that it is in the interests of the Company and the Shareholders as a whole if the General Mandates are granted at the 2006 AGM. The General Mandates provide Directors with flexibility to issue Shares especially in the context of a fund raising exercise or a transaction involving an acquisition by the Company where Shares are to be issued as consideration and which has to be completed speedily. However, the Directors currently have no intention of any acquisition by the Company nor any plan for raising capital by issuing new Shares.

An explanatory statement providing all the information required under the Listing Rules concerning the Securities Repurchase Mandate is set out in Appendix II to this circular.

REFRESHING OF THE 10% LIMIT ON GRANT OF OPTIONS UNDER THE PYI SHARE OPTION SCHEME

The existing Scheme Mandate Limit was refreshed on 8 September 2005, which enables the Directors to grant options to Eligible Persons under the PYI Share Option Scheme to subscribe for up to 135,867,543 Shares. From the date of refreshing of the existing Scheme Mandate Limit and up to the Latest Practicable Date, the Company has granted options entitling the holders thereof to subscribe for in aggregate 45,300,000 Shares, representing approximately 33.34% of the existing Scheme Mandate Limit. If the existing Scheme Mandate Limit is not refreshed, the Company would be allowed to grant options to subscribe for up to 90,567,543 Shares, representing approximately 6.18% of the Shares in issue as at the Latest Practicable Date. In order to provide the Company with more flexibility in providing incentives to those Eligible Persons by way of granting of options, the Board decides to seek the approval of the Shareholders to refresh the Scheme Mandate Limit so that the total number of the Shares which may be issued upon exercise of all options to be granted under the PYI Share Option Scheme and any other scheme(s) of the Company shall not exceed 10% of the Shares in issue as at the date of passing the relevant resolution at the 2006 AGM. Options previously granted under the Share Option Scheme and any other scheme(s) of the Company (including options outstanding, cancelled or lapsed in accordance with the relevant scheme rules and exercised options) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed.

As at the Latest Practicable Date, there were in issue 1,464,609,910 Shares and a total of 72,176,000 outstanding options granted under the PYI Share Option Scheme at exercise prices of HK\$1.24 (as to 9,136,000 options), HK\$1.50 (as to 19,450,000 options), HK\$1.78 (as to 6,615,000 options), HK\$2.325 (as to 3,000,000 options), HK\$2.50 (as to 11,325,000 options), HK\$3.00 (as to 11,325,000 options) and HK\$3.50 (as to 11,325,000 options) per Share. Save and except for these outstanding options, there are no options granted under the PYI Share Option Scheme or any other share option scheme(s) of the Company which remained outstanding as at the Latest Practicable Date.

If the Scheme Mandate Limit is refreshed, on the basis of 1,464,609,910 Shares in issue as at the Latest Practicable Date and assuming no further issue or repurchase of Shares prior to the 2006 AGM, the Company may grant options entitling holders thereof to subscribe for a total of 146,460,991 Shares (representing 10% of the Shares in issue as at the date of the 2006 AGM approving the refreshing of the Scheme Mandate Limit).

Pursuant to the Listing Rules, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the PYI Share Option Scheme and any other scheme(s) of the Company at any time must not in aggregate exceed 30% of the Shares in issue from time to time. No options shall be granted under any scheme(s) of the Company if this will result in the 30% limit being exceeded.

The purpose of the PYI Share Option Scheme is to provide incentive or reward to Eligible Persons for their contribution to and continuing efforts to promote the interests of the Company. The Directors consider that the refreshing of the Scheme Mandate Limit is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The refreshing of the Scheme Mandate Limit is conditional on:

- (i) the passing of an ordinary resolution to approve the refreshing of the Scheme Mandate Limit by the Shareholders at the 2006 AGM; and
- (ii) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Shares (representing 10% of the Shares in issue as at the date of the 2006 AGM approving the refreshing of the Scheme Mandate Limit) which may fall to be issued pursuant to the exercise of options under the Share Option Scheme and any other share option scheme(s) of the Company.

Application will be made to the Listing Committee of the Stock Exchange for approval of the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options under the PYI Share Option Scheme and any other share option scheme(s) of the Company.

REFRESHING OF THE 10% LIMIT ON GRANT OF OPTIONS UNDER THE PYE SHARE OPTION SCHEME

Paul Y. Engineering, a subsidiary of the Company, proposes the PYE Refreshment, subject to (i) the passing of an ordinary resolution by its shareholders to approve the PYE Refreshment at the PYE 2006 AGM; (ii) the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the shares to be issued upon exercise of any options granted under the refreshed limit of the PYE Share Option Scheme; and (iii) in accordance with Rule 17.01(4) of the Listing Rules, the Shareholders passing an ordinary resolution to approve the PYE Refreshment at the 2006 AGM.

The PYE Refreshment will enable Paul Y. Engineering to grant further options to eligible participants, being employees, executives or officers, directors of Paul Y. Engineering and its subsidiaries or any entity in which Paul Y. Engineering or its subsidiaries hold an equity interest, and any consultant, adviser or agent of Paul Y. Engineering or its subsidiaries or any entity in which PYE or its subsidiaries hold an equity interest, who, in the sole discretion of the board of directors of Paul Y. Engineering, have contributed or will contribute to the growth and development of Paul Y. Engineering or its subsidiaries or any entity in which Paul Y. Engineering or its subsidiaries hold an equity interest.

The total number of options granted under PYE Share Option Scheme as at the Latest Practicable Date was 19,100,000 at exercise prices of HK\$0.70 (as to 1,500,000 options), HK\$0.85 (as to 1,500,000 options), HK\$0.90 (as to 6,600,000 options) and HK\$1.00 (as to 9,500,000 options).

If Paul Y. Engineering utilises in full the 10% limit on grant of options under such share option scheme, the Company's shareholding in Paul Y. Engineering will be reduced from approximately 64.58% to 58.71%. However, the purpose of the PYE Share Option Scheme is to provide incentive or reward to the aforesaid eligible participants for their contribution to and continuing efforts to promote the interests of Paul Y. Engineering which is a subsidiary of PYI. The Directors therefore consider that the PYE Refreshment is in the interest of the Company and the Shareholders.

An ordinary resolution will be proposed at the 2006 AGM to approve the PYE Refreshment.

ANNUAL GENERAL MEETING

A notice convening the 2006 AGM is set out on pages 13 and 16 of this circular at which resolutions will be proposed, inter alia, to approve (i) the re-election of retiring Directors; (ii) remuneration of Directors; (iii) the grant of the General Mandates; (iv) the refreshing of the Scheme Mandate Limit; and (v) the PYE refreshment.

A form of proxy for use by the Shareholders at the 2006 AGM is enclosed. If you do not intend to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the principal place of business of the Company in Hong Kong at 31st Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

PROCEDURE FOR DEMANDING A POLL

Pursuant to bye-law 66 of the Bye-laws, a resolution put to the vote of a general meeting shall be decided by poll if a poll is demanded:

- (i) by the chairman of the meeting; or;
- (ii) by at least three Shareholders present or, in the case of a Shareholder being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) by a Shareholder or Shareholders present in person or, in the case of a Shareholder being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (iv) by a Shareholder or Shareholders present in person or, in the case of a Shareholder being a corporation, by its duly authorised representative or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right; or
- (v) if required by the rules of the Stock Exchange by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing five per cent. (5%) or more of the total voting rights at such meeting, and if on a show of hand a meeting votes in the opposite manner to that instructed in those proxies, provided that if it is approved from the total proxies held that a vote taken on a poll shall not reverse the vote taken on a show of hands, then the Director or Directors shall not be required to demand a poll. A demand for poll must be made before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll.

In accordance with the requirements of the Listing Rules, the results of the poll will be published by way of an announcement in the local newspapers on the business day following the meeting.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

RECOMMENDATION

The Board is pleased to recommend Dr Chan Kwok Keung, Charles and Mr Kwok Shiu Keung, Ernest to stand for re-election by Shareholders as Directors. Their biographies are set out in Appendix I for Shareholders' consideration. The Board also believes that the proposed remuneration of Directors, the grant of the General Mandates, the refreshing of the Scheme Mandate Limit and the PYE Refreshment are in the best interest of the Company and the Shareholders as a whole, and accordingly recommends the Shareholders to vote in favour of all resolutions to be proposed at the 2006 AGM.

Yours faithfully,
For and on behalf of
PYI Corporation Limited
Chow Ming Kuen, Joseph OBE, JP
Chairman

APPENDIX I PARTICULARS OF RETIRING DIRECTORS STANDING FOR RE-ELECTION

The biographical and other details of retiring Directors standing for re-election at the 2006 AGM are set out below:

NON-EXECUTIVE DIRECTOR

Chan Kwok Keung, Charles, aged 51, is a non-executive Director. Dr Chan holds an Honorary degree of Doctor of Laws and a Bachelor's degree in Civil Engineering and has over 26 years' international corporate management experience in the construction and property sectors as well as in strategic investments. He joined the Group in 1987 and was Chairman of the Company until July 2005. Dr Chan is the Chairman of ITC Corporation Limited (0372.HK) and Hanny Holdings Limited (0275.HK). He is the sole director of Chinaview International Limited ("Chinaview") and Galaxyway Investments Limited ("Galaxyway") which are substantial shareholders of the Company. Dr. Chan was the Chairman and Chief Executive Officer of China Strategic Holdings Limited (0235.HK) until 16 June 2006. He was also the Chairman of China Enterprises Limited (OTC: CSHEF), an executive director of Wing On Travel (Holdings) Limited (1189.HK) and Pacific Century Premium Developments Limited (0432.HK), and a non-executive director of Downer EDI Limited (DOW.AX) in the last three years. Save as disclosed above, he does not hold any positions with the Company or any of its subsidiaries.

As at the Latest Practicable Date, Dr Chan was, in aggregate, interested in 411,700,664 Shares in the Company (representing approximately 28.11% interest in the issued Share Capital) comprising a personal interest in 11,840,896 Shares and a corporate interest in 399,859,768 Shares by virtue of his shareholding in Chinaview. Galaxyway, a wholly-owned subsidiary of Chinaview, owned approximately 34.99% of the issued ordinary share capital of ITC Corporation Limited ("ITC") which in turn owned the entire issued share capital of ITC Investment Holdings Limited ("ITC Investment"). Hollyfield Group Limited, a wholly-owned subsidiary of ITC Investment, owned these shares. Save as disclosed above, Dr Chan did not have any interest in the Shares or underlying Shares which are discloseable under Part XV of the SFO, nor did he have any relationship with any Directors or senior management or substantial shareholder or controlling shareholder of the Company. He has not entered into any service contract with the Company and is subject to retirement by rotation at least once every three years and in accordance with the Bye-laws. For the period between September 2005 and September 2006, Dr Chan is entitled to an annual director's fee of HK\$300,000 for the performance of his duties as a non-executive Director and an additional fee of HK\$20,000 per annum (and a pro rata portion thereof if the appointment has been less than a period of 12 months) for being a member of the Nomination Committee of the Company (alternate to Mr Lau Ko Yuen, Tom). Such remuneration was determined with reference to the prevailing market conditions and having regard to the nature of the Board's work, workload and the requisite time spent by Dr Chan on the board activities.

The Listing Committee of the Stock Exchange (the "Listing Committee") made a public statement against Dr Chan on 17 December 1998 in respect of the sale (the "Sale") of shares in Nam Pei Hong (Holdings) Limited ("Nam Pei Hong") by G-Prop (Holdings) Limited (then known as International Tak Cheung Holdings Limited) and the Company to Victory Hunter Holdings Limited, a company then controlled by Mr Yau Wai Ming ("Mr Yau"), in July 1997. The Listing Committee was of the view that Dr Chan, being a then member of the management of Nam Pei Hong, should have informed the Stock Exchange earlier of the meetings between Mr Yau and representatives of the Company prior to the Sale and of the Sale pursuant to the Listing Agreement. In addition, the Listing Committee found that Nam Pei Hong had been in breach of its obligations under the Listing Agreement and the then management of Nam Pei Hong, which included Dr Chan, had to be blamed for such breach.

On 15 November 2005, the Securities and Futures Commissions (the "SFC") criticised the board of directors of ITC for breaching Rule 21.3 of the Takeovers Code by dealing in securities of Hanny Holdings Limited during an offer period without the consent of the Executive Director of the Corporate Finance Division of the SFC. Dr Chan was a member of the board of directors of ITC at the material time.

Save as disclosed above, Dr Chan is not aware of any other matters that need to be brought to the attention of the Shareholders nor is there any information to be disclosed by the Company pursuant to any of the requirements under the provisions of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

APPENDIX I PARTICULARS OF RETIRING DIRECTORS STANDING FOR RE-ELECTION

INDEPENDENT NON-EXECUTIVE DIRECTOR

Kwok Shiu Keung, Ernest, aged 70, is an independent non-executive Director and a member of the Company's Audit Committee, Remuneration Committee, Nomination Committee and Compliance Committee. Mr Kwok is a practising solicitor, a chartered civil engineer and a practising arbitrator. He was for more than 28 years a registered structural engineer and an authorised person (List II) under the Hong Kong Buildings Ordinance. Mr Kwok is a member of the Institution of Civil Engineers, United Kingdom, a fellow member of the Chartered Institute of Arbitrators, United Kingdom and a fellow member of the Hong Kong Institute of Arbitrators.

Mr Kwok has served the Board for more than 9 years, having been appointed in September 1993. Despite this length of service, there is no evidence that the independence of Mr Kwok, especially in terms of exercising independent judgment and objective challenges to the management, has been or will be in any way compromised or affected. The Board is confident that Mr Kwok, as a reputable professional, will continue to make valuable contribution to the Company by providing his balanced and objective views to the Board. Mr Kwok has also provided an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board is fully satisfied that Mr Kwok meets the independence guidelines set out in Rule 3.13 of the Listing Rules and continues to be independent. The Board therefore comes to the view that Mr Kwok should be re-elected for a further term in the 2006 AGM.

As at the Latest Practicable Date, Mr Kwok hold a total of 1,300,000 outstanding options granted under the Share Option Scheme which entitle him to subscribe for a total of 1,300,000 Shares upon exercise (representing approximately 0.09% of the total issued share capital of Company) at exercise prices of HK\$1.50 (as to 6,500,000 options) and HK\$1.24 (as to 6,500,000 options) per Share. Save as disclosed above, Mr Kwok did not have any interest in the Shares or underlying Shares which are discloseable under Part XV of the SFO, nor did he have any relationship with any Directors or senior management or substantial shareholder or controlling shareholder of the Company. He has not entered into any service contract with the Company and is subject to retirement by rotation at least once every three years. Mr Kwok is entitled to an annual director's fee of HK\$300,000 for the performance of his duties as an independent non-executive Director and an additional fee of HK\$20,000 per annum (and a pro rata portion thereof if the appointment has been less than a period of 12 months) for being a member of each of the Audit Committee, Remuneration Committee, Nomination Committee and Compliance Committee of the Company. Such remuneration is determined with reference to the prevailing market conditions and having regard to the nature of the Board's work, workload and the requisite time spent by Mr Kwok on the board activities.

Save as disclosed above, Mr Kwok is not aware of any other matters that need to be brought to the attention of the Shareholders nor is there any information to be disclosed by the Company pursuant to any of the requirements under the provisions of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

This is the explanatory statement given to the Shareholders relating to a resolution authorising the Company to repurchase its own Shares which is proposed to be passed by the Shareholders by means of an ordinary resolution at the 2006 AGM.

This explanatory statement contains a summary of the information required pursuant to rule 10.06 of the Listing Rules which is set out as follows:

Share Capital

- As at the Latest Practicable Date, there were in issue a total of 1,464,609,910 Shares, all of which are fully paid.
- Assuming that no further Shares are issued or repurchased after the Latest Practicable Date and before the date of the 2006 AGM, there will be 1,464,609,910 Shares in issue, and exercise in full of the Securities Repurchase Mandate would result in up to a maximum of 146,460,991 Shares being repurchased by the Company during the relevant period referred to in ordinary resolution numbered 5B of the notice of the 2006 AGM.

Reasons for repurchases

- The Directors believe that it is in the best interests of the Company and the Shareholders as a whole for the Directors to have a general authority from the Shareholders to enable the Directors to purchase the Shares on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share and will benefit the Company and the Shareholders.

Funding of repurchases

- The repurchase of Shares shall be made with funds legally available for such purpose in accordance with its memorandum of association and the Bye-laws and the applicable laws of Bermuda. Under Bermuda law, repurchases may only be effected out of the capital paid up on the purchased Shares or out of funds of the Company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of Shares made for the purpose. Any premium payable on a purchase over the par value of the Shares to be purchased must be provided for out of funds of the Company otherwise available for dividend or distribution or out of the Company's share premium account before the Shares are repurchased. It is envisaged that the funds required for any repurchase would be derived from such sources.
- As compared to the financial position of the Company as at 31 March 2006 (being the date of the Company's latest audited accounts), the Directors consider that the repurchases of securities will have no material adverse impact on the working capital and the gearing position of the Company in the event that the Securities Repurchase Mandate were to be exercised in full during the proposed repurchase period. The Directors do not propose to exercise the Securities Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

Directors, their associates and connected persons

- None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates, as defined in the Listing Rules, has any present intention, in the event that the Securities Repurchase Mandate is approved by the Shareholders, to sell Shares to the Company.
- No connected person, as defined in the Listing Rules, has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, in the event that the Securities Repurchase Mandate is approved by the Shareholders.

Undertaking of the Directors

- The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Securities Repurchase Mandate in accordance with the Listing Rules, the Bye-laws and the applicable laws of Bermuda.

Share repurchase made by the Company

- During the six months preceding the Latest Practicable Date, the Company had not purchased any of its Shares (whether on the Stock Exchange or otherwise).

GENERAL

If as a result of a repurchase of Shares a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. If the Company were to repurchase Shares up to the permitted maximum of 10% of the issued Share Capital, such parties may together with any other parties acting in concert with them become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, Hollyfield Group Limited ("Hollyfield"), which is ultimately and beneficially owned by Dr Chan Kwok Keung, Charles ("Dr Chan"), held 399,859,768 Shares, representing approximately 27.30% of the issued Share Capital. Dr Chan was also personally interested in 11,840,896 Shares, representing approximately 0.81% of the issued Share Capital. On the basis that no further Shares are issued or repurchased and in the event that the Securities Repurchase Mandate is exercised in full and that there is no change in Hollyfield's and Dr Chan's shareholding in the Company, the shareholding of Hollyfield and Dr Chan would together be increased to approximately 31.23% of the issued Share Capital. Should such increase arise, it will trigger off the 30% general offer threshold under Rule 26 of the Takeovers Code, and Hollyfield and Dr Chan will be obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. The Directors have no present intention to exercise the Securities Repurchase Mandate to an extent which will result in Hollyfield being obliged to make a mandatory general offer under the Takeovers Code.

PRICES OF THE SHARES

The highest and lowest prices at which the Shares were traded on the Stock Exchange during each of the previous twelve months preceding the Latest Practicable Date were as follows:

	Highest <i>HK\$</i>	Shares	Lowest <i>HK\$</i>
2005			
July	1.570		1.060
August	1.420		1.170
September	1.680		1.370
October	1.520		1.380
November	1.480		1.320
December	1.500		1.330
2006			
January	1.680		1.440
February	2.500		1.650
March	2.850		2.200
April	3.450		2.700
May	3.400		2.400
June	3.300		2.350
July (up to the Latest Practicable Date)	2.875		2.550

NOTICE OF ANNUAL GENERAL MEETING



PYI Corporation Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 498)

NOTICE IS HEREBY GIVEN that the annual general meeting of PYI Corporation Limited (the “Company”) will be held at JW Marriott Ballroom on Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 8 September 2006 at 10:30 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 March 2006.
2. To declare the final dividend for the year ended 31 March 2006.
3. To re-elect retiring directors and to fix the directors’ remuneration.
4. To re-appoint auditors and to authorise the board of directors to fix their remuneration.
5. As special business, to consider and, if thought fit, to pass the following resolutions as ordinary resolutions of the Company:

(A) **“THAT:**

- (i) subject to sub-paragraph (iii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which would or might require the exercise of such powers, subject to and in accordance with all applicable laws and the bye-laws of the Company, be and is hereby generally and unconditionally approved;
- (ii) the approval in sub-paragraph (i) of this resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which would or might require the exercise of such powers after the end of the Relevant Period;
- (iii) the aggregate nominal amount of the share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approvals in sub-paragraphs (i) and (ii) of this resolution, otherwise than pursuant to a Rights Issue (as hereinafter defined) or an issue of shares of the Company under the share option scheme of the Company or an issue of shares upon exercise of subscription rights attached to warrants which may be issued by the Company or an issue of shares of the Company by way of any scrip dividend pursuant to bye-laws of the Company from time to time, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of this resolution, and the said approval shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

- (iv) for the purpose of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws of Bermuda to be held; or
- (c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

(B) “THAT:

- (i) subject to sub-paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors of the Company on behalf of the Company during the Relevant Period to procure the Company to purchase its securities at a price determined by the directors;
- (iii) the aggregate nominal amount of the share capital of the Company which the directors of the Company are authorised to repurchase pursuant to the approval in sub-paragraphs (i) and (ii) of this resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of this resolution, and the said approval shall be limited accordingly; and
- (iv) for the purpose of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws of Bermuda to be held; or
- (c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

NOTICE OF ANNUAL GENERAL MEETING

- (C) “**THAT** conditional upon resolutions numbered 5(A) and 5(B) as set out in the notice convening this meeting being passed, the aggregate nominal amount of the issued shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors of the Company pursuant to and in accordance with the said resolution numbered 5(B) above shall be added to the aggregate nominal amount of the share capital that may be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the directors of the Company pursuant to and in accordance with the resolution numbered 5(A) as set out in the notice convening this meeting.”
- (D) “**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of and permission to deal in the shares of HK\$0.10 each in the capital of the Company (representing 10 per cent. of the shares of the Company in issue as at the date of passing this resolution) which may be issued pursuant to the exercise of options granted under the Company’s share option scheme adopted on 27 August 2002 (the “Scheme”), the refreshing of the scheme limit in respect of the grant of options to subscribe for ordinary shares in the Company under the Scheme, provided that the total number of ordinary shares which may be allotted or issued pursuant to the grant or exercise of options under the Scheme (excluding options previously granted, outstanding, cancelled, lapsed or exercised under the Scheme) shall not exceed 10 per cent. of the shares of the Company in issue as at the date of passing this resolution (the “Refreshed Mandate Limit”), be and is hereby approved and the directors of the Company be and are hereby authorised to grant options under the Scheme up to the Refreshed Mandate Limit, to exercise all powers of the Company to allot, issue and deal with ordinary shares of the Company pursuant to the exercise of such options and to do such acts and execute such documents for or incidental to such purpose.”
- (E) “**THAT** the refreshing of the scheme limit on grant of options under the share option scheme adopted by Paul Y. Engineering Group Limited (“Paul Y. Engineering”, the Company’s subsidiary) on 7 September 2005 up to 10 per cent. of the shares of Paul Y. Engineering in issue as at the date of passing of the resolution for approving such refreshing by the shareholders of Paul Y. Engineering be and is hereby approved.”

6. To transact any other ordinary business of the Company.

By Order of the Board
Wong Lai Kin, Elsa
Company Secretary

Hong Kong, 31 July 2006

Principal Place of Business:
31st Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong, Kowloon
Hong Kong

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member may appoint a proxy in respect of part only of his holding of shares of the Company. A proxy need not be a member of the Company.
2. A form of proxy for the meeting is enclosed. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the Company’s principal place of business in Hong Kong at 31st Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting at which the person named in the instrument purposes to vote.
3. The register of members of the Company will be closed during the period from 13 September 2006 to 15 September 2006, both dates inclusive, during which period no transfer of share(s) of the Company will be effected. In order to qualify for the final dividend, all transfer of share(s), accompanied by the relevant share certificate(s) with the completed transfer form(s) overleaf or separately, must be lodged with the Company’s share registrars in Hong Kong, Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, for registration no later than 4:00 p.m. on 12 September 2006.

NOTICE OF ANNUAL GENERAL MEETING

As at the date of this notice, the Directors of the Company are:

Dr Chow Ming Kuen, Joseph <i>OBE, JP</i>	:	<i>Chairman (Independent Non-Executive Director)</i>
Mr Lau Ko Yuen, Tom	:	<i>Deputy Chairman and Managing Director</i>
Dr Chan Kwok Keung, Charles	:	<i>Non-Executive Director</i>
Mr Kwok Shiu Keung, Ernest	:	<i>Independent Non-Executive Director</i>
Mr Chan Shu Kin	:	<i>Independent Non-Executive Director</i>