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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**

The Board proposes to, subject to approval by Independent Shareholders, grant share options to Lau Ko Yuen, Tom, Deputy Chairman and Managing Director of the Company, to subscribe for 13,800,000 Shares over a period of three years at an exercise price of HK\$2.48 per Share.

A circular containing, among other things, details of the proposed grant of share options, will be despatched to Shareholders as soon as practicable.

### **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.

### **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 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 date of this announcement, 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 date of this announcement, 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 exceeding 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 date of this announcement, 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 on the date of this announcement, 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%

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 on the date of this announcement):

	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
Shareholders				
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%
Total	<u>1,464,609,910</u>	<u>100%</u>	<u>1,491,409,910</u>	<u>100%</u>

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)
Number of Shares in respect of options exercisable	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.

#### **GENERAL**

A circular containing, among other things, details of the MD Option will be despatched to Shareholders as soon as practicable after publication of this announcement.

#### **DEFINITIONS**

In this announcement, 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;
“connected person”	the meaning ascribed to it in the Listing Rules;
“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 any member of the Group or any Invested Entity and any consultant, adviser or agent of any member of the Group 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 selected to and does participate in the Share Financing Plan;
“Group”	the Company and its Subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“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;
“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 at an exercise price of HK\$2.48 per Share 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”	a special general meeting of the Company to be held at JW Marriott Ballroom on Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queenway, Hong Kong on Friday, 8 September 2006 at 10:45 a.m. or so soon thereafter as the 2006 Annual General Meeting of the Company convened on the same day and at the same place at 10:30 a.m. shall have been concluded or adjourned;
“Share(s)”	ordinary shares of HK\$0.10 each in the share capital of the Company;
“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 23 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;
“Shareholder(s)”	holder(s) of the Share(s);

“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.

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

Hong Kong, 16 August 2006

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

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)*

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)*

Please also refer to the published version of this announcement in The Standard.