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If you have sold or transferred all your shares in PYI Corporation Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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PYI Corporation Limited

(incorporated in Bermuda with limited liability)
(Stock Code: 498)

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF 50.1% INTEREST IN JIANGSU YANGKOU PORT DEVELOPMENT AND INVESTMENT CO., LTD.

Financial Adviser



PricewaterhouseCoopers
Corporate Finance Limited

A notice convening a special general meeting of the Company to be held at Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong at 11:00 a.m. on Monday, 14 March 2011 is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it to Tricor Secretaries Limited, the Company's branch share registrar in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. 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.

25 February 2011

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DEFINITIONS

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

“Agreement”	the conditional agreement dated 31 January 2011 relating to the Disposal between Glory Well as vendor and Ritai as purchaser
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Completion”	completion of the administrative procedure for the transfer of the Sale Interest from Glory Well to Ritai
“Conditions Precedent”	the conditions precedent to the Disposal, details of which are set out in the paragraph headed “Conditions Precedent of the Disposal”
“Consideration”	the sum of RMB1,507 million (HK\$1,773 million) payable by Ritai to Glory Well for the Sale Interest pursuant to the Agreement
“Director(s)”	the director(s) of PYI
“Disposal”	the disposal of the Sale Interest by Glory Well as contemplated under the Agreement
“Dongtai”	如東縣東泰社會發展投資有限責任公司 (Rudong County Dongtai Community Development and Investment Co., Ltd.#), the 25% substantial shareholder of Yangkou Port Co and a PRC state owned enterprise
“Glory Well”	Glory Well Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of PYI
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKGAAP”	accounting principles generally accepted in Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Jiangyin Port”	the port operated by a 40% associate of the Company at Jiangyin, Jiangsu Province, the PRC
“Jiaxing Port”	the feeder port developed and operated by a 85.14% subsidiary of the Company at Jiaxing, Zhejiang Province, the PRC
“Latest Practicable Date”	22 February 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Minsheng LPG”	湖北民生石油液化氣有限公司 (Hubei Minsheng Liquefied Petroleum Gas Limited#), an indirect wholly-owned subsidiary of the Company
“Nantong Port”	the port operated by a 45% associate of the Company at Nantong, Jiangsu Province, the PRC
“Nantong SOA”	南通國有資產投資控股有限公司 (Nantong State-owned Assets Investment Holdings Limited#), a company established in the PRC with limited liability and wholly-owned by State-owned Assets Supervision and Administration Commission of Nantong Provincial Government

DEFINITIONS

“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 and a subsidiary of the Company
“Paul Y. Engineering Group”	Paul Y. Engineering and its subsidiaries
“PRC”	People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“PYI” or “the Company”	PYI Corporation Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“PYI Group” or “the Group”	PYI and its subsidiaries from time to time
“Remaining Group”	PYI Group as excluding Yangkou Port Co upon Completion
“Ritai”	如東縣日泰基礎設施建設投資有限公司 (Rudong County Ritai Infrastructure Development and Investment Co., Ltd. [#]), the 5% shareholder of Yangkou Port Co and a company established in the PRC and 75% directly owned by Rudong County Government
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	50.1% of the equity interest of Yangkou Port Co beneficially owned by Glory Well as at the date of the Agreement
“SFO”	The Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of PYI to be convened and held for the purpose of considering, and if thought fit, approving the Agreement and the transactions contemplated thereunder
“Shareholders” or “PYI Shareholders”	holder(s) of PYI Shares
“Shares” or “PYI Shares”	ordinary share(s) of HK\$0.10 each in the issued share capital of PYI
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TEU”	Twenty-foot equivalent unit
“US\$”	United States dollars, the lawful currency of United States of America
“Yangkou Port”	the port developed and operated by Yangkou Port Co at Nantong, Jiangsu Province, the PRC
“Yangkou Port Co”	江蘇洋口港投資開發有限公司 (Jiangsu Yangkou Port Development and Investment Co., Ltd. [#]), a sino-foreign joint venture company established in the PRC
“Yichang Port”	the port operated by a 51% subsidiary of the Company at Yichang, Hubei Province, the PRC
“%”	per cent.

[#] English transliteration for identification purpose only

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of HK\$1.00 to RMB0.85 as at the date of the Agreement and conversion of US\$ into HK\$ is calculated at the approximate exchange rate of US\$1.00 to HK\$7.8 as at the date of the Agreement. The exchange rates are for illustration purpose only and do not constitute representation that any amounts have been, could have been, or may be exchanged at the rates or any other rate at all.

LETTER FROM THE BOARD



PYI Corporation Limited

(incorporated in Bermuda with limited liability)
(Stock Code: 498)

Directors:

Dr. Chow Ming Kuen, Joseph OBE, JP
(Chairman and Independent Non-Executive Director)
Mr. Lau Ko Yuen, Tom
(Deputy Chairman and Managing Director)
Dr. Chan Kwok Keung, Charles
(Non-Executive Director with
Mr. Chan Yiu Lun, Alan as alternate)
Mr. Kwok Shiu Keung, Ernest
(Independent Non-Executive Director)
Mr. Chan Shu Kin
(Independent Non-Executive Director)
Mr. Leung Po Wing, Bowen Joseph GBS, JP
(Independent Non-Executive Director)
Mr. Li Chang An
(Independent Non-Executive Director)

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place
of business in Hong Kong:*

33rd Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

25 February 2011

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

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF 50.1% INTEREST IN JIANGSU YANGKOU PORT DEVELOPMENT AND INVESTMENT CO., LTD.

I. INTRODUCTION

On 1 February 2011, the Board announced that on 31 January 2011 Glory Well (an indirect wholly-owned subsidiary of PYI) and Ritai entered into the Agreement pursuant to which Ritai has conditionally agreed to acquire 50.1% of the equity interest of Yangkou Port Co from Glory Well at a consideration of RMB1,507 million (HK\$1,773 million), payable in cash by instalments.

The purpose of this circular is to provide you with, among other things, details of the Agreement, the financial information on Yangkou Port Co, the unaudited pro forma financial information of the Remaining Group after the Disposal, the valuation report on the properties of Yangkou Port Co, the business valuation report on the 50.1% of the equity interest of Yangkou Port Co and notice of the SGM.

II. AGREEMENT

Date

31 January 2011

Parties

- (i) Glory Well, an indirect wholly-owned subsidiary of PYI, as vendor; and
- (ii) Ritai, a company established in the PRC with limited liability principally engaged in investment and asset management for infrastructure, as purchaser.

LETTER FROM THE BOARD

To the best of the knowledge, information and belief of the Directors and after making all reasonable enquiries, as at the Latest Practicable Date, Ritai and its ultimate beneficial owner are third parties independent of PYI and its connected persons (as defined under the Listing Rules).

Assets to be disposed of

The Sale Interest, being 50.1% of the equity interest of Yangkou Port Co beneficially owned by Glory Well.

Consideration

The Consideration for the Sale Interest is RMB1,507 million (HK\$1,773 million), which shall be satisfied in cash and shall be paid by Ritai by instalments as follows:

- (i) RMB100 million (HK\$117.7 million) (“Deposit”) to be paid within 30 days from the date of signing of the share transfer agreement;
- (ii) RMB653.5 million (HK\$768.8 million) (“Second Payment”), together with the Deposit representing 50% of the Consideration, to be paid within 90 days from the date of signing of the share transfer agreement;
- (iii) RMB150.7 million (HK\$177.3 million), representing 10% of the Consideration, to be paid on or before 31 December 2011;
- (iv) RMB301.4 million (HK\$354.6 million), representing 20% of the Consideration, to be paid on or before 31 December 2012; and
- (v) RMB301.4 million (HK\$354.6 million), representing 20% of the Consideration, to be paid on or before 31 December 2013.

The instalments (iii) to (v) carry interest at the RMB lending rate from time to time announced by the People’s Bank of China calculated from the share transfer agreement signing date to the date of actual payment, payable in arrears at the same time as payment of the relevant instalment. The Directors are of the view that such rate of interest is in line with market rate. If any of such instalments or any part thereof shall be in arrears for 90 days or more, then in addition to interest payable as aforesaid, Ritai shall pay further compensation to Glory Well at the rate of 0.03% per day on the amount in arrears.

This deferred payment arrangement was part and parcel of the terms of the Disposal determined after arm’s length negotiations between Ritai and Glory Well. As mentioned in the paragraph headed “Share Charge” below, Ritai shall execute a share charge in favour of Glory Well to secure the due and punctual payment of the instalments (iii) to (v) above and the release of the corporate guarantee given by PYI. Taking into account the interest payable by Ritai on the deferred payment, further compensation payable by Ritai in the event of default in payment, as well as the security afforded to the Company by the said share charge, the Directors are of the view that the above arrangement is fair and reasonable and in the interests of PYI and the PYI Shareholders as a whole.

If Ritai shall fail to pay the Deposit or the Second Payment, Glory Well shall be entitled to terminate the Agreement and, without prejudice to other rights and remedies it may have, forfeit the Deposit.

The Consideration was determined after arm’s length negotiations between the parties with reference to the unaudited net carrying value of Yangkou Port Co as at 30 September 2010 in accordance with HKGAAP together with the capital contribution by its equity holders from 1 October 2010 up to the date of the Agreement and the acquisition premium incurred by PYI for Yangkou Port Co in prior years in an aggregate sum of approximately RMB2.7 billion (HK\$3.2 billion). The Consideration also represents:

- (a) approximately 332% of 50.1% of the registered capital of Yangkou Port Co of US\$136.65 million (HK\$1,066 million) as at the date of the Agreement;
- (b) approximately 40% of shareholders’ funds of PYI as at 30 September 2010; and
- (c) approximately 94% of market capitalization of PYI as at the date of the Agreement.

LETTER FROM THE BOARD

Conditions Precedent of the Disposal

The Disposal is conditional upon fulfillment of the following Conditions Precedent:

- (a) the passing by the PYI Shareholders at the SGM of the ordinary resolution(s) approving the Agreement and the transactions contemplated thereunder;
- (b) Ritai obtaining all necessary consents, approvals and authorisations in respect of its acquisition of the Sale Interest;
- (c) the lenders (or the requisite number or portion thereof or their duly authorized agent) of the syndicated loan of RMB960 million to Yangkou Port Co issuing written consent to cancel the corporate guarantee given by PYI as security therefor;
- (d) the other shareholders of Yangkou Port Co providing their written consent to the transfer of the Sale Interest to Ritai and waiving their pre-emption rights in respect of such transfer; and
- (e) the board of directors of Yangkou Port Co approving the transfer of the Sale Interest.

As at the Latest Practicable Date, none of the conditions (a), (b), (c), (d) and (e) have been fulfilled.

Completion

Upon fulfillment of the Conditions Precedent, the parties shall sign the transactional documents, being the share transfer agreement, a new joint venture agreement and a new set of constitutional documents for Yangkou Port Co. Within 10 business days of the payment of 50% of the Consideration by Ritai, the parties shall undertake the administrative procedures for transfer of the Sale Interest to Ritai.

Upon Completion, Glory Well's equity interest in Yangkou Port Co will decrease from 60% to 9.9% and Yangkou Port Co will cease to be a subsidiary of PYI and its financial results will be deconsolidated from that of PYI. When Ritai has paid 50% of the Consideration, the directors to be appointed by Glory Well to the board of Yangkou Port Co shall be reduced to 3 (out of the maximum of 10). Upon full payment of the Consideration by Ritai, Glory Well shall still be entitled to appoint 1 director to the board of Yangkou Port Co.

Share Charge

To secure the due and punctual payment of the instalments (iii) to (v) above and the release of the corporate guarantee given by PYI as mentioned above, Ritai shall, upon the relevant PRC administrative authority issuing the approval for the change of shareholding, execute a share charge in favour of Glory Well charging to Glory Well all the Sale Interest. If any part of the instalments (iii) to (v) shall be in arrears for more than 180 days, Glory Well shall be entitled to enforce the share charge.

III. REASONS FOR THE DISPOSAL

The development of Yangkou Port has reached a significant milestone where primary infrastructure and formation of significant amount of land have basically been completed. Yangkou Port has been declared soft open. The LNG importation facilities owned and operated by PetroChina are due to commence commercial operations in the first half of 2011. However, as set out in the 2010 annual report of PYI, highways, railway, canal and other connecting infrastructure and utility associated with Yangkou Port still have to be developed, which still require substantive capital investment. In order to keep in line with the PRC government plans and policies and to meet market demand, Yangkou Port is entering a stage of accelerated development. As such, extensive funding is required for the financing of the ongoing capital expenditure program. As disclosed in the section headed "Information on Ritai, Yangkou Port and PYI Group", although Yangkou Port Co generated significant profit in previous years, such profit comprised of mainly unrealised profit arising from gain on revaluation of land and no cashflow has yet been channeled from Yangkou Port Co to PYI Group in previous years. It is envisaged by the Directors that earnings and cash flow in Yangkou Port Co is unlikely to be channeled to PYI and the PYI Shareholders in the short or medium term.

LETTER FROM THE BOARD

It is an opportune time for PYI to re-assess its commitment to the development of Yangkou Port. Taking account of the available financial resources, the Directors believe it would be more appropriate for PYI to further divest from Yangkou Port Co. The Disposal would further deepen the involvement of the PRC government in Yangkou Port Co, which would no doubt benefit from the strengthened financial and political background. The proceeds from the Disposal will strengthen the financial position of PYI and the deferred Consideration will allow PYI to maintain a short and medium term foreign exchange link with the RMB. On the other hand, PYI will continue to enjoy the future growth of Yangkou Port through the remaining 9.9% equity interest, which is intended to be held for long term investment purpose.

Taking into consideration of the above, the Directors consider the Disposal a good opportunity for PYI to further crystallize its investment value in Yangkou Port Co, to realise the accumulated unrealized profit in cash and to focus its resources in the operation and development of other ports and port-related business along the Yangtze River in the future. The Directors consider the terms of the Agreement including the deferred payment of Consideration, are on normal commercial terms, fair and reasonable, and in the interests of PYI and the PYI Shareholders as a whole.

IV. USE OF PROCEEDS

The net proceeds, after taking into account of PRC taxes, professional fees and other expenses to be incurred as a result of the Disposal, will be used as to approximately 20% thereof to reduce PYI corporate debt, as to approximately 20% thereof to finance investments in other areas of operations, and as to the balance to finance general working capital as well as a possible return of capital to and/or share repurchase from the PYI Shareholders following the receipt of part or all of the deferred Consideration depending on the financial condition and capital requirement of PYI Group as the Directors may determine.

V. FINANCIAL EFFECTS OF THE DISPOSAL

Following Completion and the settlement of 50% of Consideration, the financial position of PYI as at 30 September 2010 will be improved by the increase of approximately RMB577 million (HK\$668 million calculated at the exchange rate of HK\$1.00 to RMB0.863) in cash and the elimination of approximately RMB995 million (HK\$1,153 million calculated at the exchange rate of HK\$1.00 to RMB0.863) of bank borrowings and approximately RMB394 million (HK\$457 million calculated at the exchange rate of HK\$1.00 to RMB0.863) of corporate guarantee. PYI expects to realise an estimated gain of approximately HK\$22 million from the Disposal, before the release of reserves relevant to Yangkou Port Co, which is calculated based on the Consideration and the unaudited pro forma net carrying value of Yangkou Port Co in accordance with HKGAAP as at 30 September 2010 after adjusting for capital contribution by its equity holders from 1 October 2010 upto the date of the Agreement and the estimated costs to Completion. It should be noted that the actual gain or loss on the Disposal to be recorded by PYI will depend on the net carrying value of Yangkou Port Co and the accounting treatment for the release of its relevant reserves as at the date of Completion.

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to this circular, the financial effects of the Disposal on the PYI Group are as follows:

- (a) as stated in Appendix II to this circular, the PYI Group's total assets would decrease by approximately HK\$3,927 million from approximately HK\$14,652 million to approximately HK\$10,725 million and the PYI Group's total liabilities would decrease by approximately HK\$2,874 million from approximately HK\$8,609 million to approximately HK\$5,735 million as if the Disposal had been completed on 30 September 2010;
- (b) as stated in Note 3 to Appendix II to this circular, a pro forma adjusted estimated gain of HK\$193 million would be resulted from the Disposal (inclusive of reclassification adjustment of estimated HK\$171 million of the cumulative exchange reserve on translation of Yangkou Port Co from the functional currency to HK\$) as if the Disposal had been completed on 30 September 2010; and
- (c) as stated in Appendix II to this circular, the PYI Group's profit attributable to owners of the Company for the six months ended 30 September 2010 would increase from approximately HK\$178 million to approximately HK\$317 million which is calculated based on (i) the exclusion of the pro forma adjusted result of Yangkou Port Co attributable to PYI Group for the six months ended 30 September 2010 of approximately HK\$131 million; and (ii) the inclusion of the pro forma adjusted estimated gain of HK\$270 million arising from the Disposal (inclusive of reclassification adjustment of estimated HK\$142 million of the cumulative exchange reserve on translation of Yangkou Port Co from the functional currency to HK\$) less estimated expenses for the Disposal as if the Disposal had been completed on 1 April 2010.

LETTER FROM THE BOARD

The unaudited pro forma financial information of the Remaining Group is for illustrative purposes only, based on the judgements and assumptions of the Directors, and because of its hypothetical nature, may not purport to represent the true picture of the financial position of the Group as at 30 September 2010 or at any future date had the Disposal been completed on 30 September 2010 or the financial results and cash flows of the Group for the six months ended 30 September 2010 or for any future period had the Disposal been completed on 1 April 2010.

VI. INFORMATION ON RITAI, YANGKOU PORT CO AND PYI GROUP

Ritai is 75% owned by the Rudong County Government and principally engaged in fund raising, investment and operation of infrastructures for municipal, transport, water affair and ports businesses.

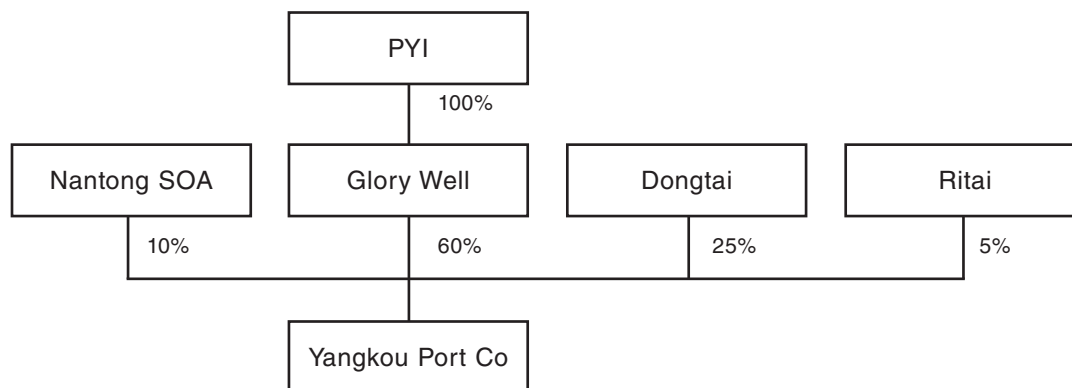
Yangkou Port Co was incorporated on 28 August 2003 and became a sino-foreign joint venture company on 20 December 2004. It became a 60% owned subsidiary of the Company since December 2009. Under the plan of Jiangsu Provincial and Rudong County Governments, the project of Yangkou Port was to develop a bulk cargo handling deep sea port in Eastern China specializing in raw materials, coal, petroleum and chemicals storage and trans-shipment as well as a large scale petrochemical industrial and logistic zone and other infrastructures such as highways, railways, canals and connecting infrastructural utility for operation of port, port-related and other businesses by end users. The primary role of Yangkou Port Co is to develop, build and reclaim a man made island known as the Sun Island, and a harbour-front industrial and logistics zone and to construct the Yellow Sea Bridge connecting the Sun Island with the harbour-front industrial and logistics zone. Land and facilities developed by Yangkou Port Co are either sold or leased to end-users to establish their operating facilities inside the Yangkou Port. As at the Latest Practicable Date, the Sun Island, the Yellow Sea Bridge connecting the Sun Island with the harbour-front and formation of 7.98 square kilometres of the harbour-front industrial zone have been completed by Yangkou Port Co while 22.7 square kilometres of the zone is currently under formation. For the year ended 31 March 2009, the unaudited profits before and after tax of Yangkou Port Co in accordance with HKGAAP before fair value adjustments on the results of Yangkou Port Co arising from acquisition of equity interests in Yangkou Port Co by PYI in prior years were approximately RMB395 million (HK\$448 million calculated at the exchange rate of HK\$1.00 to RMB0.882), RMB346 million (HK\$392 million calculated at the exchange rate of HK\$1.00 to RMB0.882) of which was attributable to gain on revaluation of land, and RMB215 million (HK\$244 million calculated at the exchange rate of HK\$1.00 to RMB0.882) respectively. For the year ended 31 March 2010, the unaudited profits before and after tax of Yangkou Port Co in accordance with HKGAAP before fair value adjustments on the results of Yangkou Port Co arising from acquisition of equity interests in Yangkou Port Co by PYI in prior years were approximately RMB360 million (HK\$409 million calculated at the exchange rate of HK\$1.00 to RMB0.881), RMB304 million (HK\$345 million calculated at the exchange rate of HK\$1.00 to RMB0.881) of which was attributable to gain on revaluation of land, and RMB204 million (HK\$232 million calculated at the exchange rate of HK\$1.00 to RMB0.881) respectively. The unaudited net carrying value of Yangkou Port Co as at 30 September 2010 in accordance with HKGAAP together with the capital contribution by its equity holders from 1 October 2010 upto the date of the Agreement and acquisition premium incurred by PYI for Yangkou Port Co in prior years was approximately RMB2.7 billion. The aggregate amount of gain on revaluation of land accounted for Yangkou Port Co for the three years ended 31 March 2010 and six months ended 30 September 2010 before tax is approximately RMB1,795 million.

PYI Group is principally engaged in the business of development and investment in port and other infrastructure projects, land and property development and investment in association with port facilities, treasury investment and, through its subsidiary, Paul Y. Engineering, comprehensive engineering and property-related services. Additional information on the Remaining Group and the PYI Group is set out in Appendix III to this circular.

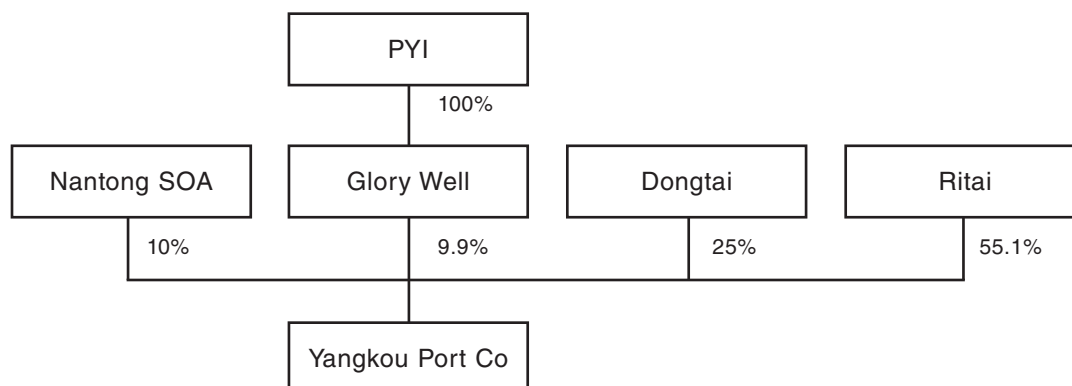
LETTER FROM THE BOARD

VII. SHAREHOLDING IN YANGKOU PORT CO

Set out below is the ownership structure of Yangkou Port Co as at the Latest Practicable Date and immediately before Completion:



Set out below is the ownership structure of Yangkou Port Co immediately after Completion:



VIII. LISTING RULES IMPLICATIONS

As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules exceed 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and hence is subject to notification, publication and shareholders' approval requirements under the Listing Rules.

IX. SGM

The notice convening the SGM to be held at Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, 14 March 2011 at 11:00 a.m, at which an ordinary resolution will be proposed to approve the Agreement and the transactions contemplated thereunder is set out on pages SGM-1 to SGM-2 of this circular.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Agreement and the transactions contemplated thereunder which is different from that of the other Shareholders and thus no Shareholder is required to abstain from voting on the relevant resolution to approve the Agreement and the transactions contemplated thereunder at the SGM.

A form of proxy for use at the SGM is enclosed herewith. Whether or not you propose 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 Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

Pursuant to Rule 13.39(4) of the Listing Rules, voting on the resolution at the SGM will be taken by poll.

X. RECOMMENDATION

The Directors consider that the Agreement is fair and reasonable and in the interests of the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution at the SGM to approve the Agreement and the transactions contemplated thereunder.

XI. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices of this circular and the notice of the SGM.

Yours faithfully,
For and on behalf of
PYI Corporation Limited
Lau Ko Yuen, Tom
Deputy Chairman and Managing Director

APPENDIX I UNAUDITED FINANCIAL INFORMATION ON YANGKOU PORT CO

UNAUDITED FINANCIAL INFORMATION ON YANGKOU PORT CO

Set out below are the unaudited statements of comprehensive income, unaudited statements of changes in equity and unaudited statements of cash flows of Yangkou Port Co for each of the years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2009 and 2010, and the unaudited statements of financial position of Yangkou Port Co as at 31 March 2008, 2009 and 2010 and 30 September 2010, which have been reviewed by the auditor of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. Based on their review, nothing has come to their attention that causes them to believe that the unaudited financial information is not prepared, in all material respects, in accordance with the accounting policies adopted by the Company in its annual consolidated financial statements and condensed consolidated financial statements for the respective Relevant Periods (as defined in Note 2 to the unaudited financial information on Yangkou Port Co in Appendix I of the Circular) and on the basis of preparation set out in Note 2 to the unaudited financial information of Yangkou Port Co.

Statements of Comprehensive Income

For the three years ended 31 March 2010 and six months ended 30 September 2009 and 2010

	Year ended 31 March			Six months ended 30 September	
	2008 <i>RMB'000</i> (unaudited)	2009 <i>RMB'000</i> (unaudited)	2010 <i>RMB'000</i> (unaudited)	2009 <i>RMB'000</i> (unaudited)	2010 <i>RMB'000</i> (unaudited)
Turnover	153,510	103,605	115,648	72,437	28,833
Cost of sales	(31,640)	(34,114)	(50,522)	(31,140)	(10,973)
Gross profit	121,870	69,491	65,126	41,297	17,860
Other income	2,373	961	9,235	1,689	49,337
Other gains and losses	–	–	(7)	(6)	6,085
Administrative expenses	(11,243)	(21,589)	(15,357)	(11,309)	(936)
Finance costs	–	–	(3,081)	–	(17,065)
Gain on fair value changes of investment properties	834,519	346,086	303,991	286,000	310,921
Profit before taxation	947,519	394,949	359,907	317,671	366,202
Taxation	(404,356)	(179,893)	(156,351)	(143,768)	(143,108)
Profit for the year/period, and total comprehensive income for the year/period	<u>543,163</u>	<u>215,056</u>	<u>203,556</u>	<u>173,903</u>	<u>223,094</u>

APPENDIX I UNAUDITED FINANCIAL INFORMATION ON YANGKOU PORT CO

Statements of Financial Position

At 31 March 2008, 2009 and 2010 and 30 September 2010

	As at 31 March			As at
	2008	2009	2010	30 September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
NON-CURRENT ASSETS				
Property, plant and equipment	160,909	134,299	912,677	886,986
Investment properties	974,776	1,300,000	1,693,000	2,033,000
Project under development	1,150,258	1,529,851	338,193	306,898
Amounts due from fellow subsidiaries	94,402	186,886	176,008	–
	<u>2,380,345</u>	<u>3,151,036</u>	<u>3,119,878</u>	<u>3,226,884</u>
CURRENT ASSETS				
Stock of properties	–	43,957	407,158	498,113
Amounts due from fellow subsidiaries	–	–	–	207,348
Trade and other debtors, deposits and prepayments	277,162	398,919	519,514	195,087
Pledged bank balances	–	100,000	–	–
Cash and cash equivalents	43,087	194,560	41,310	91,403
	<u>320,249</u>	<u>737,436</u>	<u>967,982</u>	<u>991,951</u>
CURRENT LIABILITIES				
Trade and other creditors and accrued expenses	495,453	688,287	661,218	312,319
Amounts due to related companies	44,064	155,356	29,690	32,683
Taxation payable	30,050	36,722	46,153	41,832
Bank and other borrowings – due within one year	270,000	250,000	285,000	350,000
	<u>839,567</u>	<u>1,130,365</u>	<u>1,022,061</u>	<u>736,834</u>
NET CURRENT (LIABILITIES) ASSETS	<u>(519,318)</u>	<u>(392,929)</u>	<u>(54,079)</u>	<u>255,117</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,861,027</u>	<u>2,758,107</u>	<u>3,065,799</u>	<u>3,482,001</u>
NON-CURRENT LIABILITIES				
Bank and other borrowings – due after one year	450,000	840,000	685,000	735,000
Deferred tax liabilities	374,306	541,983	684,355	827,463
	<u>824,306</u>	<u>1,381,983</u>	<u>1,369,355</u>	<u>1,562,463</u>
NET ASSETS	<u><u>1,036,721</u></u>	<u><u>1,376,124</u></u>	<u><u>1,696,444</u></u>	<u><u>1,919,538</u></u>
CAPITAL AND RESERVES				
Paid-in capital	493,558	617,905	734,669	734,669
Retained profits	543,163	758,219	961,775	1,184,869
TOTAL EQUITY	<u><u>1,036,721</u></u>	<u><u>1,376,124</u></u>	<u><u>1,696,444</u></u>	<u><u>1,919,538</u></u>

APPENDIX I UNAUDITED FINANCIAL INFORMATION ON YANGKOU PORT CO

Statements of Changes in Equity

For the three years ended 31 March 2010 and six months ended 30 September 2009 and 2010

	Paid-in capital <i>RMB'000</i> (unaudited)	Retained profits <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
At 1 April 2007	328,330	–	328,330
Profit for the year and total comprehensive income for the year	–	543,163	543,163
Capital contributions by equity owners	165,228	–	165,228
At 31 March 2008	493,558	543,163	1,036,721
Profit for the year and total comprehensive income for the year	–	215,056	215,056
Capital contributions by equity owners	124,347	–	124,347
At 31 March 2009	617,905	758,219	1,376,124
Profit for the year and total comprehensive income for the year	–	203,556	203,556
Capital contributions by equity owners	116,764	–	116,764
At 31 March 2010	734,669	961,775	1,696,444
Profit for the period and total comprehensive income for the period	–	223,094	223,094
At 30 September 2010	<u>734,669</u>	<u>1,184,869</u>	<u>1,919,538</u>
At 1 April 2009	617,905	758,219	1,376,124
Profit for the period and total comprehensive income for the period	–	173,903	173,903
At 30 September 2009	<u>617,905</u>	<u>932,122</u>	<u>1,550,027</u>

APPENDIX I UNAUDITED FINANCIAL INFORMATION ON YANGKOU PORT CO

Statements of Cash Flows

For the three years ended 31 March 2010 and six months ended 30 September 2009 and 2010

	Year ended 31 March			Six months ended 30 September	
	2008 RMB'000 (unaudited)	2009 RMB'000 (unaudited)	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
OPERATING ACTIVITIES					
Profit before taxation	947,519	394,949	359,907	317,671	366,202
Adjustments for:					
Finance costs	–	–	3,081	–	17,065
Depreciation of property, plant and equipment	25,167	30,993	46,321	28,023	11,104
Gain on fair value changes of investment properties	(834,519)	(346,086)	(303,991)	(286,000)	(310,921)
Interest income	(2,373)	(961)	(1,904)	(1,689)	(451)
Loss on disposal of property, plant and equipment	–	–	8	7	–
	135,794	78,895	103,422	58,012	82,999
Operating cash flows before movements in working capital					
(Increase) decrease in trade and other debtors, deposits and prepayments	(241,418)	(121,757)	(120,595)	(7,009)	324,427
Increase (decrease) in trade and other creditors and accrued expenses	260,503	162,671	(28,942)	(15,539)	(382,185)
Increase (decrease) in amounts due to related companies	28,317	11,292	(26,666)	(11,601)	2,963
	183,196	131,101	(72,781)	23,863	28,204
Cash generated from (used in) operations					
Income tax paid	–	(5,544)	(4,548)	(4,548)	(4,321)
	183,196	125,557	(77,329)	19,315	23,883
NET CASH FROM (USED IN) OPERATING ACTIVITIES	183,196	125,557	(77,329)	19,315	23,883
INVESTING ACTIVITIES					
Increase in project under development	(756,939)	(311,733)	(29,188)	(26,297)	(29,201)
Advance to fellow subsidiaries	(92,265)	(92,484)	–	–	(30,110)
Repayment from fellow subsidiaries	–	–	11,878	3,037	–
Additions to pledged bank deposits	–	(100,000)	–	–	–
Release of pledged bank deposits	–	–	100,000	100,000	–
Additions to property, plant and equipment	(29,083)	(1,276)	(428)	(293)	(56)
Interest received	2,373	961	1,904	1,689	451
	(875,914)	(504,532)	84,166	78,136	(58,916)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(875,914)	(504,532)	84,166	78,136	(58,916)

APPENDIX I UNAUDITED FINANCIAL INFORMATION ON YANGKOU PORT CO

Statements of Cash Flows - continued

	Year ended 31 March			Six months ended 30 September	
	2008 <i>RMB'000</i> (unaudited)	2009 <i>RMB'000</i> (unaudited)	2010 <i>RMB'000</i> (unaudited)	2009 <i>RMB'000</i> (unaudited)	2010 <i>RMB'000</i> (unaudited)
FINANCING ACTIVITIES					
New bank and other borrowings raised	780,000	640,000	130,000	40,000	230,000
Repayment of bank and other borrowings	(120,000)	(270,000)	(250,000)	(140,165)	(115,000)
Interest paid	(52,750)	(63,899)	(56,851)	(32,020)	(29,874)
Capital contributions by equity owners	165,228	124,347	116,764	–	–
Advance from a related company	–	100,000	–	–	–
Repayment to related companies	(110,637)	–	(100,000)	(100,000)	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	661,841	530,448	(160,087)	(232,185)	85,126
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(30,877)	151,473	(153,250)	(134,734)	50,093
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	73,964	43,087	194,560	194,560	41,310
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	43,087	194,560	41,310	59,826	91,403

Notes to the Unaudited Financial Information

For the three years ended 31 March 2010 and six months ended 30 September 2009 and 2010

1. GENERAL

On 31 January 2011, Glory Well, an indirect wholly-owned subsidiary of PYI entered into a conditional sale and purchase agreement for the Disposal of 50.1% of the equity interest in Yangkou Port Co to Ritai, a 5% equity holder of Yangkou Port Co.

The unaudited financial information is presented in Renminbi, the currency of the primary economic environment in which Yangkou Port Co operates (the functional currency of Yangkou Port Co).

2. BASIS OF PREPARATION

The unaudited financial information of Yangkou Port Co has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purposes of inclusion in the circular to be issued by PYI in connection with the Disposal.

The unaudited financial information has been prepared on the historical cost basis, except for investment properties which are measured at fair values. The amounts included in the unaudited financial information for the three years ended 31 March 2010 and the six months ended 30 September 2010 (the "Relevant Periods") have been prepared using the same accounting policies adopted by PYI in the preparation of PYI's consolidated financial statements and condensed consolidated financial statements for the respective years and periods in the Relevant Periods, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited financial information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) "Presentation of Financial Statements".

The unaudited statements of comprehensive income, statements of changes in equity and statements of cash flows for the Relevant Periods include the results and cash flows of Yangkou Port Co for each of the three years ended 31 March 2008, 2009 and 2010, and the six months ended 30 September 2009 and 2010.

The unaudited statements of financial position as at 31 March 2008, 2009 and 2010 and 30 September 2010 include the assets and liabilities of Yangkou Port Co as at those reporting period end dates.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The unaudited pro forma financial information presented below is prepared to illustrate (a) the financial position of the Remaining Group as if the Disposal had been completed on 30 September 2010; and (b) the results and cash flows of the Remaining Group as if the Disposal had been completed on 1 April 2010. This unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not purport to represent the true picture of the financial position of the Group as at 30 September 2010 or at any future date had the Disposal been completed on 30 September 2010 or the results and cash flows of the Group for the six months ended 30 September 2010 or for any future period had the Disposal been completed on 1 April 2010.

The unaudited pro forma financial information is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2010, the unaudited condensed consolidated income statement and unaudited condensed consolidated statement of cash flows of the Group for the six months ended 30 September 2010 extracted from the interim report of the Company and the unaudited financial information of Yangkou Port Co set out in Appendix I to this circular after giving effect to the pro forma adjustments described in the accompanying notes and was prepared in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Listing Rules.

I. Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group

	The Group	Pro forma adjustments			The Remaining Group
	HK\$'000	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Subtotal for Notes 1 and 2)	HK\$'000 (Note 3)
NON-CURRENT ASSETS					
Property, plant and equipment	2,279,663	(1,027,793)	(35,057)	(1,062,850)	1,216,813
Investment properties	3,067,824	(2,355,735)		(2,355,735)	712,089
Project under development	1,536,798	(355,618)	(719,416)	(1,075,034)	461,764
Prepaid lease payments	309,436				309,436
Goodwill	61,646				61,646
Other intangible assets	174,392				174,392
Interests in associates	1,065,790				1,065,790
Interests in jointly controlled entities	952				952
Available-for-sale investments	759				275,000
Other debtors – non-current portion	170,313				873,122
	8,667,573	(3,739,146)	(754,473)	(4,493,619)	1,148,122
CURRENT ASSETS					
Stock of properties	2,319,375	(577,188)	(446,908)	(1,024,096)	1,295,279
Prepaid lease payments	4,140				4,140
Inventories of finished goods	40,214				40,214
Loans receivable – due within one year	112,375				112,375
Amounts due from associates	27,143				27,143
Amounts due from non-controlling interests	1,159				1,159
Amounts due from customers for contract works	218,205				218,205
Trade and other debtors, deposits and prepayments	2,169,127	(226,058)		(226,058)	1,943,069
Investments held for trading	34,561				34,561
Available-for-sale investments	81				81
Pledged bank deposits	15,427				15,427
Short term bank deposits	468,562				468,562
Bank balances and cash	574,115	(105,913)		(105,913)	773,508
Amount due from Yangkou Port Co	–	1,194		1,194	1,194
	5,984,484	(907,965)	(446,908)	(1,354,873)	773,508
					5,403,119

I. Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group - continued

	The Group	Pro forma adjustments			The Remaining Group
	HK\$'000	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Subtotal for Notes 1 and 2)	HK\$'000 (Note 3)
CURRENT LIABILITIES					
Amounts due to customers for contract works	1,102,795				1,102,795
Trade and other creditors and accrued expenses	1,762,995	(361,900)	(19,071)	(380,971)	200,505
Deposits received for pre-sale properties	449,867				449,867
Amounts due to associates	43,748	(33,244)		(33,244)	10,504
Amounts due to non-controlling interests	23,690				23,690
Amounts due to related companies	3,776	(3,433)		(3,433)	343
Taxation payable	64,687	(48,473)		(48,473)	16,214
Bank and other borrowings – due within one year	1,418,027	(405,562)		(405,562)	1,012,465
Amount due to Yangkou Port Co	–	240,264		240,264	240,264
	4,869,585	(612,348)	(19,071)	(631,419)	200,505
NET CURRENT ASSETS (LIABILITIES)	1,114,899	(295,617)	(427,837)	(723,454)	573,003
TOTAL ASSETS LESS CURRENT LIABILITIES	9,782,472	(4,034,763)	(1,182,310)	(5,217,073)	1,721,125
NON-CURRENT LIABILITIES					
Bank and other borrowings – due after one year	1,518,366	(851,680)		(851,680)	666,686
Amounts due to non-controlling interests	20,857				20,857
Deferred tax liabilities	2,055,634	(958,822)	(632,257)	(1,591,079)	464,555
Deferred income	52,608				52,608
Other payables	91,741				91,741
	3,739,206	(1,810,502)	(632,257)	(2,442,759)	–
	<u>6,043,266</u>	<u>(2,224,261)</u>	<u>(550,053)</u>	<u>(2,774,314)</u>	<u>1,721,125</u>
CAPITAL AND RESERVES					
Issued capital	452,913				452,913
Reserves	3,928,085				22,329
Equity attributable to owners of the Company	4,380,998				22,329
Non-controlling interests	1,662,268				(1,075,518)
TOTAL EQUITY	<u>6,043,266</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,053,189)</u>
					<u>4,990,077</u>

II. Unaudited Pro Forma Consolidated Income Statement of the Remaining Group

	The Group	HK\$'000 (Note 4)	Pro forma adjustments		HK\$'000 (Note 6)	The Remaining Group
	HK\$'000		HK\$'000 (Note 5)	HK\$'000 (Subtotal for Notes 4 and 5)		HK\$'000
Turnover	2,557,029	(33,027)		(33,027)		2,524,002
Cost of sales	(2,366,248)	12,569	383	12,952		(2,353,296)
Gross profit	190,781	(20,458)	383	(20,075)		170,706
Other income	17,528	(15,453)		(15,453)		2,075
Other gains and losses	2,703	(6,969)		(6,969)		(4,266)
Administrative expenses	(141,810)	1,072		1,072		(140,738)
Distribution and selling expenses	(42,128)					(42,128)
Other expenses	(8,435)	(41,061)		(41,061)		(49,496)
Finance costs	(43,084)	19,546		19,546		(23,538)
Gain on fair value changes of investment properties	297,102	(356,152)	76,401	(279,751)		17,351
Share of results of associates	117,145					117,145
Share of results of jointly controlled entities	(221)					(221)
Profit before taxation	389,581	(419,475)	76,784	(342,691)		46,890
Taxation	(128,753)	163,927	(40,215)	123,712		(5,041)
	260,828	(255,548)	36,569	(218,979)		41,849
Gain on disposal of a subsidiary	-				269,971	269,971
Profit for the period	<u>260,828</u>	<u>(255,548)</u>	<u>36,569</u>	<u>(218,979)</u>		<u>311,820</u>
Profit for the period attributable to:						
Owners of the Company	178,124	(153,329)	21,942	(131,387)	269,971	316,708
Non-controlling interests	82,704	(102,219)	14,627	(87,592)		(4,888)
	<u>260,828</u>	<u>(255,548)</u>	<u>36,569</u>	<u>(218,979)</u>		<u>311,820</u>

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

III. Unaudited Pro Forma Condensed Consolidated Statement of Cash Flows of the Remaining Group

	The Group HK\$'000	Pro forma adjustments		The Remaining Group HK\$'000
		<i>HK\$'000 (Note 7)</i>	<i>HK\$'000 (Note 8)</i>	
NET CASH FROM (USED IN) OPERATING ACTIVITIES	<u>422,914</u>	<u>(27,357)</u>		<u>395,557</u>
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(157,549)	64		(157,485)
Acquisition of additional interest in an associate	(154,704)			(154,704)
Increase in project under development	(54,408)	33,449		(20,959)
Refundable deposits paid for potential projects	(50,000)			(50,000)
Additions to investment properties	(29,782)			(29,782)
Capital contribution to a jointly-controlled entity	(4,600)			(4,600)
Dividend income from associates	55,599			55,599
Refundable deposits refunded for potential projects	25,000			25,000
Decrease in pledged bank deposits	18,155			18,155
Other investing cash flows	8,367	(517)		7,850
Disposal of a subsidiary	–		711,742	711,742
NET CASH (USED IN) FROM INVESTING ACTIVITIES	<u>(343,922)</u>	<u>32,996</u>		<u>400,816</u>
FINANCING ACTIVITIES				
Repayment of bank and other borrowings	(873,779)	131,730		(742,049)
Interest paid	(78,718)	34,220		(44,498)
Repayment of amount due to a non-controlling interests	(28,469)			(28,469)
Repayment of loan from a related company	(18,000)			(18,000)
New bank and other borrowings raised	930,089	(263,459)		666,630
Contribution from non-controlling interests	28,391			28,391
Advance from Yangkou Port Co	–	34,490		34,490
NET CASH USED IN FINANCING ACTIVITIES	<u>(40,486)</u>	<u>(63,019)</u>		<u>(103,505)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	38,506	(57,380)		692,868
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	5,139	(1,537)		3,602
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	<u>999,032</u>			<u>999,032</u>
CASH AND CASH EQUIVALENTS CARRIED FORWARD	<u><u>1,042,677</u></u>			<u><u>1,695,502</u></u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Notes:

For the purpose of the presentation of the unaudited pro forma financial information, conversion of RMB into HK\$ is calculated at the following exchange rates:

- (a) HK\$1.00 to RMB0.863 as at 30 September 2010 for Notes 1, 2 and 3;
 - (b) HK\$1.00 to RMB0.873 for the six months ended 30 September 2010 for Notes 4, 5 and 7; and
 - (c) HK\$1.00 to RMB0.879 as at 1 April 2010 for Notes 6 and 8.
1. These adjustments represent the exclusion of the assets and liabilities of Yangkou Port Co based on their carrying amounts in the books and records of Yangkou Port Co, which are extracted from the unaudited financial information of Yangkou Port Co as at 30 September 2010, and the reinstatement of the balances between the Remaining Group and Yangkou Port Co as at 30 September 2010, assuming the Disposal had taken place on 30 September 2010.
 2. These adjustments reflect the exclusion of fair value adjustments on the assets and liabilities of Yangkou Port Co as at 30 September 2010 arising from acquisition of equity interests in Yangkou Port Co by PYI in prior years, assuming the Disposal had taken place on 30 September 2010.
 3. These adjustments reflect the consideration receivable by the Group for the Disposal, and the resulting estimated gain arising from the Disposal as if the Disposal had taken place on 30 September 2010 based on the total consideration of approximately RMB1,507 million (equivalent to HK\$1,746 million), comprising the first two cash payments of approximately RMB753.5 million (equivalent to HK\$873 million) in aggregation and the remaining instalments of approximately RMB753.5 million (equivalent to HK\$873 million) in aggregation to be settled on or before 31 December 2013.

Calculation of gain on disposal:	<i>HK\$'000</i>
Total consideration for the Disposal	1,746,243
Net assets of Yangkou Port Co attributable to owners of PYI as at 30 September 2010 (being pro forma adjusted net assets of Yangkou Port Co as at 30 September 2010 of approximately HK\$2,774 million less carrying amount of non-controlling interests of approximately HK\$1,075 million)	(1,698,796)
Recognition of remaining 9.9% interest in Yangkou Port Co retained by PYI and classified as an available-for-sale investment*	275,000
Further capital injected by PYI as contributions to Yangkou Port Co subsequent to 30 September 2010	(121,163)
Costs directly attributable to the Disposal, including PRC tax levies to be charged on the Disposal of approximately HK\$123 million and other estimated direct costs such as legal and professional fees of approximately HK\$56 million	<u>(178,955)</u>
Gain on disposal before release of attributable reserves	<u>22,329</u>
Reclassification adjustment of the cumulative exchange reserve on translation of Yangkou Port Co from the functional currency to HK\$ to income statement upon Disposal	<u>171,227</u>
	<u>193,556</u>

* For the purpose of this unaudited pro forma financial information, it is assumed that the Remaining Group has no significant influence on the operation of Yangkou Port Co subsequent to the completion of Disposal and that the carrying amount of the remaining 9.9% interest in Yangkou Port Co is approximate to its fair value as at 30 September 2010. An assessment of whether the Remaining Group has significant influence over Yangkou Port Co will be carried out after the Disposal. The valuation of the remaining 9.9% interest will be carried out as at the completion date of the Disposal.

Cash inflow of approximately HK\$774 million is resulted from these adjustments, which represent the cash inflow of approximately HK\$873 million less PRC tax levies and other estimated direct costs in aggregate of approximately HK\$99 million. These adjustments also reflect the PRC tax levies of approximately HK\$80 million to be paid upon payment of remaining instalments subsequent to the completion of the Disposal and the further capital contributions to Yangkou Port Co of approximately HK\$121 million payable by PYI, assuming the Disposal had taken place on 30 September 2010.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

Notes: continued

4. These adjustments represent the exclusion of the results of Yangkou Port Co for the six months ended 30 September 2010, which are extracted from the unaudited financial information of Yangkou Port Co for the six months ended 30 September 2010, and the reinstatement of the transactions between the Remaining Group and Yangkou Port Co for the six months ended 30 September 2010, assuming the Disposal had taken place on 1 April 2010.
5. These adjustments reflect the exclusion of the fair value adjustments on results of Yangkou Port Co for the six months ended 30 September 2010 arising from acquisition of equity interests in Yangkou Port Co by PYI in prior years, assuming the Disposal had taken place on 1 April 2010.
6. These adjustments reflect the resulting estimated gain arising from the Disposal as if the Disposal had taken place on 1 April 2010 based on the total consideration of approximately RMB1,507 million (equivalent to HK\$1,714 million), comprising the first two cash payments of approximately RMB753.5 million (equivalent to HK\$857 million) in aggregation and the remaining instalments to be settled on or before 31 December 2013.

Calculation of gain on disposal:	<i>HK\$'000</i>
Total consideration for the Disposal	1,714,457
Net assets of Yangkou Port Co attributable to owners of PYI as at 1 April 2010 (being pro forma adjusted net assets of Yangkou Port Co as at 1 April 2010 of approximately HK\$2,506 million less carrying amount of non-controlling interests of approximately HK\$967 million)	(1,538,963)
Recognition of remaining 9.9% interest in Yangkou Port Co retained by PYI and classified as an available-for-sale investment [#]	248,000
Further capital injected by PYI as contributions to Yangkou Port Co subsequent to 1 April 2010	(118,957)
Costs directly attributable to the Disposal, including PRC tax levies to be charged on the Disposal of approximately HK\$121 million and other estimated direct costs such as legal and professional fees of approximately HK\$55 million	(176,390)
Gain on disposal before release of attributable reserves	128,147
Reclassification adjustment of the cumulative exchange reserve on translation of Yangkou Port Co from the functional currency to HK\$ to income statement upon Disposal	141,824
	269,971

[#] For the purpose of this unaudited pro forma financial information, it is assumed that the Remaining Group has no significant influence on the operation of Yangkou Port Co subsequent to the completion of Disposal and that the carrying amount of the remaining 9.9% interest in Yangkou Port Co is approximate to its fair value as at 1 April 2010. An assessment of whether the Remaining Group has significant influence over Yangkou Port Co will be carried out after the Disposal. The valuation of the remaining 9.9% interest will be carried out as at the completion date of the Disposal.

7. These adjustments represent the exclusion of the cash flows of Yangkou Port Co, which are extracted from the unaudited financial information of Yangkou Port Co for the six months ended 30 September 2010, and the reinstatement of the advance from Yangkou Port Co to the Remaining Group for the six months ended 30 September 2010, assuming the Disposal had taken place on 1 April 2010.
8. These adjustments reflect the cash inflow of approximately HK\$857 million less PRC tax levies and other estimated direct costs of approximately HK\$98 million in aggregate arising from the Disposal and cash and cash equivalents of Yangkou Port Co as at 1 April 2010 of approximately HK\$47 million, assuming the Disposal had taken place on 1 April 2010.



**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION
TO THE DIRECTORS OF PYI CORPORATION LIMITED**

We report on the unaudited pro forma financial information of PYI Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed disposal of 50.1% interest in Jiangsu Yangkou Port Development and Investment Co., Ltd. might have affected the financial information presented, for inclusion in Appendix II of the circular issued by the Company dated 25 February 2011 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on page II-1 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 September 2010 or any future date or the results and cash flows of the Group for the six months ended 30 September 2010 or any future period.

Opinion

In our opinion:

- a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

25 February 2011

1. MANAGEMENT DISCUSSION AND ANALYSIS ON THE REMAINING GROUP**For the six months ended 30 September 2010***Segment information relating to the Remaining Group*

For the six months ended 30 September 2010, turnover of the Remaining Group amounted to about HK\$2,524 million, which was mainly derived from the Remaining Group's engineering arm – Paul Y. Engineering Group.

The profit contribution of reportable segments to the Remaining Group's was (i) net gain of about HK\$22 million from Paul Y. Engineering Group engaged in management contracting and property development management businesses; (ii) net loss of about HK\$63 million from ports development business; (iii) net gain of about HK\$130 million from ports and logistics business; (iv) net gain of about HK\$18 million from property business; and (v) net gain of about HK\$2 million from treasury business.

During the six months ended 30 September 2010, Paul Y. Engineering Group achieved 24% growth in turnover than last corresponding period. As at 30 September 2010, the total value of contracts on hand of Paul Y. Engineering Group was about HK\$11,262 million and new contracts totaling HK\$1,505 million was secured during the six months ended 30 September 2010.

The performance of the ports and logistics business was benefited by the Remaining Group's bargain purchase gain of about HK\$90 million for additional 15% interest from 25% to 40% in Jiangyin Sunan International Container Terminal Co., Ltd. ("Jiangyin Sunan"). The performance of Nantong Port Group Limited ("Nantong Port Group") and Yichang Port Group Limited ("Yichang Port Group") are satisfactory with increase in both cargo and container throughput. The LPG business of Minsheng Gas recorded a quarterly margin erosion by maintaining a competitive price strategy to capture a larger share of automotive LPG market in Wuhan, and returned to a healthy level afterwards from July 2010.

Units sold for Wanhua Zijin Garden, a residential property development near Yangkou Port, and rental income from Pioneer Technology Building, an investment property in Hangzhou, and certain commercial properties of about 5,000 sq m acquired through Yichang Port Group during the period, had contributed to the performance of the property business during the six months ended 30 September 2010. Nantong International Trade Center, a commercial and office development in Nantong, had pre-sold up to 44% of its total saleable area as at 30 September 2010.

For development of land bank at Xiao Yangkou, about 2 sq km of the 12 sq km had reached the formed and serviced stage as at 30 September 2010. As at 30 September 2010, total value of the Remaining Group's portfolio of trading securities amounted to about HK\$35 million, and portfolio of high-yield loans receivable amounted to about HK\$112 million.

Saved as disclosed above, the Remaining Group had no other significant investment held as at 30 September 2010.

Capital structure, liquidity and financial resources of the Remaining Group

As at 30 September 2010, the Remaining Group had total assets of HK\$8,562 million which were financed by shareholders' funds and a variety of credit facilities. The Remaining Group mainly generated revenue and incurred costs in HK\$ and RMB, and did not have any related hedges for six months ended 30 September 2010. No financial instruments were used for hedging purpose. The Remaining Group adopted a prudent funding and treasury policy and managed the fluctuation exposures of exchange rate and interest rate on specific transactions.

Bank balances and cash of the Remaining Group as at 30 September 2010 amounted to about HK\$952 million, of which about HK\$15 million had been pledged to banks to secure general credit facilities granted to the Remaining Group. As at 30 September 2010, the Remaining Group's total borrowings amounted to about HK\$1,702 million with about HK\$1,014 million repayable on demand or within one year and about HK\$688 million repayable after one year. Borrowings denominated in Hong Kong dollars with about HK\$467 million bore interest at floating rates and about HK\$4 million bore interest at fixed rates. Borrowings denominated in Renminbi with about HK\$1,104 million bore interest at floating rates and about HK\$127 million bore interest at fixed rates. The Remaining Group's gearing ratio was 0.63, which was calculated based on the total borrowings of about HK\$1,702 million and the Remaining Group's shareholders' fund of about HK\$2,682 million.

Charges on assets

As at 30 September 2010, certain property interests, property, plant and equipment, inventories, trade receivables and bank balances of the Remaining Group and shares charge on certain investments in subsidiaries of the Company with an aggregate value of about HK\$2,063 million, as well as benefits over certain construction contracts were pledged to banks and financial institutions to secure general credit facilities granted to the Remaining Group.

Material acquisition and disposal

During the six months ended 30 September 2010, the Remaining Group acquired an additional 15% equity interest in Jiangyin Sunan from 25% to 40% through contribution of about RMB134.8 million (equivalent to about HK\$154.7 million) to its enlarged registered capital. Apart from the aforesaid, there are no other material acquisition or disposal of subsidiaries and associates during the six months ended 30 September 2010.

Contingent liabilities

As at 30 September 2010, the Remaining Group had contingent liabilities in respect of guarantees given to banks for banking facilities given to third parties of about HK\$64 million.

Commitments

As at 30 September 2010, the Remaining Group had expenditure contracted for but not provided for in respect of acquisition of certain property, plant and equipment of about HK\$121 million to be mainly financed by shareholders' funds and credit facilities. Apart from the aforesaid, the Remaining Group had no future plans for material investment or capital assets.

Number of employees and remuneration policy

Including the directors of the Remaining Group, as at 30 September 2010, the Remaining Group employed a total of 3,347 full time employees. Remuneration packages consisted of salary as well as performance-based and equity-based bonuses. The Company has also implemented three share-related incentive schemes to provide alternative means to motivate employees and promote loyalty, which benefited staff both in Hong Kong and the Mainland. As at 30 September 2010, the number of shares issuable for options granted under the share option scheme of the Company was 129,021,902. The staff costs for the Remaining Group amounted to HK\$80 million for the six months ended 30 September 2010.

For the year ended 31 March 2010*Segment information relating to the Remaining Group*

For the year ended 31 March 2010, turnover of the Remaining Group amounted to about HK\$4,129 million, which was mainly derived from the Remaining Group's engineering arm – Paul Y. Engineering Group.

The profit contribution of reportable segments to the Remaining Group's was (i) net gain of about HK\$61 million from Paul Y. Engineering Group engaged in management contracting and property development management businesses; (ii) net loss of about HK\$1 million from ports development business; (iii) net gain of about HK\$67 million from ports and logistics business; (iv) net gain of about HK\$34 million from property business; and (v) net gain of about HK\$38,000 from treasury business.

During the year ended 31 March 2010, Paul Y. Engineering Group recorded 18% drop in turnover than last year. As at 31 March 2010, the total value of contracts on hand of Paul Y. Engineering Group was about HK\$10,093 million and new contracts totaling HK\$4,481 million was secured during the year ended 31 March 2010.

The performance of the ports and logistics business was benefited by the remarkable contribution from Nantong Port Group as a result of increase in iron ore import and domestic demand. Also, contributions were made by ports newly acquired by the Remaining Group during the year, which were 25% interest in Jiangyin Sunan and 51% interest in Yichang Port Group. The LPG business of Minsheng Gas recorded a margin erosion by maintaining a competitive price strategy to capture a larger share of automotive LPG market in Wuhan, and returned to a healthy level afterwards from July 2010.

Units sold for Wanhua Zijin Garden, a residential property development near Yangkou Port, and rental income from Pioneer Technology Building, an investment property in Hangzhou had contributed to the performance of the property business during the year ended 31 March 2010. Nantong International Trade Center, a commercial and office development in Nantong, had pre-sold up to 35% of its total saleable area as at 31 March 2010.

For development of land bank at Xiao Yangkou, about 2 sq km of the 12 sq km had reached the formed and serviced stage as at 31 March 2010. As at 31 March 2010, total value of the Remaining Group's portfolio of trading securities amounted to about HK\$44 million, and portfolio of high-yield loans receivable amounted to about HK\$267 million.

Saved as disclosed above, the Remaining Group had no other significant investment held as at 31 March 2010.

Capital structure, liquidity and financial resources of the Remaining Group

As at 31 March 2010, the Remaining Group had total assets of HK\$8,136 million which were financed by shareholders' funds and a variety of credit facilities. The Remaining Group mainly generated revenue and incurred costs in HK\$ and RMB, and did not have any related hedges for year ended 31 March 2010. No financial instruments were used for hedging purpose. The Remaining Group adopted a prudent funding and treasury policy and managed the fluctuation exposures of exchange rate and interest rate on specific transactions.

Bank balances and cash of the Remaining Group as at 31 March 2010 amounted to about HK\$986 million, of which about HK\$34 million had been pledged to banks to secure general credit facilities granted to the Remaining Group. As at 31 March 2010, the Remaining Group's total borrowings amounted to about HK\$1,946 million with about HK\$1,239 million repayable on demand or within one year and about HK\$707 million repayable after one year. Borrowings denominated in Hong Kong dollars with about HK\$461 million bore interest at floating rates and about HK\$144 million bore interest at fixed rates. Borrowings denominated in Renminbi with about HK\$1,058 million bore interest at floating rates and about HK\$283 million bore interest at fixed rates. The Remaining Group's gearing ratio was 0.75, which was calculated based on the total borrowings of about HK\$1,946 million and the Remaining Group's shareholders' fund of about HK\$2,591 million.

During the year ended 31 March 2010, the Company completed a rights issue by issuing and allotting 3,019,350,218 rights shares at a subscription price of HK\$0.12 each on the basis of two rights shares for every share of the Company held on 9 June 2009 with net proceeds of about HK\$350 million.

Charges on assets

As at 31 March 2010, certain property interests, property, plant and equipment, trade receivables and bank balances of the Remaining Group with an aggregate value of about HK\$1,833 million, as well as benefits over certain construction contracts were pledged to banks and financial institutions to secure general credit facilities granted to the Remaining Group.

Material acquisition and disposal

During the year ended 31 March 2010, the Remaining Group acquired 51% interest in Yichang Port Group at a consideration of about HK\$130 million. Apart from the aforesaid, there are no other material acquisition or disposal of subsidiaries and associates during the year ended 31 March 2010.

Contingent liabilities

As at 31 March 2010, the Remaining Group had contingent liabilities in respect of guarantees given to banks for banking facilities given to third parties of about HK\$46 million.

Commitments

As at 31 March 2010, the Remaining Group had expenditure contracted for but not provided for in respect of acquisition of certain property, plant and equipment of about HK\$37 million to be mainly financed by shareholders' funds and credit facilities. Apart from the aforesaid, the Remaining Group had no future plans for material investment or capital assets.

Number of employees and remuneration policy

Including the directors of the Remaining Group, as at 31 March 2010, the Remaining Group employed a total of 3,150 full time employees. Remuneration packages consisted of salary as well as performance-based and equity-based bonuses. The Company has also implemented three share-related incentive schemes to provide alternative means to motivate employees and promote loyalty, which benefited staff both in Hong Kong and the Mainland. As at 31 March 2010, the number of shares issuable for options granted under the share option scheme of the Company was 187,779,569. The staff costs for the Remaining Group amounted to HK\$171 million for the year ended 31 March 2010.

For the year ended 31 March 2009*Segment information relating to the Remaining Group*

For the year ended 31 March 2009, turnover of the Remaining Group amounted to about HK\$4,718 million, which was mainly derived from the Remaining Group's engineering arm – Paul Y. Engineering Group.

The profit contribution of reportable segments to the Remaining Group's was (i) net gain of about HK\$58 million from Paul Y. Engineering Group engaged in management contracting and property development management businesses; (ii) net loss of about HK\$15 million from ports development business; (iii) net gain of about HK\$39 million from ports and logistics business; (iv) net gain of about HK\$328 million from property business; and (v) net loss of about HK\$54 million from treasury business.

During the year ended 31 March 2009, Paul Y. Engineering Group recorded 10% drop in turnover than last year. As at 31 March 2009, the total value of contracts on hand of Paul Y. Engineering Group was about HK\$10,625 million and new contracts totaling HK\$4,149 million was secured during the year ended 31 March 2009.

Despite the challenging operational environment since the global financial crisis, the performance of the ports and logistics business was satisfactory resulting from the contribution from Nantong Port Group. The LPG business of Minsheng Gas also improved with distribution volume and throughput at the river terminal and the storage tank facilities showing growth again since the third quarter of 2008.

About 2 sq km of the 12 sq km land bank located at Xiao Yangkou had reached the formed and serviced stage during the year ended 31 March 2009 and contributed gain on fair value of investment properties to the Remaining Group. Units sold for Wanhua Zijin Garden, a residential property development near Yangkou Port, and rental income from Pioneer Technology Building, an investment property in Hangzhou had contributed to the performance of the property business during the year ended 31 March 2009. Nantong International Trade Center, a commercial and office development in Nantong, was topped out as at 31 March 2009 and presale activities were underway.

As at 31 March 2009, total value of the Remaining Group's portfolio of trading securities amounted to about HK\$13 million, and portfolio of high-yield loans receivable amounted to about HK\$353 million.

Saved as disclosed above, the Remaining Group had no other significant investment held as at 31 March 2009.

Capital structure, liquidity and financial resources of the Remaining Group

As at 31 March 2009, the Remaining Group had total assets of HK\$6,665 million which were financed by shareholders' funds and a variety of credit facilities. The Remaining Group mainly generated revenue and incurred costs in HK\$ and RMB, and did not have any related hedges for year ended 31 March 2009. No financial instruments were used for hedging purpose. The Remaining Group adopted a prudent funding and treasury policy and managed the fluctuation exposures of exchange rate and interest rate on specific transactions.

Bank balances and cash of the Remaining Group as at 31 March 2009 amounted to about HK\$588 million, of which about HK\$70 million had been pledged to banks to secure general credit facilities granted to the Remaining Group. As at 31 March 2009, the Remaining Group's total borrowings amounted to about HK\$1,787 million with about HK\$989 million repayable on demand or within one year and about HK\$798 million repayable after one year. Borrowings denominated in Hong Kong dollars with about HK\$476 million bore interest at floating rates and about HK\$129 million bore interest at fixed rates. Borrowings denominated in Renminbi with about HK\$1,076 million bore interest at floating rates and about HK\$106 million bore interest at fixed rates. The Remaining Group's gearing ratio was 0.87, which was calculated based on the total borrowings of about HK\$1,787 million and the Remaining Group's shareholders' fund of about HK\$2,043 million.

Charges on assets

As at 31 March 2009, certain property interests, property, plant and equipment and bank balances of the Remaining Group with an aggregate value of about HK\$1,412 million, as well as benefits over certain construction contracts were pledged to banks and financial institutions to secure general credit facilities granted to the Remaining Group.

Material acquisition and disposal

During the year ended 31 March 2009, the Remaining Group did not have any material acquisition or disposal of subsidiaries and associates.

Contingent liabilities

As at 31 March 2009, the Remaining Group had contingent liabilities in respect of guarantees given to banks for banking facilities given to a third party and an associate of about HK\$35 million.

Commitments

As at 31 March 2009, the Remaining Group had expenditure contracted for but not provided for in respect of acquisition of certain property, plant and equipment and acquisition of a non-wholly owned subsidiary of about HK\$519 million to be mainly financed by shareholders' funds and credit facilities. Apart from the aforesaid, the Remaining Group had no future plans for material investment or capital assets.

Number of employees and remuneration policy

Including the directors of the Remaining Group, as at 31 March 2009, the Remaining Group employed a total of 1,852 full time employees. Remuneration packages consisted of salary as well as performance-based and equity-based bonuses. The Company has also implemented three share-related incentive schemes to provide alternative means to motivate employees and promote loyalty, which benefited staff both in Hong Kong and the Mainland. As at 31 March 2009, the number of shares issuable for options granted under the share option scheme of the Company was 147,318,833. The staff costs for the Remaining Group amounted to HK\$176 million for the year ended 31 March 2009.

For the year ended 31 March 2008*Segment information relating to the Remaining Group*

For the year ended 31 March 2008, turnover of the Remaining Group amounted to about HK\$5,341 million, which was mainly derived from the Remaining Group's engineering arm – Paul Y. Engineering Group.

The profit contribution of reportable segments to the Remaining Group's was (i) net gain of about HK\$129 million from Paul Y. Engineering Group engaged in management contracting and property development management businesses; (ii) net loss of about HK\$52 million from port and infrastructure development and logistics business; (iii) net loss of about HK\$8 million from LPG distribution; (iv) net gain of about HK\$31 million from property business; and (v) net gain of about HK\$42 million from treasury business.

During the year ended 31 March 2008, Paul Y. Engineering Group achieved 13% increase in turnover than last year. As at 31 March 2008, the total value of contracts on hand of Paul Y. Engineering Group was about HK\$9,507 million and new contracts totaling HK\$1,565 million was secured during the year ended 31 March 2008.

The contribution to Remaining Group from Nantong Port Group was satisfactory due to revenue growth as well as successful cost control measures. However, the performance of the LPG distribution and logistics business was affected by the suppressed domestic oil price regime during the year.

Pioneer Technology Building, an investment property in Hangzhou, was acquired during the year and had contributed rental income and revaluation gain to the performance of the property business during the year ended 31 March 2008. Wanhua Zijin Garden, a residential property development near Yangkou Port, was approaching partial completion and handover stage. Nantong International Trade Center, a commercial and office development in Nantong, was under development as at 31 March 2008.

As at 31 March 2008, total value of the portfolio of high-yield loans receivable amounted to about HK\$340 million.

Saved as disclosed above, the Remaining Group had no other significant investment held as at 31 March 2008.

Capital structure, liquidity and financial resources of the Remaining Group

As at 31 March 2008, the Remaining Group had total assets of HK\$6,097 million which were financed by shareholders' funds and a variety of credit facilities. The Remaining Group mainly generated revenue and incurred costs in HK\$ and RMB, and did not have any related hedges for year ended 31 March 2008. No financial instruments were used for hedging purpose. The Remaining Group adopted a prudent funding and treasury policy and managed the fluctuation exposures of exchange rate and interest rate on specific transactions.

Bank balances and cash of the Remaining Group as at 31 March 2008 amounted to about HK\$588 million, of which about HK\$34 million had been pledged to banks to secure general credit facilities granted to the Remaining Group. As at 31 March 2008, the Remaining Group's total borrowings amounted to about HK\$1,248 million with about HK\$660 million repayable on demand or within one year and about HK\$588 million repayable after one year. Borrowings denominated in Hong Kong dollars with about HK\$337 million bore interest at floating rates and about HK\$121 million bore interest at fixed rates. Borrowings denominated in Renminbi with about HK\$697 million bore interest at floating rates and about HK\$93 million bore interest at fixed rates. The Remaining Group's gearing ratio was 0.60, which was calculated based on the total borrowings of about HK\$1,248 million and the Remaining Group's shareholders' fund of about HK\$2,080 million.

During the year ended 31 March 2008, the Remaining Group issued a zero coupon, 3-year convertible note of HK\$122 million at a conversion price of HK\$4.25 per share (adjusted to HK\$4.135 on 19 September 2008 and HK\$2.139 on 3 July 2009 regarding the rights issue in July 2009). Redemption amount would be 114.167% of par value at maturity.

Charges on assets

As at 31 March 2008, certain property interests, property, plant and equipment and bank balances of the Remaining Group with an aggregate value of about HK\$899 million, as well as benefits over certain construction contracts were pledged to banks and financial institutions to secure general credit facilities granted to the Remaining Group.

Material acquisition and disposal

During the year ended 31 March 2008, the Remaining Group did not have any material acquisition or disposal of subsidiaries and associates.

Contingent liabilities

As at 31 March 2008, the Remaining Group had contingent liabilities in respect of guarantee given to a bank for banking facilities given to an associate of about HK\$10 million.

Commitments

As at 31 March 2008, the Remaining Group had expenditure contracted for but not provided for in respect of acquisition of certain property, plant and equipment and properties under development of about HK\$753 million to be mainly financed by shareholders' funds and credit facilities. Apart from the aforesaid, the Remaining Group had no future plans for material investment or capital assets.

Number of employees and remuneration policy

Including the directors of the Remaining Group, as at 31 March 2008, the Remaining Group employed a total of 1,982 full time employees. Remuneration packages consisted of salary as well as performance-based and equity-based bonuses. The Company has also implemented three share-related incentive schemes to provide alternative means to motivate employees and promote loyalty, which benefited staff both in Hong Kong and the Mainland. As at 31 March 2008, the number of shares issuable for options granted under the share option scheme of the Company was 94,360,000. The staff costs for the Remaining Group amounted to HK\$171 million for the year ended 31 March 2008.

2. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

PYI Group is principally engaged in the business of development and investment in port and other infrastructure projects, land and property development and investment in association with port facilities, treasury investment and, through its subsidiary Paul Y. Engineering, comprehensive engineering and property-related services.

After the Disposal, the financial position of PYI will be strengthened and the principal business activities of the Remaining Group will remain unchanged. The Remaining Group will still principally engage in the operation of port and port-related business at Yichang Port, Jiangyin Port, Nantong Port and Jiaxing Port, liquefied petroleum gas and logistics businesses of Minsheng LPG, land and property development and investment, and provision of comprehensive engineering and property-related services through Paul Y. Engineering, at an aggregate net carrying value in excess of HK\$2 billion as at 30 September 2010, detailed segment information of which are as follows:

(1) Development and investment in port business*Yangkou Port*

As stated in the paragraph headed “Reasons for the Disposal” under the Letter from the Board, various infrastructures of Yangkou Port still have to be developed to cope with the PRC government plans and policies and to meet market demand, extensive funding is required for the financing of the ongoing capital expenditure program. Also, it is envisaged by the Directors that earnings and cash flow in Yangkou Port Co is unlikely to be channeled to PYI and the PYI Shareholders in the short or medium term.

Taking into consideration of the above and available financial resources, the Directors consider the Disposal a good opportunity for PYI to further crystallize its investment value in Yangkou Port Co while continuing to enjoy the future growth of Yangkou Port through the remaining 9.9% interest in Yangkou Port Co.

(2) Operation of ports and logistics business

Under the PYI Yangtze Strategy, a network of ports has been formed along the Yangtze River:

Nantong Port Group

Nantong Port Group, in which the Remaining Group has 45% interest, is principally engaged in providing cargo loading and off-loading, storage, shipping agent, cargo agent, ship anchoring, ship repairing, port machinery, shipping logistics and ship piloting services in Nantong Port, which is located in Nantong, Jiangsu Province, China. It continued to perform and grew steadily due to increase in iron ore import and domestic demand as well as enhanced cargo mix and rates. Nantong Port Group’s performance contributed about HK\$59 million for the year ended 31 March 2010 and about HK\$29 million for the six months ended 30 September 2010 to the Remaining Group’s operating profit. The Directors are confident of the performance of Nantong Port Group and its contribution to the Remaining Group after the Disposal.

Yichang Port Group

Yichang Port Group, in which the Remaining Group has 51% interest, is principally engaged in transport logistics and properties investments, providing transportation, cargo loading and discharging, storage, shipping agent, cargo agent, port logistics and port equipment rental services in Yichang Port, which is situated on the Yangtze River near the Three Gorges Dam in Yichang, Hubei Province. Yichang Port Group contributed about HK\$12 million for the year ended 31 March 2010 and about HK\$15 million for the six months ended 30 September 2010 to the Remaining Group’s operating profit. The Directors believe that Yichang Port Group will continue contributing to the Remaining Group after the Disposal.

Jiangyin Sunan

Jiangyin Sunan, in which the Remaining Group has 40% interest, is principally engaged in containers loading and unloading, storage, maintenance, washing and leasing of containers with an annual throughput capacity of 1,000,000 TEUs. The container terminal operated by Jiangyin Sunan is the only container terminal in Jiangyin, Jiangsu. Jiangyin Sunan contributed about HK\$1 million for the year ended 31 March 2010 and about HK\$91 million to the Remaining Group's operating profit for the six months ended 30 September 2010. The Directors consider that Jiangyin Sunan's contribution to the Remaining Group will gradually improve.

Jiaxing Port

Jiaxing International Container Feeder Port Limited, in which the Remaining Group has 85.14% interest, is principally engaged in the development and operation of Jiaxing Port, Jiaxing, Zhejiang Province, the PRC. The Jiaxing Port occupies a shoreline of 570 metres and a land mass of 326,000 square metres. It is designed for an annual throughput capacity of 350,000 TEUs upon completion. The first stage development of 10 berths has been completed for an annual throughput capacity of 100,000 TEUs. The port was declared soft open in mid 2010 with custom, quarantine and other government authorities in place for efficient consignment, clearance and declaration at one stop. In view of the prime location of the port and the alliance formed with Shanghai International Port Group, the Directors are optimistic about the future potential of this development.

Minsheng LPG

The LPG and logistics business of the Remaining Group is carried on by a wholly owned subsidiary, Minsheng LPG which has successfully improved its selling margin of LPG from July 2010 and is expected to contribute to the operating profit of the Remaining Group in the year end of 2011.

(3) Engineering business

The Remaining Group will also continue to benefit from the provision of comprehensive engineering and property-related services through its 62% owned listed subsidiary Paul Y. Engineering. Paul Y. Engineering achieved turnover of HK\$2,231 million during the six months ended 30 September 2010 and contributed about HK\$22 million to the Remaining Group's operating profit for the period.

(4) Property business

The Remaining Group has four major property investments in the Mainland, namely, Xiao Yangkou, Nantong International Trade Center, Wanhua Zijin Garden and Pioneer Technology Building. The property business contributed about HK\$18 million to the Remaining Group for the six months ended 30 September 2010 and about HK\$34 million for the year ended 31 March 2010.

As at 30 September 2010, about 2 square kilometres of the 12 square kilometres land bank situated at Xiao Yangkou have reached the formed and serviced stage and was classified as investment properties and measured at fair value of about HK\$470 million.

Wanhua Zijin Garden is a residential property development near Yangkou Port with a gross floor area of 65,000 square metres and contributed about HK\$2 million to the Remaining Group's operating profit for the six months ended 30 September 2010.

Nantong International Trade Center is a commercial and office development in the heart of Nantong with a gross floor area of some 80,000 square metres. The office complex was completed in October 2010 and will contribute to the Remaining Group's operating profit during the second half of the financial year.

In Hangzhou, the Remaining Group holds an investment property, Pioneer Technology Building, which is an office building with gross floor area of some 20,000 square metres, has contributed rental income of about HK\$4 million and its occupancy was about 92% as at 30 September 2010. It is expected that the Remaining Group will continue to hold this property for rental income in future.

PYI expects that the four business segments stated above will continue to provide stable revenue to the Remaining Group. In addition, new investment opportunities will be sought when suitable opportunities arise. With the strengthened financial positions, the Directors believe PYI is poised to capture new growth and further enhance Shareholders' value.

3. WORKING CAPITAL

After taking into account the expected Completion of the proposed Disposal and the present internal financial resources available as well as the available banking facilities, and in the absence of unforeseen circumstances, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

4. INDEBTEDNESS

At the close of business on 31 December 2010, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular, the Group had outstanding total borrowings of approximately HK\$3,092 million, comprising bank borrowings of approximately HK\$2,814 million of which approximately HK\$2,159 million were secured by fixed charges on certain of the Group's assets, including property interests, trade receivables, short-term bank deposits and shares charge on certain investments in subsidiaries of the Company, and unsecured other borrowings of approximately HK\$278 million.

In addition, as at 31 December 2010, the Group had contingent liabilities in respect of guarantees given to banks for banking facilities of approximately HK\$65 million granted to third parties.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have at the close of business on 31 December 2010 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 31 December 2010 of the Properties held by Yangkou Port Co.



Asset Appraisal Limited
資產評估顧問有限公司

Rm 802, 8/F, On Hong Commercial Building,
No. 145 Hennessy Road, Wanchai, Hong Kong
香港灣仔軒尼詩道145號安康商業大廈8樓802室
Tel: (852) 2529 9448 Fax: (852) 3521 9591

25 February 2011

The Board of Directors
PYI Corporation Limited
33rd Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

Dear Sirs,

Re: Valuation of various properties held by Jiangsu Yangkou Port Development and Investment Co., Ltd. (“Yangkou Port Co”) in the People’s Republic of China (the “PRC”)

In accordance with the instructions from **PYI Corporation Limited** (the “**Company**”) to value the property interests (the “**Properties**”) of Yangkou Port Co in the PRC, we confirm that we have carried out inspections of the Properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at **31 December 2010** (the “**date of valuation**”).

BASIS OF VALUATION

The valuation is our opinion of the market value of the Properties which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

TITLESHIP

We have been provided with copies of legal documents regarding the Properties. However, we have not verified ownership of the Properties and the existence of any encumbrances that would affect its ownership.

We have also relied upon the legal opinion provided by the PRC legal adviser, namely JC Master Law Offices (泰和律師事務所) (the “**PRC Legal Adviser**”), to the Company on the relevant laws and regulations in the PRC, on the nature of the Group’s interests in the Properties. Its material content has been summarized in the valuation certificate attached herewith.

VALUATION METHODOLOGY

Yangkou Port Co is playing the role as land and facilities developer by producing matured and developable land parcels which are either sold or leased to end-users to establish their operating facilities inside the Yangkou Port area. In valuing the market value of those portions of the Properties, the comparison method is adopted where comparison based on prices information on comparable property is made. Comparable property of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values. For those portions of the Properties of which site formation works were incomplete on the date of valuation, we have allowed for the further costs to be incurred for completing the site formation works.

During the course of valuation, we have identified and considered industrial/logistic land parcels transacted by way of open biddings and situated at the following sea ports:

- Yangshan Port (洋山港區)
- Tianjin Nanjiang Port (天津港南疆港區)

In verifying the reasonableness of the further costs, we have performed the following tasks:

- made consultation with the project manager who has participated in the site formation work of this project since the commencement of development of Phase 1 of the Harbour-front Industrial and Logistics Park at Yangkou Port;
- obtained basis and details on cost estimate for the site formation works in questions;
- compared and reviewed the actual cost incurred for site formation works undertaken for the formed land portions of Phase 1 Harbour-front Industrial and Logistics Park; and
- compared the scope of work between Phase 1 Harbour-front Industrial and Logistics Park with that of Phase 2 and 3.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the Properties on the market without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Properties.

As the Properties are held by the owner by means of long term Land Use Rights or Sea Use Rights granted by the Government, we have assumed that the owners have free and uninterrupted rights to use the Properties for the whole of the unexpired term of the land use rights or sea use rights.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the floor areas in respect of the Properties but have assumed that the floor areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the buildings and structures of the Properties. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment.

We must point out that we have not carried out site investigations to determine the suitability of the ground conditions or the services for the development site of the Properties. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Remarks

In valuing the properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1 January 2005.

All monetary sums stated in this report are in Renminbi (RMB).

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited
Tse Wai Leung
MFin MRICS MHKIS RPS(GP)
Director

TSE Wai Leung is a member of the Royal Institute of Chartered Surveyors, Hong Kong Institute of Surveyors and a Registered Professional Surveyor in General Practice. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 years' experience in valuation of properties in Hong Kong and in the PRC. He has previous experiences in valuing development sites, infrastructures such as ports and logistics facilities in the PRC.

SUMMARY OF VALUATION

Property	Market value in existing state as at 31 December 2010	Interest attributable to Yangkou Port Co.	Value of property interest attributable to Yangkou Port Co. as at 31 December 2010
Group I – Property interests held by Yangkou Port Co for investment			
1. 5.22-square kilometre land of Phase 1 of the Harbour-front Industrial and Logistics Park Yangkou Port at the north of Changsha Town Rudong County Nantong City Jiangsu Province the PRC	RMB1,627,440,000 (Note 1)	100%	RMB1,627,440,000
2. 0.14 square kilometre land of the Man-made Island (also known as Sun Island) at the north of Changsha Town Rudong County Nantong City Jiangsu Province the PRC	RMB107,000,000	100%	RMB107,000,000
Total:	RMB1,734,440,000 (Note 2)		RMB1,734,440,000
Group II – Property interests held by Yangkou Port Co for sale			
3. 2.76-square kilometre land of Phase 1 of the Harbour-front Industrial and Logistics Park Yangkou Port at the north of Changsha Town Rudong County Nantong City Jiangsu Province the PRC	RMB925,840,000 (Note 3)	100%	RMB925,840,000
4. 0.49-square kilometre land of the Man-made Island (also known as Sun Island) and the Yellow Sea Bridge at the north of Changsha Town Rudong County Nantong City Jiangsu Province the PRC	RMB1,197,863,000 (Note 4)	100%	RMB1,197,863,000
Total:	RMB2,123,703,000 (Note 5)		RMB2,123,703,000

Property	Market value in existing state as at 31 December 2010	Interest attributable to Yangkou Port Co.	Value of property interest attributable to Yangkou Port Co. as at 31 December 2010
Group III –Property interests held by Yangkou Port Co under site formation work			
5. 1.07-square kilometre land of Phase 1 of the Harbour-front Industrial and Logistics Park Yangkou Port at the north of Changsha Town Rudong County Nantong City Jiangsu Province the PRC	RMB299,840,000	100%	RMB299,840,000
6. 21.63-square kilometre land of Phase 2 and 3 of the Harbour-front Industrial and Logistics Park Yangkou Port at the north of Changsha Town Rudong County Nantong City Jiangsu Province the PRC	RMB3,024,790,000	100%	RMB3,024,790,000
Total:	RMB3,324,630,000		RMB3,324,630,000
Grand Total:	RMB7,182,773,000		RMB7,182,773,000

Notes:

1. The market value of the property comprises land value of RMB1,611,640,000 and building value of RMB15,800,000.
2. The total market value of Group I properties comprises total land value of RMB1,718,640,000 and total building value of RMB15,800,000.
3. The market value of the property comprises land value of RMB904,140,000 and building value of RMB21,700,000.
4. The market value of the property comprises land value of RMB377,330,000 and value of the Yellow Sea Bridge of RMB820,533,000.
5. The total market value of Group II properties comprises total land value of RMB1,281,470,000, total building value of RMB21,700,000 and value of the Yellow Sea Bridge of RMB820,533,000.

VALUATION CERTIFICATE

Group I – Property interests held by Yangkou Port Co for investment

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 December 2010 RMB
1. 5.22-square kilometre land of Phase 1 of the Harbour-front Industrial and Logistics Park Yangkou Port at the north of Changsha Town Rudong County Nantong City Jiangsu Province the PRC	Phase 1 of the Harbour-front Industrial and Logistics Park which comprises of 5 parcel of contiguous land covers a total land area of approximately 9.05 square kilometers. It has been formed by sea silt deposit.	The property is currently vacant.	1,627,440,000
Lot Nos. 14-216-(001)-001 to 14-216-(001)-005	The property which covered a total land area of approximately 5.22 square kilometers has been formed. The property is serviced with major thoroughfares. The property has been designated for industrial purposes a portion of which with an area of 2.57 square kilometres is allocated for dangerous chemical processing and storage uses (see footnotes 6 below). A portion near the south-east corner of the property has been developed with 3 blocks of 2-storey office/staff quarter building and a 2-storey restaurant building with a total gross floor area of 6,489.69 square metres. They were completed in 2009.		(100% interest attributable to Yangkou Port Co: 1,627,440,000)

Notes:

- As specified in five sets of Land Use Right Certificate (Ref. Dong Guo Yong (2006) Nos. 720002 to 720006) all dated 14 March 2006, the land use rights with a total area of 9,051,859.34 square metres (of which the property forms part) are held by Yangkou Port Co.
- As specified in three sets of Building Ownership Certificate (Ref. Yu Dong Fang Quan Zheng Chang Sha Zhen Zi Nos. 0920235-1 to 0920235-3) all dated 28 December 2009, 3 blocks of 2-storey office building of the property with a total gross floor area of 3,740.28 square metres are held by Yangkou Port Co.
- As specified in a Building Ownership Certificate (Ref. Yu Dong Fang Quan Zheng Chang Sha Zhen Zi No. 0920235-4) dated 28 December 2009, a block of 2-storey restaurant building with a gross floor area of 2,747.41 square metres is held by Yangkou Port Co.

4. Yangkou Port Co is a joint venture enterprise with a registered and paid up capital of US\$136.65 million of which 60% equity interest is held by Glory Well Limited (of which PYI Corporation Limited has an effective interest of 100%), 25% is held by Rudong County Dongtai Community Development and Investment Co., Ltd. (如東縣東泰社會發展投資有限責任公司), 10% is held by Nantong State-owned Assets Investment Holdings Limited (南通國有資產投資控股有限公司) and 5% is held by Rudong County Ritai Infrastructure Development and Investment Co., Ltd. (如東縣日泰基礎設施建設投資有限公司).
5. Yangkou Port Co holds a Business Licence (Registration No. 320600400011605) issued by the Jiangsu Nantong Administration of Industry and Commerce dated 11 January 2011. As mentioned in the Business Licence, the joint venture with an authorized operation period spanning between 28 August 2003 and 29 December 2054 has a permitted scope of businesses of property development, sea reclamation, development, construction and operation of port, highway, bridge and harbour front industrial park.
6. In response to the application launched by the Municipal Government of Rudong County on 11 May 2009, the Municipal Government of Nantong City endorsed an approval on 29 August 2009 by which a total land area of 5.4 square kilometers (of which 2.57 square kilometers is attributable to the property) within the Harbour-front Industrial and Logistics Park Phase 1 of Yangkou Port is permitted for dangerous chemical processing and storage uses.
7. The market value of the property includes the depreciated replacement costs of the subject buildings with a sum of approximately RMB15,800,000. Depreciation replacement cost is defined as the current cost of replacement (reproduction) of a property of identical or closely similar utility with deductions for physical depreciation and all relevant forms of obsolescence and optimization. It is based on an estimate of the current costs of replacement (reproduction) of the land improvement erected thereon less physical deterioration and all relevant forms of obsolescence and optimization.
8. We have been provided with a legal opinion regarding the property interests by the PRC Legal Adviser, which contains, inter alia, the followings:
 - 8.1 The permitted uses of the property fall within the permissible land uses that can be granted by the Government by way of allocation.
 - 8.2 The Land Use Right Certificates of the property as mentioned in Note 1 above have been issued to Yangkou Port Co and the land use rights of the property are legal and valid.
 - 8.3 The Building Ownership Certificates of the subject buildings as mentioned in Note 2 and 3 above have been issued to Yangkou Port Co and its building ownership rights in the buildings are legal and valid.
 - 8.4 The land use rights of a portion of the property with a total area of 4.49 square kilometers have been pledged to the local banks in the PRC. The remaining portion of the property is not pledged.
 - 8.5 Under the prevailing land law of the PRC, the statutory duration for land use rights granted for industrial purpose is 50 years.
 - 8.6 Yangkou Port Co is a legally established and validly operating Sino-foreign equity joint venture enterprise of which the registered capital has been paid-up in full. There is no situation pursuant to laws, regulations and its article of association causing the termination of the joint venture enterprise.
 - 8.7 The existing operations of Yangkou Port Co are within the scope of business operations to be performed by foreign owned enterprises. The business operations of Yangkou Port Co are adhering to laws, regulation and its article of association and Yangkou Port Co has obtained necessary licenses to operate in the location of the property.
 - 8.8 Under the article of association of Yangkou Port Co, its distributable after tax profit together with its distributable retained earnings shall be shared by its shareholders in proportion to the actual capital contribution of each of the shareholders.

VALUATION CERTIFICATE

Group I – Property interests held by Yangkou Port Co for investment

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 December 2010 RMB
2. 0.14 square kilometre land of the Man-made Island (also known as Sun Island) at the north of Changsha Town Rudong County Nantong City Jiangsu Province the PRC	<p>The offshore man-made island is located approximately 9 kilometres off the coast of Phase 1 of the Industrial and Logistic Park on the Yellow Sea. As at the Date of valuation, reclamation work for the Man-made Island has been completed and site formation work was completed. Linkage between the island and the coast of Changsha Town is provided via the 12.6-kilometres Yellow Sea Bridge. The island is planned for using as a deep water port and various port related facilities.</p> <p>The subject land parcel comprises a strip of formed land lying at the western coast of the island with an area of 0.14 square kilometers.</p> <p>According to the Sea Area Use Certificate, the sea area use rights of the property are held for a term expiring on 31 December 2053.</p>	The property is currently vacant.	<p>107,000,000</p> <p>(100% interest attributable to Yangkou Port Co: 107,000,000)</p>

Notes:

- As specified in a Sea Area Use Certificate (Ref. Guo Hai Zhen No. 073200161) dated 12 September 2007, the sea area use rights covering a sea area of 499,300 square metres (of which the property forms part) are held by Yangkou Port Co for a term expiring on 31 December 2053 for land reclamation purpose.
- Yangkou Port Co is a joint venture enterprise with a registered and paid up capital of US\$136.65 million of which 60% equity interest is held by Glory Well Limited (of which PYI Corporation Limited has an effective interest of 100%), 25% is held by Rudong County Dongtai Community Development and Investment Co., Ltd. (如東縣東泰社會發展投資有限責任公司), 10% is held by Nantong State-owned Assets Investment Holdings Limited (南通國有資產投資控股有限公司) and 5% is held by Rudong County Ritai Infrastructure Development and Investment Co., Ltd. (如東縣日泰基礎設施建設投資有限公司).
- Yangkou Port Co holds a Business Licence (Registration No. 320600400011605) issued by the Jiangsu Nantong Administration of Industry and Commerce dated 11 January 2011. As mentioned in the Business Licence, the joint venture with an authorized operation period spanning between 28 August 2003 and 29 December 2054 has a permitted scope of businesses of property development, sea reclamation, development, construction and operation of port, highway, bridge and harbour front industrial park.

4. We have been provided with a legal opinion regarding the property interests by the PRC Legal Adviser, which contains, inter alia, the followings:
 - 4.1 The Sea Area Use Certificates of the property as mentioned in Note 1 above has been issued to Yangkou Port Co and the sea use right of the property is legal and valid.
 - 4.2 The sea use right of the property is not pledged.
 - 4.3 Yangkou Port Co is a legally established and validly operating Sino-foreign equity joint venture enterprise of which the registered capital has been paid-up in full. There is no situation pursuant to laws, regulations and its article of association causing the termination of the joint venture enterprise.
 - 4.4 The existing operations of Yangkou Port Co are within the scope of business operations to be performed by foreign owned enterprises. The business operations of Yangkou Port Co are adhering to laws, regulation and its article of association and Yangkou Port Co has obtained necessary licenses to operate in the location of the property.
 - 4.5 Under the article of association of Yangkou Port Co, its distributable after tax profit together with its distributable retained earnings shall be shared by its shareholders in proportion to the actual capital contribution of each of the shareholders.

VALUATION CERTIFICATE

Group II – Property interests held by Yangkou Port Co for sale

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 December 2010 RMB
3. 2.76-square kilometre land of Phase 1 of the Harbour-front Industrial and Logistics Park Yangkou Port at the north of Changsha Town Rudong County Nantong City Jiangsu Province the PRC Lot Nos. 14-216-(001)-001 to 14-216-(001)-005	<p>Phase 1 of the Harbour-front Industrial and Logistics Park which comprises of 5 parcel of contiguous land covers a total land area of approximately 9.05 square kilometers. It has been formed by sea silt deposit.</p> <p>The property which covered a total land area of approximately 2.76 square kilometers which has been formed and serviced with major thoroughfares.</p> <p>The property has been designated for industrial purposes a portion of which with an area of 2.27 square kilometres is allocated for dangerous chemical processing and storage uses (see footnotes 5 below).</p> <p>The property has been developed with 4 blocks of 2-storey office/staff quarter building and a 2-storey restaurant building with a total gross floor area of 5,397.59 square metres. They were completed in 2007.</p>	With the exception of the subject buildings which are owner-occupied, the property is currently vacant.	925,840,000 (100% interest attributable to Yangkou Port Co: 925,840,000)

Notes:

- As specified in five sets of Land Use Right Certificate (Ref. Dong Guo Yong (2006) Nos. 720002 to 720006) all dated 14 March 2006, the land use rights with a total area of 9,051,859.34 square metres (of which the property forms part) are held by Yangkou Port Co.
- As specified in a Building Ownership Certificate (Ref. Dong Fang Quan Zheng Chang Sha Zi No. 0720166) dated 5 September 2007, 4 blocks of 2-storey office/dormitory buildings and 1 block of 2-storey restaurant building of the property with a total gross floor area of 5,397.59 square metres are held by Yangkou Port Co.
- Yangkou Port Co is a joint venture enterprise with a registered and paid up capital of US\$136.65 million of which 60% equity interest is held by Glory Well Limited (of which PYI Corporation Limited has an effective interest of 100%), 25% is held by Rudong County Dongtai Community Development and Investment Co., Ltd. (如東縣東泰社會發展投資有限責任公司), 10% is held by Nantong State-owned Assets Investment Holdings Limited (南通國有資產投資控股有限公司) and 5% is held by Rudong County Ritai Infrastructure Development and Investment Co., Ltd. (如東縣日泰基礎設施建設投資有限公司).

4. Yangkou Port Co holds a Business Licence (Registration No. 320600400011605) issued by the Jiangsu Nantong Administration of Industry and Commerce dated 11 January 2011. As mentioned in the Business Licence, the joint venture with an authorized operation period spanning between 28 August 2003 and 29 December 2054 has a permitted scope of businesses of property development, sea reclamation, development, construction and operation of port, highway, bridge and harbour front industrial park.
5. In response to the application launched by the Municipal Government of Rudong County on 11 May 2009, the Municipal Government of Nantong City endorsed an approval on 29 August 2009 by which a total land area of 5.4 square kilometers (of which 2.27 square kilometers is attributable to the property) within the following permitted zones (the "Dangerous Chemical Permitted Zones") of the Harbour-front Industrial and Logistics Park Phase 1 of Yangkou Port is permitted for dangerous chemical processing and storage uses.
6. The market value of the property includes the depreciated replacement costs of the subject buildings with a sum of approximately RMB21,700,000. Depreciation replacement cost is defined as the current cost of replacement (reproduction) of a property of identical or closely similar utility with deductions for physical depreciation and all relevant forms of obsolescence and optimization. It is based on an estimate of the current costs of replacement (reproduction) of the land improvement erected thereon less physical deterioration and all relevant forms of obsolescence and optimization.
7. We have been provided with a legal opinion regarding the property interests by the PRC Legal Adviser, which contains, inter alia, the followings:
 - 7.1 The permitted uses of the property fall within the permissible land uses that can be granted by the Government by way of allocation.
 - 7.2 The Land Use Rights Certificate of the property as mentioned in Note 1 above has been issued to Yangkou Port Co and the land use rights of the property are legal and valid.
 - 7.3 The Building Ownership Certificates of the subject buildings as mentioned in Note 2 above has been issued to Yangkou Port Co and its building ownership rights in the buildings are legal and valid.
 - 7.4 The land use rights of a portion of the property with a total area of 1.4 square kilometers have been pledged to local banks in the PRC. The remaining portion of the property is not pledged.
 - 7.5 Under the prevailing land law of the PRC, the statutory duration for land use rights granted for industrial purpose is 50 years.
 - 7.6 Yangkou Port Co is a legally established and validly operating Sino-foreign equity joint venture enterprise of which the registered capital has been paid-up in full. There is no situation pursuant to laws, regulations and its article of association causing the termination of the joint venture enterprise.
 - 7.7 The existing operations of Yangkou Port Co are within the scope of business operations to be performed by foreign owned enterprises. The business operations of Yangkou Port Co are adhering to laws, regulation and its article of association and Yangkou Port Co has obtained necessary licenses to operate in the location of the property.
 - 7.8 Under the article of association of Yangkou Port Co, its distributable after tax profit together with its distributable retained earnings shall be shared by its shareholders in proportion to the actual capital contribution of each of the shareholders.

VALUATION CERTIFICATE

Group II – Property interests held by Yangkou Port Co for sale

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 December 2010 RMB
4. 0.49-square kilometre land of the Man-made Island (also known as Sun Island) and the Yellow Sea Bridge at the north of Changsha Town Rudong County Nantong City Jiangsu Province the PRC	<p>The offshore man-made island is located approximately 9 kilometres off the coast of Phase 1 of the Harbour-front Industrial and Logistics Park on the Yellow Sea. As at the Date of valuation, reclamation work for the Man-made Island has been completed and site formation work was completed.</p> <p>The island is planned for using as a deep water port and various port related facilities.</p> <p>The property comprises a portion of the island with an area of 0.49 square kilometers and the Yellow Sea Bridge.</p> <p>The Yellow Sea Bridge which is a 12.6-kilometre dual-lane non-toll bridge providing the sole vehicular passage between the island and Phase 1 of the Harbour-front Industrial and Logistics Park.</p> <p>According to the Sea Area Use Certificate, the sea area use rights of the land parcel of the property are held for a term expiring on 31 December 2053.</p> <p>According to another 2 Sea Area Use Certificates, the sea area use rights of the Yellow Sea Bridge of the property are held for a term expiring on 8 September 2055.</p>	The property is currently vacant.	1,197,863,000 (100% interest attributable to Yangkou Port Co: 1,197,863,000)

Notes:

- As specified in a Sea Area Use Certificate (Ref. Guo Hai Zhen No. 073200161) dated 12 September 2007, the sea area use rights covering a sea area of 499,300 square metres (of which the property forms part) are held by Yangkou Port Co for a term expiring on 31 December 2053 for land reclamation purpose.
- As specified in another 2 sets of Sea Area Use Certificate (Ref. Guo Hai Zhen Nos. 053200011 and 073200160) dated 1 November 2005 and 12 September 2007 respectively, the sea area use rights covering a total sea area of 588,490 square metres are held by Yangkou Port Co for a term expiring on 8 September 2055 for forming the route of the Yellow Sea Bridge.

3. Yangkou Port Co is a joint venture enterprise with a registered and paid up capital of US\$136.65 million of which 60% equity interest is held by Glory Well Limited (of which PYI Corporation Limited has an effective interest of 100%), 25% is held by Rudong County Dongtai Community Development and Investment Co., Ltd. (如東縣東泰社會發展投資有限責任公司), 10% is held by Nantong State-owned Assets Investment Holdings Limited (南通國有資產投資控股有限公司) and 5% is held by Rudong County Ritai Infrastructure Development and Investment Co., Ltd. (如東縣日泰基礎設施建設投資有限公司).
4. Yangkou Port Co holds a Business Licence (Registration No. 320600400011605) issued by the Jiangsu Nantong Administration of Industry and Commerce dated 11 January 2011. As mentioned in the Business Licence, the joint venture with an authorized operation period spanning between 28 August 2003 and 29 December 2054 has a permitted scope of businesses of property development, sea reclamation, development, construction and operation of port, highway, bridge and harbour front industrial park.
5. In response to the application launched by the Municipal Government of Rudong County on 11 May 2009, the Municipal Government of Nantong City endorsed an approval on 29 August 2009 by which 0.37 square kilometres within the property is permitted for dangerous chemical processing and storage uses.
6. The market value of the property includes the depreciated replacement costs of the Yellow Sea Bridge with a sum of approximately RMB820,533,000. Depreciation replacement cost is defined as the current cost of replacement (reproduction) of a property of identical or closely similar utility with deductions for physical depreciation and all relevant forms of obsolescence and optimization. It is based on an estimate of the current costs of replacement (reproduction) of the land improvement erected thereon less physical deterioration and all relevant forms of obsolescence and optimization.
7. We have been provided with a legal opinion regarding the property interests by the PRC Legal Adviser, which contains, inter alia, the followings:
 - 7.1 The Sea Area Use Certificates of the property as mentioned in Note 1 and 2 above have been issued to Yangkou Port Co and the sea area use rights of the property are legal and valid.
 - 7.2 The sea area use right of the property is not pledged.
 - 7.3 Yangkou Port Co is a legally established and validly operating Sino-foreign equity joint venture enterprise of which the registered capital has been paid-up in full. There is no situation pursuant to laws, regulations and its article of association causing the termination of the joint venture enterprise.
 - 7.4 The existing operations of Yangkou Port Co are within the scope of business operations to be performed by foreign owned enterprises. The business operations of Yangkou Port Co are adhering to laws, regulation and its article of association and Yangkou Port Co has obtained necessary licenses to operate in the location of the property.
 - 7.5 Under the article of association of Yangkou Port Co, its distributable after tax profit together with its distributable retained earnings shall be shared by its shareholders in proportion to the actual capital contribution of each of the shareholders.

VALUATION CERTIFICATE

Group III – Property interests held by Yangkou Port Co under site formation work

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 December 2010 RMB
5. 1.07-square kilometre land of Phase 1 of the Harbour-front Industrial and Logistics Park Yangkou Port at the north of Changsha Town Rudong County Nantong City Jiangsu Province the PRC Lot Nos. 14-216-(001)-001 to 14-216-(001)-005	Phase 1 of the Harbour-front Industrial and Logistics Park which comprises of 5 parcel of contiguous land covers a total land area of approximately 9.05 square kilometers. It has been formed by sea silt deposit. The property which covered a total land area of approximately 1.07 square kilometers of which site levelling work is currently underway. The property is serviced with major thoroughfares. The property has been designated for industrial purposes a portion of which with an area of 0.56 square kilometres is allocated for dangerous chemical processing and storage uses (see footnotes 4 below).	The property is currently vacant.	299,840,000 (100% interest attributable to Yangkou Port Co: 299,840,000)

Notes:

- As specified in five sets of Land Use Right Certificate (Ref. Dong Guo Yong (2006) Nos. 720002 to 720006) all dated 14 March 2006, the land use rights with a total area of 9,051,859.34 square metres (of which the property forms part) are held by Yangkou Port Co.
- Yangkou Port Co is a joint venture enterprise with a registered and paid up capital of US\$136.65 million of which 60% equity interest is held by Glory Well Limited (of which PYI Corporation Limited has an effective interest of 100%), 25% is held by Rudong County Dongtai Community Development and Investment Co., Ltd. (如東縣東泰社會發展投資有限責任公司), 10% is held by Nantong State-owned Assets Investment Holdings Limited (南通國有資產投資控股有限公司) and 5% is held by Rudong County Ritai Infrastructure Development and Investment Co., Ltd. (如東縣日泰基礎設施建設投資有限公司).
- Yangkou Port Co holds a Business Licence (Registration No. 320600400011605) issued by the Jiangsu Nantong Administration of Industry and Commerce dated 11 January 2011. As mentioned in the Business Licence, the joint venture with an authorized operation period spanning between 28 August 2003 and 29 December 2054 has a permitted scope of businesses of property development, sea reclamation, development, construction and operation of port, highway, bridge and harbour front industrial park.
- In response to the application launched by the Municipal Government of Rudong County on 11 May 2009, the Municipal Government of Nantong City endorsed an approval on 29 August 2009 by which a total land area of 5.4 square kilometers (of which 0.56 square kilometers is attributable to the property) within the Harbour-front Industrial and Logistics Park Phase 1 of Yangkou Port is permitted for dangerous chemical processing and storage uses.

5. As at the date of valuation, the further costs to complete site formation for the property is approximately RMB32,160,000. The market value of the property as if it were formed land is RMB332,000,000.
6. Details regarding development potential and conditions of the property are set out as follows:
 - 6.1 No details of development potential is available, no architectural plans have been approved and no planning consent has been obtained;
 - 6.2 No material special or general conditions affecting the development of the property including building covenants and time limits for completion of the development has been imposed on the property by the Government authority; and
 - 6.3 No condition is imposed as to construction of roadways, pathways, drainage, sewage and other facilities or services for public use.
7. We have been provided with a legal opinion regarding the property interests by the PRC Legal Adviser, which contains, inter alia, the followings:
 - 7.1 The permitted uses of the property fall within the permissible land uses that can be granted by the Government by way of allocation.
 - 7.2 The Land Use Right Certificates of the property as mentioned in Note 1 above have been issued to Yangkou Port Co and the land use rights of the property are legal and valid.
 - 7.3 The land use rights of the property have been pledged to the local banks in the PRC.
 - 7.4 Under the prevailing land law of the PRC, the statutory duration for land use rights granted for industrial purpose is 50 years.
 - 7.5 Yangkou Port Co is a legally established and validly operating Sino-foreign equity joint venture enterprise of which the registered capital has been paid-up in full. There is no situation pursuant to laws, regulations and its article of association causing the termination of the joint venture enterprise.
 - 7.6 The existing operations of Yangkou Port Co are within the scope of business operations to be performed by foreign owned enterprises. The business operations of Yangkou Port Co are adhering to laws, regulation and its article of association and Yangkou Port Co has obtained necessary licenses to operate in the location of the property.
 - 7.7 Under the article of association of Yangkou Port Co, its distributable after tax profit together with its distributable retained earnings shall be shared by its shareholders in proportion to the actual capital contribution of each of the shareholders.

VALUATION CERTIFICATE

Group III – Property interests held by Yangkou Port Co under site formation work

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 December 2010 RMB
6. 21.63-square kilometre land of Phase 2 and 3 of the Harbour-front Industrial and Logistics Park Yangkou Port at the north of Changsha Town Rudong County Nantong City Jiangsu Province the PRC	Phase 2 and 3 of the Harbour-front Industrial and Logistics Park covers a total land area of approximately 21.63 square kilometers. It has been formed by sea silt deposit. The property which covered a total area of approximately 21.63 square kilometers of which land reclamation works are currently underway. Embankment works for Phase 2 has been completed. The property has been designated for industrial purposes. According to the Sea Area Use Right Certificate, the sea area use rights of the property have been granted for a term of 50 years expiring on 29 April 2054.	The property is currently vacant.	3,024,790,000 (100% interest attributable to Yangkou Port Co: 3,024,790,000)

Notes:

1. As specified in a Sea Area Use Certificate (Ref. Guo Hai Zhen No. 101100077) dated 29 September 2010, the sea area use rights covering a sea area of 21.626757 square kilometers are held by Yangkou Port Co for a term expiring on 29 April 2054 for land reclamation purpose.
2. Yangkou Port Co is a joint venture enterprise with a registered and paid up capital of US\$136.65 million of which 60% equity interest is held by Glory Well Limited (of which PYI Corporation Limited has an effective interest of 100%), 25% is held by Rudong County Dongtai Community Development and Investment Co., Ltd. (如東縣東泰社會發展投資有限責任公司), 10% is held by Nantong State-owned Assets Investment Holdings Limited (南通國有資產投資控股有限公司) and 5% is held by Rudong County Ritai Infrastructure Development and Investment Co., Ltd. (如東縣日泰基礎設施建設投資有限公司).
3. Yangkou Port Co holds a Business Licence (Registration No. 320600400011605) issued by the Jiangsu Nantong Administration of Industry and Commerce dated 11 January 2011. As mentioned in the Business Licence, the joint venture with an authorized operation period spanning between 28 August 2003 and 29 December 2054 has a permitted scope of businesses of property development, sea reclamation, development, construction and operation of port, highway, bridge and harbour front industrial park.
4. As at the date of valuation, the further costs to complete site formation works for the property is approximately RMB2,166,410,000. The market value of the property as if it were formed land is RMB5,191,200,000.
5. Details regarding development potential and conditions of the property are set out as follows:
 - 5.1 No details of development potential is available, no architectural plans have been approved and no planning consent has been obtained;
 - 5.2 No material special or general conditions affecting the development of the property including building covenants and time limits for completion of the development has been imposed on the property by the Government authority; and
 - 5.3 No condition is imposed as to construction of roadways, pathways, drainage, sewage and other facilities or services for public use.

6. We have been provided with a legal opinion regarding the property interests by the PRC Legal Adviser, which contains, inter alia, the followings:
- 6.1 The Sea Area Use Certificate of the property as mentioned in Note 1 above has been issued to Yangkou Port Co and its sea use rights of the property are legal and valid.
 - 6.2 The sea area use rights of a portion of the property with an area of 10 square kilometres has been pledged to a local bank in the PRC. The remaining portion of the property is not pledged.
 - 6.3 Yangkou Port Co is a legally established and validly operating Sino-foreign equity joint venture enterprise of which the registered capital has been paid-up in full. There is no situation pursuant to laws, regulations and its article of association causing the termination of the joint venture enterprise.
 - 6.4 The existing operations of Yangkou Port Co are within the scope of business operations to be performed by foreign owned enterprises. The business operations of Yangkou Port Co are adhering to laws, regulation and its article of association and Yangkou Port Co has obtained necessary licenses to operate in the location of the property.
 - 6.5 Under the article of association of Yangkou Port Co, its distributable after tax profit together with its distributable retained earnings shall be shared by its shareholders in proportion to the actual capital contribution of each of the shareholders.

Property value reconciliation

A reconciliation of the net carrying value of property interests held by Yangkou Port Co as at 30 September 2010 to their fair value as at 31 December 2010 as stated in Appendix IV to this circular is as follows:

	<i>RMB'000</i>
Net carrying value as at 30 September 2010 (<i>Note 1</i>)	3,724,997
Less: Net carrying value of assets not subject to property valuation	<u>(23,942)</u>
	3,701,055
Movements during three months ended 31 December 2010	
Additions (<i>Note 2</i>)	33,294
Disposals (<i>Note 3</i>)	(14,520)
Depreciation	<u>(5,011)</u>
Net carrying value as at 31 December 2010	3,714,818
Add: Valuation surplus as at 31 December 2010	<u>3,467,955</u>
Valuation amount as at 31 December 2010 (<i>Note 4</i>)	<u><u>7,182,773</u></u>

Note:

- (1) Net carrying value represents the sum of net carrying amount of property, plant and equipment, investment properties, project under development and stock of properties as stated in the unaudited financial information on Yangkou Port Co as at 30 September 2010 set out in Appendix I to this circular.
- (2) Additions refer to site formation costs incurred on the property during three months ended 31 December 2010.
- (3) During three months ended 31 December 2010, a parcel of land in Phase 1 of Harbour-front Industrial and Logistics Park with an area of 0.09 square kilometres was disposed.
- (4) The grand total property value as at 31 December 2010 as stated in Appendix IV to this circular.

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 31 December 2010 of 50.1% equity interest of Yangkou Port Co.



Asset Appraisal Limited
資產評值顧問有限公司

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No. 145 Hennessy Road, Wanchai, Hong Kong
香港灣仔軒尼詩道145號安康商業大廈8樓802室
Tel: (852) 2529 9448 Fax: (852) 3521 9591

25 February 2011

The Board of Directors
PYI Corporation Limited
33rd Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

Re: Business Valuation for 50.1% equity interest of Jiangsu Yangkou Port Development and Investment Co., Ltd. ("Yangkou Port Co")

Instructions

In accordance with the instructions from **PYI Corporation Limited** (referred to as the "**Company**" or "**PYI**"), we have completed an appraisal of the value of 50.1% equity interest of **Yangkou Port Co**. The relevant date of this valuation is **31 December 2010** (the "**date of valuation**").

This report identifies the assets appraised, describes the basis and methodology of valuation, investigation and analysis, assumptions, limiting conditions and presents our opinion of value.

Basis of Valuation

The value of 50.1% equity interest of Yangkou Port Co has been arrived at on the basis of "Fair Value" in the premise of continued use which, in our appraisal, reflects the future economic benefit to be derived from the ownership of the assets of Yangkou Port Co. Fair Value is defined as the estimated amount at which an asset might be expected to exchange on the Valuation Date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The definition of fair value adopted in this valuation report is similar and/or interchangeable with definitions of the valuation standards below:

Market Value

According to The Hong Kong Business Valuation Forum – Business Valuation Standards, market value is defined as the estimated amount for which an asset (a property) should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

Fair Market Value

The International Valuation Glossary defines fair market value as the amount at which an asset would change hands between a willing buyer and a willing seller, when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts.

For the purpose of this valuation, the term fair value will be used throughout this valuation report. Our valuation has been prepared in accordance with the HKIS Valuation Standards on Trade related Business Assets and Business Enterprise (First Edition 2004) published by the Hong Kong Institute of Surveyors and the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum, which are generally accepted valuation standards followed by relevant professional practitioners in Hong Kong. These standards contain detailed guidelines on the basis and valuation approaches in valuing assets used in the operation of a trade or business and business enterprises

Business of Yangkou Port Co

Yangkou Port Co is a joint venture enterprise with a registered and paid up capital of US\$136.65 million of which 60% equity interest is held by Glory Well Limited (of which PYI Corporation Limited has an effective interest of 100%), 25% is held by Rudong County Dongtai Community Development and Investment Co., Ltd. (如東縣東泰社會發展投資有限責任公司), 10% is held by Nantong State-owned Assets Investment Holdings Limited (南通國有資產投資控股有限公司) and 5% is held by Rudong County Ritai Infrastructure Development and Investment Co., Ltd. (如東縣日泰基礎設施建設投資有限公司).

Yangkou Port Co holds a Business Licence (Registration No. 320600400011605) issued by the Jiangsu Nantong Administration of Industry and Commerce dated 11 January 2011. As mentioned in the Business Licence, the joint venture with an authorized operation period spanning between 28 August 2003 and 29 December 2054 has a permitted scope of businesses of property development, sea reclamation, development, construction and operation of port, highway, bridge and harbour front industrial park.

The Yangkou Port is a natural deep-water sea port situated at Rudong County which is a coastal county of Nantong City near the mouth of the Yangtze River in the eastern mainland China. Before 2008, Rudong was not considered to be a conveniently accessible area despite its close proximity with Shanghai. However, the accessibility of Rudong has been greatly improved upon the completion of the Haiqi (Haimen-Qidong) Expressway and the Tongru (Nantong-Rudong) Expressway. The Sutong (Suzhou-Nantong) Yangtze River Bridge which was opened for traffic in April 2008 has greatly enhanced its accessibility with other part of Jiangsu Province and Shanghai. The county has connected with its neighbors by five provincial highways including G221, G222, G223, G226 and G334. The distance from the urban area to the Nantong Xingdong Airport needs only half hour by driving.

According to the Jiangsu Coastal Region Development Plan approved by the State Council in June 2009, and the Circular Addressing Issues in Supporting Faster Development Pace of Yangkou Port issued by the Jiangsu Provincial Government, the Yangkou Port is highlighted as one of the major development ports of the PRC. Due to the position of the deep water causeways of the port, it comprises the following major components:

- a man-made island known as “Sun Island” which is formed by sea reclamation and is located approximately 13 kilometres at the north-east of the mainland. The island is designated for storage and transportation of gas, oil, LNG, petrochemical and general bulk cargos. As at the date of valuation, site formation work of the island has been completed.
- a 30-square kilometre industrial and logistics park known as the Harbour-front Industrial and Logistic Park lying along the Yangtze River on which various petrochemical and industrial operations shall be sited. The waterfront land of the industrial and logistic park has been originated from sea silt deposit with sand brought by the Yangtze River. Site formation work for the land is divided into 3 phases and Phase 1 covering a land area of 9.05 square kilometres (“Phase 1 Land”) commenced in 2005. As at the valuation date, except site leveling work for 1.07-square kilometer of the land which is currently in progress, site formation works (including construction of major thoroughfares) for Phase 1 Land have been completed. Phase 1 Land is designated for industrial use and certain amount of it with an aggregate land area of 5.4 square kilometers within specific zones of the land is allowed to be used for dangerous chemical processing and storage purposes. Embankment work for Phase 2 has been completed and no construction work for Phase 3 has been started as at the date of valuation.

- a dual-lane 12.6-kilometre non-toll bridge known as the Yellow Sea Bridge which provides vehicular link between the man-made island and Phase 1 of the Harbour-front Industrial and Logistic Park. The bridge has been completed and opened for traffic as at the date of valuation.

As advised by the Company, Yangkou Port Co is playing the role as land and facilities developer by producing matured and developable land parcels which are either sold or leased to end-users to establish their operating facilities inside the Yangkou Port.

Valuation Methodology

In arriving at our value, we have considered three generally accepted approaches namely market approach, asset-based approach and income approach.

Yangkou Port Co is a project company established for the development of the Yangkou Port and the Harbour-front Industrial and Logistic Park. Besides undertaking land formation works to produce land parcels which are held for sale or leasing, Yangkou Port Co has not developed any business plan as a port operator.

Of the three approaches to valuation as mentioned above, the asset-based approach is considered to be the most appropriate approach for measuring the fair value of Yangkou Port Co. The principle underlying the asset-based approach is that the value of ownership of an enterprise is equivalent to the fair value of its assets less the fair value of its liabilities. An operating entity which is mainly a property holding enterprise might best be valued using the asset-based approach.

In view of the historical operating results of Yangkou Port Co which has reported operating profit mainly derived from rental of assets and gain from re-valuation of land parcels. Given our understanding that there shall have no substantial change on Yangkou Port Co's source of operating income in the foreseeable future, we have considered that Yangkou Port Co. is in the nature of a property holding enterprise and is most appropriate to be valued by the asset-based approach.

In the asset-based approach, each recorded asset held by Yangkou Port Co is examined and adjusted to its fair value. Once the assets of Yangkou Port Co have been restated to fair values, all liabilities restated to fair value if necessary are then subtracted from them to derive the fair value of Yangkou Port Co.

The assets of Yangkou Port Co are restated to their respective fair value under the following approaches:

Assets/Liabilities	Carrying Value as at 31 December 2010 (RMB'000)	Fair Value as at 31 December 2010 (RMB'000)	Valuation Approach
Assets			
Investment Properties (Note 1)	2,018,480	2,018,480	Market approach (Note 6)
Property, plant and equipment (Note 2)	881,926	881,926	Cost approach (Note 7)
Stock of properties and project under development (Note 3)	838,306	4,306,260	Market approach (Note 6)
Amounts due from related companies (Note 4)	262,423	262,423	Carrying value as stated in the financial statement
Debtors, deposits and prepayments (Note 4)	220,315	220,315	Carrying value as stated in the financial statement
Cash at bank and on hand (Note 4)	268,341	268,341	Carrying value as stated in the financial statement
Total Assets	4,489,791	7,957,745	
Liabilities (Note 5)			
Creditors and accruals	341,217	341,217	Carrying value as stated in the financial statement
Amounts due to related companies	33,917	33,917	Carrying value as stated in the financial statement
Tax payable	53,642	53,642	Carrying value as stated in the financial statement
Short term bank and other borrowings	250,000	250,000	Carrying value as stated in the financial statement
Long term bank and other borrowings	848,295	848,295	Carrying value as stated in the financial statement
Deferred tax liabilities	812,458	3,367,402	Deferred Land Appreciation Tax (LAT) and Corporate Income Tax (CIT) (Note 8)
Total Liabilities	2,339,529	4,894,473	
Net Assets	2,150,262	3,063,272	

Notes:

1. Investment properties include 6.29-km² industrial land (of which 3.13-km² is allowed for dangerous chemical processing and storage uses) within Phase 1 of the Harbour-front Industrial and Logistic Park and 0.14-km² industrial land within the man-made island.
2. Property, plant and equipment consists of the depreciated replacement costs of the Yellow Sea Bridge of RMB820,533,000, traffic road on Sun Island of RMB2,862,000, computer equipment of RMB610,000, buildings and structures of RMB54,807,000, furniture and fixtures of RMB623,000, motor vehicles of RMB1,800,000 and office equipment of RMB691,000.
3. Stock of properties and project under development include 2.76-km² industrial land (of which 2.26 km² is allowed for dangerous chemical processing and storage uses) within Phase 1 of the Harbour-front Industrial and Logistic Park, 21.63-km² industrial land within Phases 2 and 3 of the Harbour-front Industrial and Logistic Park and 0.49-km² industrial land (of which 0.37 km² is allowed for dangerous chemical processing and storage uses) within the man-made island.
4. After consultation with the management, the amounts due from related companies with an aggregate carrying value of RMB262,423,000 are not subject to recoverability problem. Therefore, the entire carrying value of this balance sheet item has been adopted in the valuation. The debtors, deposits and prepayments with an aggregate carrying value of RMB220,315,000 mainly comprise amounts due from the local government, deposits and prepayments already paid to contractors involving in the land formation works. Therefore, the entire carrying value of this balance sheet item has been adopted in the valuation.
5. All items of liabilities except for deferred tax liabilities are cited from the unaudited financial statement as of 31 December 2010. After consultation with the management, all liabilities stated in the financial statement have fully reflected the indebtedness of Yangkou Port Co. Therefore, the entire amount of liabilities has been adopted in the valuation.
6. Market approach is adopted for measuring the fair value of the assets for which there are established used market. This approach considers prices recently paid for similar assets, with adjustment made to indicated market prices to reflect condition and utility of the appraised assets relative to the market comparables.
7. Cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. Actual costs incurred for the upgrading of the assets to be appraised will also be considered in this approach. The cost approach generally furnishes the most reliable indication of value for assets without a known used market.
8. The land value of the properties of Yangkou Port Co have been valued at a total sum of RMB6,324,740,000. Under the prevailing tax regime of the PRC, Land Appreciation Tax (LAT) and Profit Tax levied by the PRC Government for disposing the properties at the valuation amount shall be RMB2,739,547,000 and RMB627,855,000 respectively.

Based on the 100% equity value of Yangkou Port Co, the fair value of 50.1% equity interest of Yangkou Port Co is represented by the pro-rata value of the 100% fair value. Since the interest being valued constitutes the majority shareholding of Yangkou Port Co, no partial interest discount is deemed necessary.

Assumptions

Our appraisal included discussions with the management of Yangkou Port Co in relation to the history and nature of the business; a study of its financial statements; a review of the information provided by the management in connection with the strategy of and the plan of action to be taken to implement the business plan. We have assumed that such information, opinions and representation provided to us are true and accurate. Before arrived at our opinion of value, we have considered the following major factors:

- i. the nature and prospects of the business underlying Yangkou Port Co;
- ii. the assets held by Yangkou Port Co;

- iii. the specific economic and competitive elements affecting Yangkou Port Co, the industry and the market which it is operating;
- iv. the business risk of Yangkou Port Co; and
- v. the financial position of Yangkou Port Co as revealed from its unaudited financial statements.

In view of the general environment and the particular situation in which Yangkou Port Co is operating, the following assumptions have been adopted in our appraisal in order to sufficiently support our concluded value of Yangkou Port Co:

- i. there will be no major change in the existing political, legal and economic conditions in the regions in which Yangkou Port Co is operated;
- ii. save for those proposed changes on taxation policies announced by the Tax Bureau of the concerned regions in which Yangkou Port Co is being operated, there will be no major change in the current taxation law in those regions, that the rates of tax payable by Yangkou Port Co remain unchanged and that all applicable laws and regulations will be complied with by it;
- iii. the interest rates and exchange rates will not differ materially from those presently prevailing;
- iv. all operating facilities as set out in the fixed asset registry provided to us can perform efficiently according to the purposes for which they have been designed and built and are in a physical condition commensurate with its post installation/out-factory age;
- v. save for those liabilities as reported in the unaudited financial statement of Yangkou Port Co, it is free and clear of any lien, charge, option, pre-emption rights, damages, compensation, trade payables, mortgage and charge;
- vi. Yangkou Port Co has obtained all necessary permits and approvals to carry out its business operations and the production process and technology utilized by Yangkou Port Co in carrying out its business do not infringe any relevant regulations, law and industrial safety directives; and
- vii. Yangkou Port Co shall secure and retain competent management, key personnel, marketing and technical staff to carry out and support its business.

Limiting Conditions

We have accepted such information as specifications and in the identification of the assets of Yangkou Port Co from the instructing party. We have had no reason to doubt the truth and accuracy of the information provided to us by the instructing party. We were also advised by the instructing party that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No responsibility is assumed for matters legal in nature. No investigation has been made of the title to or any liabilities against Yangkou Port Co and its assets. In this valuation, it is presumed that, unless otherwise noted, the owners' claim is valid, the possession rights are good and marketable, and there are no encumbrances which cannot be cleared through normal processes.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others which have been used in formulating this analysis.

We do not investigate any industrial safety and health related regulations in association with this particular operations. It is assumed that all necessary licenses, procedures and measures were implemented in accordance with the government legislation and guidance.

Opinion of Value

In view of all relevant circumstances, we are of the opinion that the Fair Value of 50.1% equity interest of Yangkou Port Co as at the Valuation Date, is in the amount of **RMB1,534,700,000 (RENMINBI ONE BILLION FIVE HUNDRED THIRTY FOUR MILLION SEVEN HUNDRED THOUSAND ONLY)**.

We hereby certify that we have neither present nor prospective interest in the appraised assets or the value reported.

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

For this valuation, we have not investigated the title to or any liabilities against Yangkou Port Co and its assets.

Yours faithfully,
For and on behalf of
Asset Appraisal Limited
Tse Wai Leung
MFin CFA MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a holder of Chartered Financial Analyst (CFA). He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC. He has previous experiences in valuing development sites, infrastructures such as ports and logistics facilities in the PRC.

Business value reconciliation

A reconciliation of the valuation of property interests held by Yangkou Port Co as at 31 December 2010 as stated in Appendix IV to this circular to the business valuation of Yangkou Port Co as at 31 December 2010 as stated on page V-4 is set out as follows:

	<i>RMB'000</i>
Property Valuation as at 31 December 2010 (<i>Note 1</i>)	7,182,773
Add carrying value of assets at 31 December 2010 not included in the Property Valuation Report	<u>23,893</u>
	7,206,666
	<i>(Note 2)</i>
Values of other assets and liabilities as extracted from the Business Valuation Report on page V-4:	
• Amounts due from related companies	262,423
• Debtors, deposits and prepayments	220,315
• Cash at bank and on hand	268,341
• Creditors and accruals	(341,217)
• Amounts due to related companies	(33,917)
• Tax payable	(53,642)
• Short term bank and other borrowings	(250,000)
• Long term bank and other borrowings	(848,295)
• Deferred tax liabilities	<u>(3,367,402)</u>
Business valuation as at 31 December 2010	<u><u>3,063,272</u></u>

Note:

- (1) The grand total property value as stated in the Property Valuation Report on page IV-5.
- (2) The sum of fair value of investment properties, property, plant and equipment, stock of properties and project under development as stated in the Business Valuation Report on page V-4.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the PYI Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company ("Model Code") or (c) which were required to be entered into the register pursuant to section 352 of the SFO were as follows:

(1) Interest in Shares

Name of Director/ chief executive	Capacity	Long position/ short position	Number of Shares held	Approximate percentage of the issued share capital of the Company
Chow Ming Kuen, Joseph	Beneficial owner	Long position	3,942,105	0.09%
Lau Ko Yuen, Tom	Beneficial owner	Long position	14,237,475	0.31%
	Family interest & Interest of controlled corporation (<i>Note 1</i>)	Long position	146,863,544	3.24%
Chan Kwok Keung, Charles	Beneficial owner	Long position	35,936,031	0.79%
	Interest of controlled corporation (<i>Note 2</i>)	Long position	1,213,537,695	26.79%
Kwok Shiu Keung, Ernest	Beneficial owner	Long position	3,900,000	0.09%

Notes:

- Such interests are indirectly held by a company which is equally owned by Mr. Lau Ko Yuen, Tom and his spouse in the proportion of 50% and 50%.
- Such interests were held by Hollyfield Group Limited ("Hollyfield"), a wholly-owned subsidiary of ITC Investment Holdings Limited ("ITC Investment" which was, in turn, a wholly-owned subsidiary of ITC Corporation Limited ("ITC")). Galaxyway Investments Limited ("Galaxyway"), an indirect wholly-owned company of Dr. Chan Kwok Keung, Charles, owned approximately 26.89% of the issued share capital of ITC. Dr. Chan Kwok Keung, Charles also personally held approximately 6.76% of the issued share capital of ITC. By virtue of his aggregate interest of approximately 33.65% in ITC, Dr. Chan Kwok Keung, Charles was deemed to be interested in the Shares held by Hollyfield.

(2) Options to subscribe for Shares

Name of Director/ chief executive	Date of grant	Exercisable period	Exercise price per Share HK\$	Number of underlying Shares comprised in the options	Approximate percentage of the issued share capital of the Company
Lau Ko Yuen, Tom	28.12.2004	28.12.2004 to 26.08.2012	0.43762	18,416,666	0.41%
	28.12.2004	28.12.2004 to 26.08.2012	0.52940	18,416,666	0.41%
Chan Shu Kin	28.12.2004	28.12.2004 to 26.08.2012	0.43762	1,841,666	0.04%
	28.12.2004	28.12.2004 to 26.08.2012	0.52940	1,841,666	0.04%
Leung Po Wing, Bowen Joseph	08.09.2006	08.09.2006 to 26.08.2012	0.85762	3,683,334	0.08%
Li Chang An	06.02.2007	06.02.2007 to 26.08.2012	1.05881	3,683,334	0.08%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or the Model Code or were required to be entered into the register required to be kept under section 352 of the SFO.

3. INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at the Latest Practicable Date, according to the register of interest kept by the Company under Section 336 of the SFO and so far as was known to the Directors, the following are details of the persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any option in respect of such capital) carrying rights to vote in all circumstances at general meeting of any other member of the PYI Group:

(A) The Company*(1) Substantial Shareholders*

Name of Shareholder	Capacity	Long position/ short position	Number of Shares/ underlying Shares held	Approximate percentage of the issued share capital of the Company
Chan Kwok Keung, Charles	Beneficial owner	Long position	35,936,031	0.79%
	Interest of controlled corporation (<i>Note 1</i>)	Long position	1,213,537,695	26.79%
Ng Yuen Lan, Macy	Interest of spouse (<i>Note 2</i>)	Long position	1,249,473,726	27.58%
ITC	Interest of controlled corporation (<i>Note 1</i>)	Long position	1,213,537,695	26.79%
ITC Investment	Interest of controlled corporation (<i>Note 1</i>)	Long position	1,213,537,695	26.79%
Hollyfield	Beneficial owner (<i>Note 1</i>)	Long position	1,213,537,695	26.79%
Daniel Saul Och	Interest of controlled corporation (<i>Note 3</i>)	Long position	490,120,467	10.82%
Och-Ziff Capital Management Group LLC ("Och-Ziff Capital")	Interest of controlled corporation (<i>Note 3</i>)	Long position	490,120,467	10.82%
Och-Ziff Holding Corporation ("Och-Ziff Holding")	Interest of controlled corporation (<i>Note 3</i>)	Long position	490,120,467	10.82%
OZ Management, L.P. ("OZ Management")	Investment manager (<i>Note 3</i>)	Long position	490,120,467	10.82%
Third Avenue Management LLC ("Third Avenue LLC")	Investment manager (<i>Note 4</i>)	Long position	485,314,668 (<i>Note 5</i>)	10.72%
Third Avenue Small Cap Value Fund ("Third Avenue Fund")	Beneficial owner (<i>Note 4</i>)	Long position	485,270,668 (<i>Note 6</i>)	10.71%

(2) Other Persons

Name of Shareholder	Capacity	Long position/ short position	Number of Shares/ underlying Shares held	Approximate percentage of the issued share capital of the Company
OZ Asia Master Fund, Ltd. ("OZ Asia")	Beneficial owner (<i>Note 3</i>)	Long position	255,345,510	5.64%

Notes:

- (1) Hollyfield, a wholly-owned subsidiary of ITC Investment (which was, in turn, a wholly owned subsidiary of ITC), owned 1,213,537,695 Shares. Accordingly, ITC Investment and ITC were deemed to be interested in the said 1,213,537,695 Shares held by Hollyfield. Galaxyway, an indirect wholly-owned company of Dr. Chan Kwok Keung, Charles, owned approximately 26.89% of the issued share capital of ITC. Dr Chan Kwok Keung, Charles also personally held approximately 6.76% of the issued share capital of ITC. By virtue of his aggregate interest of approximately 33.65% in ITC, Dr. Chan Kwok Keung, Charles was deemed to be interested in these Shares held by Hollyfield.
- (2) Ms. Ng Yuen Lan, Macy, the spouse of Dr. Chan Kwok Keung, Charles, was deemed to be interested in the said 1,213,537,695 Shares held by Hollyfield and 35,936,031 Shares held directly by Dr. Chan Kwok Keung, Charles.
- (3) OZ Management, an entity controlled by Och-Ziff Holding which was, in turn, solely owned by Och-Ziff Capital (approximately 78.02% of the voting power at general meeting of which was controlled by Mr. Daniel Saul Och), held, through its affiliated funds (including OZ Asia), 490,120,467 Shares. As such, Mr. Daniel Saul Och, Och-Ziff Capital, Och-Ziff Holding and OZ Management were deemed to be having the same interests in the Shares as the affiliated funds of OZ Management.
- (4) Third Avenue LLC, through its controlled entities (including Third Avenue Fund) held interests in 485,314,668 Shares/underlying Shares. As such, Third Avenue LLC was deemed to be having the same interests in the said 485,314,668 Shares/underlying Shares as Third Avenue Fund and another entity controlled by Third Avenue LLC.
- (5) Such interests comprised 475,758,107 Shares and 9,556,561 underlying Shares in respect of warrants issued by the Company entitling holders thereof to subscribe for new Shares of the Company.

So far as is known to the Directors and chief executive of the Company, the warrants issued by the Company expired after 4:00 p.m. on 25 September 2009. With the exclusion of those 9,556,561 underlying Shares, the interests in the said 475,758,107 Shares represent approximately 10.5% of the issued share capital of the Company.

- (6) Such interests comprised 475,714,107 Shares and 9,556,561 underlying Shares in respect of warrants issued by the Company entitling holders thereof to subscribe for new Shares of the Company.

So far as is known to the Directors and chief executive of the Company, the warrants issued by the Company expired after 4:00 p.m. on 25 September 2009. With the exclusion of those 9,556,561 underlying Shares, the interests in the said 475,714,107 Shares represent approximately 10.5% of the issued share capital of the Company.

(B) Other members of the Group

Name of subsidiary	Name of shareholder	Approximate percentage of the issued share capital/ registered capital
Yangkou Port Co	Dongtai Nantong SOA	25.0% 10.0%
江蘇洋通開發投資有限公司 (Jiangsu Yangtong Investment and Development Co., Ltd.*)	Dongtai	25.0%
Jiaxing International Container Feeder Port Limited	嘉興市港航建設開發 有限責任公司	10.0%
宜昌港務集團有限責任公司 (Yichang Port Group Limited*)	宜昌市人民政府國有資產監督 管理委員會 (State-owned Assets Supervision and Administration Commission of Yichang Municipal Government*)	16.714%
	宜昌市夷陵國有資產經營有限公司 (Yichang Yiling State-owned Assets Operation Co. Ltd.*)	32.286%
宜昌中理外輪理貨有限責任公司	中國外輪理貨總公司	20.0%
Paul Y. – Concentric Joint Venture	Concentric Construction Limited	49.0%
Paul Y. – CREC Engineering Co., Limited	China Railway Engineering (Hong Kong) Limited	30.0%
Paul Y. – CREC Joint Venture	China Railway Engineering Corporation	30.0%
Paul Y. – CREC(HK) Joint Venture	China Railway Engineering Corporation	40.0%
Paul Y. – Omas Joint Venture Limited	Omas Construction and Engineering Company Limited	49.0%
Paul Y ISG Joint Venture	ISG Asia (Macau) Limited	40.0%
PYSCG JV Limited	SCG (H.K.) Limited	49.0%
PYSCG – NF JV Limited	Nam Fong Construction and Real Estate Company Limited	26.6%

Save as disclosed above, the Directors are not aware that there is any party who, as at the Latest Practicable Date, had an interest or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the PYI Group or had any options in respect of such shares.

4. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the PYI Group which does not expire or is not terminable by such member of the PYI Group within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, no member of the PYI Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the PYI Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates were considered to have interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the PYI Group.

7. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

No contract or arrangement in which any of the Directors is materially interested and which is significant in relation to the business of the PYI Group subsisted as at the Latest Practicable Date. As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2010 (the date to which the latest published audited accounts of the PYI Group were made up), acquired or disposed of by or leased to any member of the PYI Group, or are proposed to be acquired or disposed of by or leased to any member of the PYI Group.

8. EXPERTS AND CONSENTS

The following is the qualification of the experts whose letters and reports are contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu ("Deloitte")	Certified Public Accountants
Asset Appraisal Limited	Independent professional valuer
JC Master Law Offices	PRC Legal Advisor

Deloitte, Asset Appraisal Limited and JC Master Law Offices have given and have not withdrawn their respective written consent to the issue of this circular with the inclusion of its letter or report and the reference to their respective names in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of Deloitte, Asset Appraisal Limited or JC Master Law Offices has any shareholding directly or indirectly, in any member of the PYI Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the PYI Group.

As at the Latest Practicable Date, none of Deloitte, Asset Appraisal Limited or JC Master Law Offices has any direct or indirect interest in any assets which have been, since 31 March 2010 (the date to which the latest published audited accounts of the PYI Group were made up), acquired or disposed of by or leased to any member of the PYI Group, or are proposed to be acquired or disposed of by or leased to any member of the PYI Group.

9. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, are entered into by members of the PYI Group within the two years immediately preceding the Latest Practicable Date and which are or may be material:

- (a) an underwriting agreement dated 29 April 2009 entered into between the Company and BOCI Asia Limited in relation to BOCI Asia Limited underwriting not less than 2,313,128,244 rights shares and not more than 2,885,239,134 rights shares of the Company;
- (b) an agreement dated 30 November 2009 entered into between Glory Well, Nantong SOA, Ritai and Dongtai where Glory Well agreed to dispose of an aggregate of 15% interest in Yangkou Port Co, as to 10% to Nantong SOA at a consideration of RMB200 million in cash and as to 5% to Ritai at a consideration of RMB100 million in cash;
- (c) a capital increase agreement dated 29 June 2010 entered into between 江陰臨港新城開發建設有限公司(Jiangyin New Harbour City Development and Construction Co. Ltd.*), 上海國際港務(集團)股份有限公司 (Shanghai International Port (Group) Co. Ltd.*), 江蘇江陰港口集團股份有限公司 (Jiangsu Jiangyin Port Group Co. Ltd.*) and Paul Y. Corporation Limited (“PYI Hong Kong”, an indirect wholly-owned subsidiary of the Company), pursuant to which the registered capital of 江陰蘇南國際集裝箱碼頭有限公司 (Jiangyin Sunan International Container Terminal Co., Ltd.)* (“Jiangyin Sunan”) will be increased from US\$12.5 million (equivalent to approximately RMB100.7 million) to RMB400 million and the equity interest of PYI Hong Kong in Jiangyin Sunan will be increased from 25% to 40%; and
- (d) the Agreement.

10. MATERIAL ADVERSE CHANGE

As set out in the interim report of PYI Group for the six months ended 30 September 2010, PYI Group recorded a net profit attributable to the Shareholders of approximately HK\$178 million for the six months ended 30 September 2010, representing an increase of 54% when compared to that for the six months ended 30 September 2009.

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of PYI Group since 31 March 2010, being the date to which the latest published audited consolidated financial statements of the Company were made up.

11. MISCELLANEOUS

- (a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at 33rd Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong.
- (c) The principal share registrar and transfer office of the Company is Butterfield Fulcrum Group (Bermuda) Limited of Rosebank Centre, 11 Bermudiana Road, Pembroke HM 08, Bermuda and the branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- (d) The company secretary of the Company is Mr. Ko Hiu Fung, Bachelor of Laws (LLB), a qualified barrister of England and Wales and Hong Kong.
- (e) Save for the names of the PRC entities mentioned in this circular for which the Chinese version shall prevail over the English transliteration thereof in case of any inconsistency, the English text of this circular, the notice of the SGM and the accompanying form of proxy shall prevail over their respective Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at 33rd Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong, from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the annual reports of the Company for each of the two financial years ended 31 March 2009 and 31 March 2010;
- (c) the interim report of the Company for the six months ended 30 September 2010;
- (d) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (e) the letters of consent referred to in the paragraph headed "Experts and Consents" in this appendix;
- (f) the unaudited financial information on Yangkou Port Co, the text of which is set out in Appendix I of this circular;
- (g) the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix II of this circular;
- (h) the property valuation report on the properties of Yangkou Port Co, the text of which is set out in Appendix IV of this circular;
- (i) the business valuation report on the 50.1% equity interest of Yangkou Port Co, the text of which is set out in Appendix V of this circular; and
- (j) this circular.

NOTICE OF SPECIAL GENERAL MEETING



PYI Corporation Limited

(incorporated in Bermuda with limited liability)
(Stock Code: 498)

NOTICE IS HEREBY GIVEN that a special general meeting of PYI Corporation Limited (the “Company”) will be held at Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, 14 March 2011 at 11:00 a.m. for the purpose of considering, and if thought fit, passing, with or without amendments, the following resolution as an ordinary resolution of the Company:

“THAT:

- (a) the sale and purchase agreement dated 31 January 2011 (the “**Agreement**”) entered into between Glory Well Limited, an indirect wholly-owned subsidiary of the Company, as vendor (“**Vendor**”) and 如東縣日泰基礎設施建設投資有限公司 (Rudong County Ritai Infrastructure Development and Investment Co., Ltd.), a company established in the PRC with limited liability, as purchaser (“**Purchaser**”) (a copy of which has been produced to this meeting marked “A” and initialed by the chairman of this meeting for the purpose of identification) pursuant to which the Vendor has conditionally agreed to sell to the Purchaser 50.1% of the equity interest of 江蘇洋口港投資開發有限公司 (Jiangsu Yangkou Port Development and Investment Co., Ltd.), a sino foreign joint venture company established in the PRC, the terms and conditions thereof and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
- (b) the board of directors of the Company (“**Board**”) be and is hereby generally and unconditionally authorized to do all such acts and things and execute all such documents as it considers necessary or expedient or desirable in connection with or to give effect to the Agreement and to implement the transactions contemplated thereunder and to agree to such variation, amendments or waivers of matters relating thereto as are, in the opinion of the Board, in the interest of the Company.”

By Order of the Board
PYI Corporation Limited
Ko Hiu Fung
Company Secretary

*Head office and principal place
of business in Hong Kong:*
33rd Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong, Kowloon
Hong Kong

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

Hong Kong, 25 February 2011

NOTICE OF SPECIAL GENERAL MEETING

Notes:

- (1) Any member of the Company entitled to attend and vote at the above meeting is 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 use at 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 branch share registrar in Hong Kong, Tricor Secretaries Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof, at which the person named in the instrument proposes to vote and, in default, the instrument of proxy shall not be treated as valid.
- (3) Completion and return of the proxy form will not preclude members of the Company from attending and voting in person at the meeting or at any adjournment thereof (as the case may be) should they so wish, and in such event, the instrument appointing a proxy shall be revoked.
- (4) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share capital shall alone be entitled to vote in respect thereof.

As at the date of this notice, the Board comprises of:

Dr. Chow Ming Kuen, Joseph <small>OBE, JP</small>	:	<i>Chairman and Independent Non-Executive Director</i>
Mr. Lau Ko Yuen, Tom	:	<i>Deputy Chairman and Managing Director</i>
Dr. Chan Kwok Keung, Charles (with Mr. Chan Yiu Lun, Alan as alternate)	:	<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>
Mr. Leung Po Wing, Bowen Joseph <small>GBS, JP</small>	:	<i>Independent Non-Executive Director</i>
Mr. Li Chang An	:	<i>Independent Non-Executive Director</i>