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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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 your 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 circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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# **PYI Corporation Limited**

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

## **PROPOSED GRANT OF SHARE OPTIONS TO DEPUTY CHAIRMAN AND MANAGING DIRECTOR**

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A letter from the Company’s board of directors is set out on pages 3 to 7 of this circular. A letter from the independent board committee of the Company containing its recommendation to independent shareholders in connection with the MD Option (as defined herein) is set out on page 8 of this circular.

A notice convening a special general meeting of PYI Corporation Limited to be held at 10:45 a.m. on Friday, 8 September 2006 at JW Marriott Ballroom on Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong is set out on pages 9 and 10 of this circular. Whether or not you are able to attend the special general meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the principal place of business of the Company in Hong Kong at 31st Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the special general meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting, or any adjournment thereof, should you so wish.

22 August 2006

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## DEFINITIONS

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

“associate(s)”	the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“Bye-laws”	the bye-laws of the Company;
“Company”	PYI Corporation Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange;
“Directors”	the directors of the Company;
“Eligible Persons”	means any employee (whether full time or part time), executive or officer, director (including any executive, non-executive and independent non-executive director) of a member of the Group or any Invested Entity and any consultant, adviser or agent of any member of the Group Company or any Invested Entity, who, in the sole discretion of the Board, has contributed or may contribute to the growth and development of the Group or any Invested Entity; and “Selected Eligible Person” means an Eligible Person who has been so selected accordingly;
“Group”	the Company and its Subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	independent board committee of the Company constituted by all the independent non-executive Directors, namely Dr. Chow Ming Kuen, Joseph, Mr. Kwok Shiu Keung, Ernest, Mr. Chan Shu Kin and Mr. Leung Po Wing, Bowen Joseph;
“Independent Shareholders”	Shareholders other than Tom Lau and his associates;
“Invested Entity”	any entity in which a member of the Group holds an equity interest;
“Latest Practicable Date”	18 August 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MD Option”	the proposed grant of options to subscribe for 13,800,000 Shares to Tom Lau as described herein;
“Plan Loans”	in respect of an Eligible Person who has been invited to apply for and has been issued new Shares under the Share Financing Plan, the sum(s) owed by him/her by way of subscription price for the relevant Shares;
“SGM”	the special general meeting of the Company to be held at 10:45 a.m. on Friday, 8 September 2006 at JW Marriott Ballroom on Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong;
“SGM Notice”	the notice convening the SGM set out on pages 9 and 10 of this circular;

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## DEFINITIONS

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“Share(s)”	ordinary shares of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Share Award Scheme”	the share award scheme adopted by the Board on 23 February 2006 whereby awards of Shares may be made to Eligible Persons, particulars of which were set out in the circular of the Company dated 27 January 2006;
“Share Financing Plan”	the share financing plan adopted by the Board on 14 February 2006 whereby Selected Eligible Persons may be invited to apply for new Shares and offered the opportunity to finance their subscription by way of Plan Loans, particulars of which were set out in the circular of the Company dated 27 January 2006;
“Share Option Scheme”	the share option scheme of the Company adopted on 27 August 2002;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiaries”	subsidiaries of the Company from time to time within the meaning of the Listing Rules;
“Tom Lau”	Mr. Lau Ko Yuen, Tom, a Director; and
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong.

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## LETTER FROM THE BOARD

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# PYI Corporation Limited

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

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

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

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

22 August 2006

*To the Shareholders*

Dear Sir or Madam,

### **PROPOSED GRANT OF SHARE OPTIONS**

### **TO DEPUTY CHAIRMAN AND MANAGING DIRECTOR**

#### **INTRODUCTION**

Since 2003, the Company has been repositioning its core business in the infrastructure investment in and operation of bulk cargo port and logistics facilities in the Yangtze River region in China. With its investments in the ports in Yangkou, Nantong and Wuhan, the Group is spearheading the development of a comprehensive and integrated trans-shipment network along the Yangtze River. The Group will continue to expand through its current operations and potential acquisitions in the future.

In alignment with and support of the Group's growth and plans to continue to expand, the Directors consider it important to continue to build up the Group's human capital through attracting, retaining and motivating people in a highly competitive market in the PRC and Hong Kong. The Company now has in place three reward vehicles, namely the Share Option Scheme, the Share Award Scheme and the Share Financing Plan, by which it could motivate its management team. With these reward vehicles available, the Board considers it important to appropriately and effectively deploy them to support the Group's business strategy. The Company has therefore engaged an independent human resources consultant to develop a reward strategy that defines the Group's reward philosophy, and to recommend reward mix and other equity-based reward features for implementation.

Based on the reward strategy proposed by the independent human resources consultant, the Board considers that the introduction of equity-based rewards under the Company's current schemes will be closely in line with the market's increasing push for linking executive reward to sustainable value creation and emphasis on "at-risk" reward that includes both short-term and long-term incentives. The reward mix for the Group's senior executives should therefore comprise a relatively higher equity-based element so as to strengthen their alignment with shareholder interests and commitment to the Group. To implement and give effect to such reward strategy, the Directors propose to grant the MD Option.

The purpose of this circular is to provide you with details of the proposed grant of the MD Option.

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## LETTER FROM THE BOARD

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### PROPOSED GRANT OF SHARE OPTIONS TO DEPUTY CHAIRMAN AND MANAGING DIRECTOR

Having considered the commitment, responsibilities and contribution of Tom Lau, the Deputy Chairman and Managing Director of the Company, the Board proposes that in addition to options already held by him, he be granted the MD Option for the subscription of 13,800,000 Shares at HK\$2.48 per Share under the Share Option Scheme.

The proposed number of Shares for subscription under the MD Option is calculated based on the reward mix recommended by the independent human resources consultant under the reward strategy, and with reference to Tom Lau's annual salary level and the Company's total shareholder return for the year ended 31 March 2006 as benchmarked against the MSCI Hong Kong Small Cap Index (in which the Company has been included as a constituent stock since June 2006).

On 28 December 2004, options carrying the rights to subscribe for up to a total of 13,000,000 Shares were granted to Tom Lau under the Share Option Scheme. These options are exercisable for a period of 10 years from date of grant at exercise prices of HK\$1.24 per Share (as to 6,500,000 options) and HK\$1.50 per Share (as to 6,500,000 options). As at the Latest Practicable Date, none of these options has been exercised.

In addition, pursuant to the Share Award Scheme, on 2 March 2006 Tom Lau was granted and currently holds 120,000 Shares.

On the basis of 1,464,609,910 Shares in issue as at the Latest Practicable Date, the further grant of share options to Tom Lau would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to Tom Lau (including exercised, cancelled and outstanding options) in the 12-month period up to and including 8 August 2006, being the date of the board meeting approving the grant of the MD Option ("Date of Grant"), in aggregate over 1% of the total number of Shares in issue. Accordingly, the MD Option must be separately approved by the Independent Shareholders at the SGM.

As at the Latest Practicable Date, Tom Lau and his associates together control or are entitled to exercise control over 120,000 Shares, representing only about 0.008% of the voting rights in the Company. Tom Lau and his associates will abstain from voting on the grant of the MD Option under rule 17.04(1) and note 1 to rule 17.03(4) of the Listing Rules.

The exercise price of the MD Option at HK\$2.48 per Share, pursuant to note 1 of rule 17.03(9) of the Listing Rules, is at least the higher of:

- (1) HK\$2.48 per Share, being the closing price of the Shares on 8 August 2006, the Date of Grant; and
- (2) HK\$2.45 per Share, being the average closing price of the Shares for the five trading days immediately preceding the Date of Grant.

Upon the passing of the resolution for the grant of the MD Option to be proposed at the SGM, the total number of Shares to be issued upon the exercise of the MD Option, and percentage of total issued share capital of the Company, calculated based on the number of Shares in issue as at the Latest Practicable Date, is as follows:

Name of the grantee	No. of Shares to be issued upon exercise of the MD Option	Percentage of total no. of shares in issue
Tom Lau	13,800,000	0.94%

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## LETTER FROM THE BOARD

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The shareholding structure of the Company before and after full exercise of the MD Option and existing share options held by Tom Lau is summarised as follows (calculated based on the number of Shares in issue as at the Latest Practicable Date):

Shareholders	No. of Shares before proposed grant of the MD Option	Percentage of total no. of Shares before proposed grant of the MD Option	No. of Shares after the exercise of the existing options and the MD Option	Percentage of total no. of Shares after the exercise of the existing options and the MD Option
Tom Lau	120,000	0.008%	26,920,000	1.81%
Connected persons	413,000,664	28.199%	413,000,664	27.69%
Public	1,051,489,246	71.793%	1,051,489,246	70.50%
<b>Total</b>	<b><u>1,464,609,910</u></b>	<b><u>100%</u></b>	<b><u>1,491,409,910</u></b>	<b><u>100%</u></b>

The terms of the MD Option shall follow the terms of the Share Option Scheme. The offer of the grant of MD Option may be accepted by Tom Lau within 30 days from the date of offer and no consideration is payable by him to the Company on acceptance of the offer. There is no performance target that must be achieved before the MD Option can be exercised, but to instil a long term retention element for the services of Tom Lau, the options are only exercisable in three tranches over the option period of 3 years from the Date of Grant as follows:

	Year 1 (12 months from date of approval by Shareholders and grant)	Year 2 (12 months following the 1st anniversary of approval by Shareholders and grant)	Year 3 (12 months following the 2nd anniversary of approval by Shareholders and grant)
<b>Number of Shares in respect of options exercisable</b>	4,600,000	4,600,000	4,600,000

The Shares to be allotted and issued upon the exercise of the MD Option will be subject to all the provisions of the Bye-laws for the time being in force and will rank pari passu with the fully paid Shares in issue on the date the name of Tom Lau is registered on the register of members of the Company. Prior to Tom Lau being registered on the register of members of the Company, he shall not have any voting rights, or rights to participate in any dividends or distributions of any rights arising on a liquidation of the Company, in respect of the Shares to be issued upon the exercise of the MD Option.

The Directors consider that the grant of the MD Option is in the interests of the Group and the Shareholders as a whole as it enables the Company to reward and motivate Tom Lau, its Deputy Chairman and Managing Director who has contributed significantly to the growth of the Group, without imposing any financial burden on the Group. The grant of the MD Option to Tom Lau is in line with the purpose of the Share Option Scheme. For these reasons, the Directors will propose the passing of an ordinary resolution at the SGM for the grant of the MD Option. Pursuant to rule 13.39(4), the vote to approve the grant of the MD Option will be taken on a poll.

A letter from the Independent Board Committee to the Independent Shareholders as to voting under rule 17.04(3)(b) can be found in page 8 of this circular.

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## LETTER FROM THE BOARD

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### MATERIAL INTEREST IN A TRANSACTION

As at the Latest Practicable Date, there is, to the extent that the Directors are aware having made all reasonable enquiries (i) no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon Tom Lau as at the date of this circular; or (ii) any obligation or entitlement of Tom Lau as at the date of this circular whereby he has or may have temporarily or permanently passed control over the exercise of voting right in respect of the Shares owned by him beneficially to a third party.

Assuming Tom Lau does not acquire further Shares between the Latest Practicable Date and the date of the SGM, there is no discrepancy between each of his beneficial shareholding interest in the Company as disclosed above and the number of Shares in respect of which he will control or will be entitled to exercise control over the voting right at the SGM.

### RECOMMENDATION

The Directors consider that the grant of the MD Option is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the grant of the MD Option.

### PROCEDURE FOR DEMANDING A POLL

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

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

A demand for poll must be made before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll.

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

### SGM

A notice convening the SGM to be held at 10:45 a.m. on Friday, 8 September 2006 at JW Marriott Ballroom on Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong is set out on pages 9 and 10 of this circular for the purpose of considering and, if thought fit, passing the resolution set out therein.

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## LETTER FROM THE BOARD

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You will find enclosed a form of proxy for use at the SGM. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the principal place of business of the Company in Hong Kong at 31st Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM, or any adjournment thereof, should you so wish.

### RESPONSIBILITY STATEMENT

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

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter received from the Independent Non-Executive Directors setting out their advice to the Independent Shareholders for the purpose of inclusion in this circular.*



# PYI Corporation Limited

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

22 August 2006

*To the Independent Shareholders*

Dear Sir or Madam,

We refer to the circular of the Company dated 22 August 2006 (the “Circular”), of which this letter forms part. Terms defined herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

We, being the independent non-executive Directors appointed as members of the Independent Board Committee, hereby advise you as to whether the proposed grant of the MD Option is fair and reasonable insofar as the Independent Shareholders are concerned.

We wish to draw your attention to the letter from the Board, which is set out on pages 3 to 7 of the Circular.

Having considered the terms of the proposed grant of the MD Option, we are of opinion that the proposed grant of the MD Option is fair and reasonable insofar as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the proposed grant of the MD Option.

Yours faithfully,  
For and on behalf of the  
Independent Board Committee  
**PYI Corporation Limited**

**Chow Ming Kuen, Joseph** *OBE, JP*  
*Chairman and Independent Non-Executive Director*

**Kwok Shiu Keung, Ernest**  
*Independent Non-Executive Director*

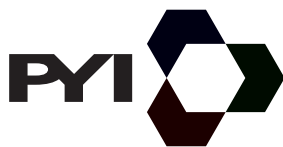
**Chan Shu Kin**  
*Independent Non-Executive Director*

**Leung Po Wing, Bowen Joseph** *GBS, JP*  
*Independent Non-Executive Director*

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## NOTICE OF SPECIAL GENERAL MEETING

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# 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 10:45 a.m. on Friday, 8 September 2006 at JW Marriott Ballroom on Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong for the following purpose:

As special business, to consider and, if thought fit, pass, with or without amendments, the following resolution which will be proposed as ordinary resolution of the Company:

### ORDINARY RESOLUTION

“**THAT** the grant of further share options to Mr. Lau Ko Yuen, Tom (details of which are included in the circular to shareholders dated 22 August 2006), entitling him to subscribe for 13,800,000 shares of HK\$0.10 each in the share capital of the Company (the “Share(s)”) at HK\$2.48 per Share under the share option scheme of the Company adopted on 27 August 2002, together with all options granted or to be granted to Mr. Lau Ko Yuen, Tom (including exercised, cancelled and outstanding options) in the 12-month period up to and including 8 August 2006 being in excess of 1% of the Shares in issue as at the date of the passing of this resolution be and is hereby approved, and the directors of the Company be and are hereby authorised to issue and allot Shares to him pursuant to the exercise of such options and to do such things and acts as may be necessary or expedient in the opinion of the directors of the Company in order to give full effect to such grant of options.”

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

Hong Kong, 22 August 2006

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

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

*Notes:*

1. A form of proxy for the meeting is enclosed.
2. Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.

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## NOTICE OF SPECIAL GENERAL MEETING

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4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the principal place of business of the Company in Hong Kong at 31st Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid after the expiration of twelve (12) months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within twelve (12) months from such date.
5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

As at the date of this notice, the board of directors of the Company are as follows:–

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