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

If you have sold or transferred all your shares in PYI Corporation Limited (the "Company"), you should at once hand this document to the purchaser or the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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PYI Corporation Limited

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

Independent Non-executive Directors:

Chow Ming Kuen, Joseph OBE, JP (*Chairman*)
Kwok Shiu Keung, Ernest
Chan Shu Kin

Executive Director:

Tom Ko Yuen Lau (*Deputy Chairman & Managing Director*)

Non-executive Director:

Chan Kwok Keung, Charles

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12 January 2006

To the shareholders of the Company

Dear Sir or Madam,

Scrip Dividend Scheme with Cash Option in relation to the Interim Dividend for the Six Months Ended 30 September 2005

On 13 December 2005, it was announced that the board of directors of the Company had resolved to pay an interim dividend of HK\$0.015 per share of HK\$0.10 each in the capital of the Company ("Share") for the six months ended 30 September 2005, such interim dividend to be satisfied by way of a scrip dividend of Shares ("Scrip Shares") with an option to elect cash, payable to shareholders of the Company ("Shareholders") whose names appear on the register of members of the Company as at the close of business on 11 January 2006 ("Scrip Dividend Scheme"). The register of members of the Company was closed from 9 January 2006 to 11 January 2006, both dates inclusive, during which period no transfers of shares could be effected. In order to qualify for the interim dividend, all transfers of shares together with the relevant share certificates were required to be lodged with the Company's share registrars in Hong Kong, Secretaries Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong on 6 January 2006.

Particulars of the Scrip Dividend Scheme

Under the Scrip Dividend Scheme, each Shareholder has the choice of receiving:

- (a) an allotment of Scrip Shares at HK\$1.4883 per Scrip Share (as determined by the market value stated below) credited as fully paid in lieu of payment of the interim dividend to which such Shareholder is entitled; or
- (b) HK\$0.015 in cash for each existing Share held on 11 January 2006; or
- (c) a combination partly of (a) and partly of (b) above.

As stated in the announcement of 13 December 2005, for the purpose of calculating the number of Scrip Shares to be allotted, the market value of Scrip Shares will be fixed by reference to the average of the closing prices of the Shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") for the three consecutive trading days ended 11 January 2006 less a discount of five per cent. of such average price or to the par value of Shares, whichever is the higher.

Since the average closing price of Shares on the Stock Exchange for the three consecutive trading days ended 11 January 2006 was approximately HK\$1.5667 ("Average Closing Price"), the entitlements of Shareholders who elect to receive Scrip Shares under the Scrip Dividend Scheme shall be determined based on the price of HK\$1.4883 (which is higher than the par value of Shares), being the Average Closing Price less a discount of five per cent. Accordingly, the

number of Scrip Shares which each Shareholder will receive under the Scrip Dividend Scheme will be calculated by the following formula:

$$\begin{array}{l} \text{Number of Scrip Shares} \\ \text{to be received under the} \\ \text{Scrip Dividend Scheme} \end{array} = \begin{array}{l} \text{Number of existing Shares held on} \\ \text{11 January 2006 for which the} \\ \text{dividend is to be satisfied in Shares} \\ \text{under the Scrip Dividend Scheme} \end{array} \times \frac{0.015}{1.4883}$$

If all Shareholders elect to receive their entitlement in Scrip Shares, based on 1,367,540,720 Shares in issue as at 11 January 2006, not more than 13,782,913 Scrip Shares will be issued under the Scrip Dividend Scheme.

The number of Scrip Shares to be issued to each Shareholder will be rounded down to the nearest whole number. Fractional entitlements to Scrip Shares will not be allotted and the benefit thereof will accrue to the Company.

The Scrip Shares will rank *pari passu* in all respects with the Shares existing as at the date of issue save that they will not be entitled to the interim dividend for the six months ended 30 September 2005. The Scrip Shares will rank in full for all future dividends and distribution which may be declared, made or paid after the date of issue thereof.

Cash Election Form

A Cash Election Form is enclosed. **Any Shareholder who wishes to receive only Scrip Shares in respect of his/her interim dividend entitlement need not complete the Cash Election Form. No Cash Election Forms are being sent to Shareholders who have previously lodged a form of election electing to receive all future scrip dividend in cash. Any Shareholder who wishes to receive cash in lieu of Scrip Shares in respect of his or her interim dividend entitlement, either in whole or in part, must complete the Cash Election Form and return it to Secretaries Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on 2 February 2006. No acknowledgement of receipt of the said Form will be issued.**

If you complete the Cash Election Form but do not specify the number of Shares in respect of which you elect to receive cash, or if you elect to receive cash in respect of a greater number of Shares than your registered holding on 11 January 2006, then in either case you will be deemed to have exercised your election to receive the interim dividend wholly in cash in respect of all the Shares of which you were then registered as the holder(s).

Overseas Shareholders

Based on the register of members of the Company as at 11 January 2006 (being the record date for the purpose of determining the Shareholders entitled to the said interim dividend), all of the Shareholders have registered addresses in Hong Kong save that there was one Shareholder in Malaysia and one Shareholder in Taiwan.

The directors of the Company, having made enquiries with legal advisers in the relevant jurisdictions, have formed the view that it would be expedient to exclude the Shareholders with registered addresses in these places on the ground of legal restrictions and requirements under the laws of the relevant jurisdictions and/or that the costs of complying with the requirements in each jurisdiction will exceed materially any potential benefit to the Company of doing so.

Accordingly, no Shareholders whose registered addresses are outside Hong Kong will be permitted to participate in the Scrip Dividend Scheme and accordingly, they will receive the interim dividend wholly in cash. No Cash Election Forms are being sent to such Shareholders. None of this circular, the Cash Election Form nor the Scrip Shares will be registered or filed under the securities laws or equivalent legislation of any jurisdiction. A copy of this circular will be delivered to the overseas Shareholders for their information only in compliance with the local laws, regulations and requirements.

Stock Exchange Listing and Despatch of Share Certificates

The Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Scrip Shares. Application will be made to the Stock Exchange for listing of and permission to deal in the Scrip Shares. Certificates in respect of Scrip Shares and cheques in respect of cash dividends are expected to be sent to Shareholders by post at the risk of such Shareholders on or around 13 February 2006. You may deal in the Scrip Shares to be issued to you upon receipt of the relevant share certificate. In the unlikely event that the Scrip Shares are not admitted to listing before 13 February 2006, the Cash Election Forms will be disregarded and the full cash dividend will be paid in the way as described above.

No equity or debt securities of the Company are listed on or dealt in on any other stock exchange and no listing or permission to deal in on any other stock exchange is being or is proposed to be sought.

Dealings in Scrip Shares are expected to commence on 14 February 2006.

Advantage of Scrip Dividend Scheme

The Scrip Dividend Scheme will give Shareholders the opportunity to increase their investments in the Company at a discount to market value or at par as provided above, without incurring brokerage and stamp duty costs. The Scrip Dividend Scheme will also be to the advantage of the Company because, to the extent that Shareholders receive Scrip Shares, in whole or in part, in respect of the interim dividend, such cash as would otherwise have been paid to Shareholders will be retained for use by the Company.

Recommendation

Whether or not it is to your advantage to elect to receive cash in lieu of Scrip Shares, in whole or in part, will depend upon your own individual circumstances and the decision in this regard, and all effects resulting therefrom, are the sole responsibility of each Shareholder. **IF YOU ARE IN ANY DOUBT AS TO WHAT TO DO, YOU SHOULD CONSULT A LICENSED SECURITIES DEALER, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS.**

Yours faithfully,
By Order of the Board
PYI Corporation Limited
Tom Ko Yuen Lau
Deputy Chairman & Managing Director