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PYI Corporation Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 498)

PROPOSED WARRANTS ISSUE IN RELATION TO FINAL DIVIDEND FOR THE YEAR ENDED 31 MARCH 2008

On 18 July 2008, the Board recommended the payment of a final dividend for the year ended 31 March 2008 in the form of Warrants, on the basis of one Warrant for every six existing PYI Shares held, payable to the PYI Shareholders (other than Excluded Shareholders) whose names appear on the register of members of the Company on the Record Date. Each Warrant will entitle the PYI Shareholder (other than Excluded Shareholders) thereof to subscribe for one new PYI Share at an initial subscription price of HK\$1.0 per PYI Share in cash, subject to anti-dilutive adjustments, at any time during the subscription period.

A circular containing, inter alia, details of the Warrants Issue (including those provisions relating to price adjustment) together with a notice convening the 2008 AGM will be dispatched to the PYI Shareholders as soon as practicable.

PROPOSED WARRANTS ISSUE

On 18 July 2008, PYI announced the 2008 Final Results and the Board recommended the payment of a final dividend for the year ended 31 March 2008 in the form of Warrants, the salient terms of which are set out below.

Warrants Issue

Subject to the fulfillment of the conditions of the Warrants Issue as referred to in the paragraph headed “Conditions” below, the Warrants Issue will be made on the basis of one Warrant for every six existing PYI Shares held by PYI Shareholders (other than Excluded Shareholders) whose names appear on the register of members of the Company at the close of business on the Record Date.

On the basis of 1,508,393,517 PYI Shares in issue as at the date of this announcement and assuming no further PYI Shares will be issued or repurchased by the Company on or before the Record Date, 251,398,919 Warrants are proposed to be issued. Full exercise of the subscription rights attaching to the 251,398,919 Warrants at the initial subscription price of HK\$1.0 per PYI Share would result in the issue of a total of 251,398,919 new PYI Shares (based on the 1,508,393,517 PYI Shares in issue as at the date of this announcement and on the assumptions that (i) no outstanding convertible notes will be exercised prior to the Record Date; (ii) no outstanding share options will be exercised prior to the Record Date; and (iii) no further PYI Shares will be repurchased prior to the Record Date), representing 16.7% of the issued share capital of the Company as at 18 July 2008 and about 14.3% of the issued share capital of the Company as at 18 July 2008 as enlarged by the allotment and issue of new PYI Shares upon full exercise of subscription rights attaching to the Warrants.

If all outstanding rights to subscribe for equity securities are exercised (excluding share options granted under the Share Option Scheme), full exercise of subscription rights attaching to the Warrants would result in the issue of a total of 256,164,468 new PYI Shares, representing 16.7% of the issued share capital of the Company as at 18 July 2008 as enlarged by the allotment and issue of such new PYI Shares upon full exercise of all rights to subscribe for equity securities (excluding share options granted under the Share Option Scheme), and about 14.3% of the issued share capital of the Company, as enlarged by the allotment and issue of such new PYI Shares upon full exercise of all rights to subscribe for equity securities (excluding share options granted under the Share Option Scheme) and the Warrants.

The Company confirms compliance with the requirements of Rule 15.02(1) of the Listing Rules.

If all outstanding rights to subscribe for equity securities are exercised (including share options granted under the Share Option Scheme), full exercise of subscription rights attaching to the Warrants would result in the issue of a total of 284,188,468 new PYI Shares, representing 16.7% of the issued share capital of the Company as at 18 July 2008 as enlarged by the allotment and issue of such new PYI Shares upon full exercise of all rights to subscribe for equity securities (including share options granted under the Share Option Scheme), and about 14.3% of the issued share capital of the Company, as enlarged by the allotment and issue of such new PYI Shares upon full exercise of all rights to subscribe for equity securities (including share options granted under the Share Option Scheme) and the Warrants.

Save for the convertible notes in the initial principal amount of RMB120 million, details of which are set out in the circular of the Company dated 2 June 2006, and share options granted under the Share Option Scheme, the Company does not have other outstanding rights to subscribe for equity securities of the Company.

Subscription Price

Each Warrant will entitle the holders thereof to subscribe for one new PYI Share at an initial subscription price of HK\$1.0 per PYI Share in cash, subject to anti-dilutive adjustments. Further announcement will be made by the Company should there be any event or circumstances, such as share consolidation or subdivision or reduction of capital or otherwise, upon occurrence of which would result in an adjustment to the subscription price of the Warrants and in some cases such adjustment may be certified by the Company's auditor or financial adviser. The initial subscription price of the Warrants represents:

- (a) a discount of about 9% to the closing price per PYI Share of HK\$1.10 as quoted on the Stock Exchange on 18 July 2008 (being the date on which PYI announced the 2008 Final Results); and
- (b) a discount of about 15% to the average closing price per PYI Share of HK\$1.18 for five business days up to and including 18 July 2008.

On the basis of 1,508,393,517 PYI Shares in issue as at the date of this announcement and assuming no further PYI Shares will be issued or repurchased by the Company on or before the Record Date, 251,398,919 Warrants are proposed to be issued. Assuming an initial subscription price of HK\$1.0 per PYI Share, the aggregate subscription amount upon exercise of all the 251,398,919 Warrants would be HK\$251,398,919 and the expected market capitalization of the Warrants is about HK\$98 million (based on average closing price per PYI Share for five business days up to and including 18 July 2008). The Company confirms compliance with the applicable requirements of Rules 8.08, 8.09(4) and 8.14 of the Listing Rules.

Fractional Entitlements

Fractional entitlements to the Warrants will not be granted to the PYI Shareholders but will be aggregated and sold for the benefit of the Company.

Subscription Period

The term of the Warrants is one year from the date of issue. The Warrants may be exercised by the PYI Shareholders thereof at any time between the date of the issue of the Warrants (which is expected to be on or around 26 September 2008) and the date immediately preceding the date falling on the first anniversary of the date of issue of the Warrants (which is expected to be on or around 25 September 2009), both dates inclusive.

Conditions

The Warrants Issue will be conditional upon:

- (a) the passing of ordinary resolution approving the payment of the final dividend, the Warrants Issue and the issue and allotment of the new PYI Shares falling to be issued upon exercise of the subscription rights attaching to the Warrants at the 2008 AGM; and
- (b) the Listing Committee granting the listing of, and permission to deal in the Warrants, and the new PYI Shares falling to be issued upon exercise of the subscription rights attaching to the Warrants.

Application will be made to the Listing Committee for the listing of and permission to deal in the Warrants and the new PYI Shares which may fall to be issued upon exercise of the subscription rights attaching to the Warrants. Arrangements will be made to enable the Warrants and the new PYI Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Warrants and the new PYI Shares, and the Company complies with the stock admission requirements of HKSCC, the Warrants and the new PYI Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date on which dealings in the Warrants are to commence.

The new PYI Shares which are allotted and issued on the exercise of the subscription rights attaching to the Warrants will rank *pari passu* in all respects with the then existing PYI Shares in issue on the date of such allotment and issue.

Overseas Shareholders

As at the date of this announcement, based on the register of members of the Company, there are two Overseas Shareholders of which one is with an address in Taiwan and another is in Malaysia. Pursuant to rule 13.36(2) of the Listing Rules, enquiry will be made by the Board in respect of the legal restrictions under the laws of relevant places or the requirements of the relevant regulatory body or stock exchange in those places to extend the Warrants Issue to the Overseas Shareholders. If the Board is of the view that, after such enquiry, the exclusion of Overseas Shareholders is necessary or expedient on account of either of the legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory body or stock exchange in those places, the Warrants will not be granted to the Excluded Shareholder, if any. Overseas Shareholders may not be entitled to the Warrants whatsoever, and Warrants may not be issued to any Overseas Shareholders, if the offering would or might, in the absence of compliance with relevant registration or other special formalities in other territories, be unlawful or impracticable.

Warrants which would otherwise have been issued to the Overseas Shareholders will be sold in the market as soon as practicable after dealings in the Warrants commence on the Stock Exchange. Any net proceeds of sale, after deduction of expenses, will be distributed in HK\$ pro rata to the such Overseas Shareholders and remittance thereof will be posted to them at their own risk except that any amount of less than HK\$100 will be retained for the benefit of the Company. Details in respect of any exclusion of Overseas Shareholders and the treatment for the Excluded Shareholders (if any) will be set out in the circular to be sent to the PYI Shareholders. The Excluded Shareholders will be entitled to vote at the 2008 AGM on the resolution in relation to the Warrants Issue.

Certificates for the Warrants

Subject to the fulfillment of the conditions of the Warrants as referred to in the paragraph headed “Conditions” above, certificates for the Warrants are expected to be posted on or before 26 September 2008 to PYI Shareholders (other than Excluded Shareholders) by ordinary post to their respective addresses shown on the register of members of the Company at their own risks.

Board Lot

Dealings in the Warrants are expected to commence on the Stock Exchange on 29 September 2008. The Warrants are expected to be traded on the Stock Exchange in board lot of 5,000 Warrants, carrying rights to subscribe for 5,000 PYI Shares at the initial subscription price of HK\$1.0 per PYI Share (subject to anti-dilutive adjustments). The Warrants are not proposed to be listed on any other stock exchange other than the Stock Exchange.

Reasons for the Warrants Issue

The Board is of the opinion that the Warrants Issue will enhance the return on investment for the PYI Shareholders as well as the equity base of PYI, and improve the liquidity position of the PYI Shares in the market. The Board is also in the opinion that while the Warrants Issue provides the PYI Shareholders (other than Excluded Shareholders) with a further opportunity to participate in the future growth of PYI at an attractive discount to the net asset value of HK\$2.24 per PYI Share and at the same time also provides an opportunity for PYI to raise funds to strengthen its financial position and capability to develop and expand its business in the coming year.

The proceeds, if all of the Warrants are exercised in full at the initial subscription price of HK\$1.0 per PYI Share, will be about HK\$251,398,919, before expenses, which will enhance the working capital and the net asset position of PYI. The Board believes that the Warrants Issue is beneficial to PYI and the PYI Shareholders as a whole.

However, as the amount that may be raised from the exercise of the Warrants is uncertain, the Board has not earmarked any amount for any specific purposes.

Closure of Register

The register of members of the Company will be closed during the period from Tuesday, 16 September 2008 to Thursday, 18 September 2008, both dates inclusive. In order to qualify for the Warrants, all transfer of share(s), accompanied by the relevant share certificate(s) with the completed transfer form(s) with overleaf or separately, must be lodged with PYI’s share registrars in Hong Kong, Tricor Secretaries Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Friday, 12 September 2008.

Expected Timetable for the Warrants Issue

The following events are conditional on the results of the 2008 AGM and the respective conditions of the Warrants Issue.

2008

Latest time for lodging proxy forms for the 2008 AGM	10:30 a.m. on Wednesday, 3 September
2008 AGM	10:30 a.m. on Friday, 5 September
Last day of dealings in PYI Shares cum-entitlements to the Warrants Issue	Wednesday, 10 September
First day of dealings in PYI Shares ex-entitlements to the Warrants Issue	Thursday, 11 September
Latest time for lodging transfers of PYI Shares for entitlements to the Warrants Issue	4:00 p.m. on Friday, 12 September
Period for closure of register of members	Tuesday, 16 September to Thursday, 18 September (both dates inclusive)
Record Date	Thursday, 18 September
Dispatch of Warrant certificates by	Friday, 26 September
Commencement of dealings in the Warrants	9:30 a.m. on Monday, 29 September

Further announcement will be made if there are any changes to the above timetable. All time references in this announcement refer to Hong Kong time.

GENERAL

A circular containing, inter alia, further details of the Warrants Issue (including those provisions relating to price adjustment) will be dispatched to the PYI Shareholders as soon as practicable after the publication of this announcement.

The Company confirms that there are no fund raising activities in the past 12 months and that it has complied with the relevant requirements under the Listing Rules for the Warrants Issue.

As at the date of this announcement, the composition of the Board is as follows:

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

DEFINITIONS

“2008 AGM”	the annual general meeting of the Company to be held at 10:30 a.m. on Friday, 5 September 2008, to approve the matter(s) referred to herein and other general business
“2008 Final Results”	the audited consolidated results of the Group for the year ended 31 March 2008
“Board”	the board of Directors
“business day”	any day (other than Saturday and Sunday) on which licensed banks in Hong Kong are open for business during their, normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company” or “PYI”	PYI Corporation Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“Director(s)”	director(s) of the Company

“Excluded Shareholder(s)”	Overseas Shareholder(s) who are excluded from the Warrants Issue by the reason that the Board, upon making enquiry, consider such exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory body or stock exchange in those places
“Group”	the Company and its subsidiaries from time to time
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Committee”	the same meaning as that in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholders”	PYI Shareholders whose addresses on the Company’s register of members as at the Record Date are in places outside Hong Kong
“Record Date”	Thursday, 18 September 2008, being the date for determination of entitlements to the Warrants
“PYI Shareholders”	holders of Shares
“PYI Shares”	ordinary shares of HK\$0.10 each in the capital of PYI
“Share Option Scheme”	share option scheme of the Company approved by PYI Shareholders on 27 August 2002 which is in compliance with the applicable requirements of Chapter 17 of the Listing Rules
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Warrant(s)”	warrant(s) proposed to be issued by the Company entitling the PYI Shareholders thereof to subscribe for new Shares at an initial subscription price of HK\$1.0 per PYI Share (subject to anti-dilutive adjustments)

“Warrants Issue” the proposed issue of Warrants, on the basis of one Warrant for every six existing PYI Shares held by PYI Shareholders (other than Excluded Shareholders) whose names appear on the register of members at the close of business on the Record Date

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“%” per cent

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

Hong Kong, 23 July 2008