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PYI Corporation Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 498)

POSSIBLE MAJOR TRANSACTION ACQUISITION OF FURTHER INTEREST IN NANTONG PORT GROUP LIMITED

Financial advisers to PYI Corporation Limited



PYI has been notified by SDIC Communications of its intention to dispose of the entire 12.32% equity interest held by it in Nantong Port Group, which is currently a 45% associate of PYI, through a public tender and bidding process. PYI intends to participate in this public process; and when necessary, to exercise its pre-emption right to match the price of the highest bidder in order to acquire the aforementioned 12.32% so as to make Nantong Port Group a subsidiary. The Board therefore would like the PYI Shareholders to grant it a mandate to proceed with the Acquisition at a maximum price of RMB1 billion (equivalent to approximately HK\$1.03 billion).

The Acquisition by the Group, if materialized, may constitute a major transaction for PYI under Chapter 14 of the Listing Rules and will be subject to, amongst other things, PYI Shareholders' approval. A circular containing the relevant information to seek prior approval from the PYI Shareholders on the Acquisition will be despatched to the PYI Shareholders as soon as practicable. A special general meeting will then be held to consider and, if thought fit, approve the Acquisition and transactions contemplated thereunder.

Investors and PYI Shareholders should note that the current intention in respect of the Acquisition may or may not materialize, and they should exercise caution when trading in the Shares.

THE ACQUISITION

The possible Acquisition

The Company has been notified by SDIC Communications of its intention to dispose of the Relevant Interest held by it in Nantong Port Group, currently a 45% associate of PYI, through a public listing and transaction process. PYI intends to participate in the public transaction process for the Relevant Interest; and when necessary, to exercise its pre-emption right under the Joint Venture Agreement to match the price of the highest bidder in order to acquire the Relevant Interest and make Nantong Port Group a subsidiary. The Board therefore would like the PYI Shareholders to grant it a mandate to proceed with the Acquisition at a maximum price of RMB1 billion (equivalent to approximately HK\$1.03 billion) (the “Cap”). The Acquisition by the Group, if materialized, may constitute a major transaction for the Company under Chapter 14 of the Listing Rules.

Since Nantong Port Group is not a subsidiary of the Company and SDIC Communications holds no interest or directorship in the Group save for its interest in Nantong Port Group, SDIC Communications and Nantong Port Group are not connected persons of the Company. The Directors confirm that to the best of their knowledge, information and belief, and having made all reasonable enquiries, save for its interests in the Acquisition and its existing interest in Nantong Port Group, SDIC Communications and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Approvals and regulatory requirements

In accordance with the regulatory requirements relating to the sale of state-owned assets, SDIC Communications has to put forward the Relevant Interest held in Nantong Port Group for sale through a public listing and transaction process.

Pursuant to the relevant PRC regulations, the listing process is to be initiated by SDIC Communications through the appointment of 產權交易所 (Assets and Equity Exchange) (the “Equity Exchange”) to make a public announcement that the Relevant Interest is listed for transfer. The Equity Exchange will prescribe the offer conditions as well as the qualifications of interested transferee in the listing announcement. No binding agreements can be signed between the Equity Exchange and any interested parties whether prior to or during the listing process. The listing period is to be determined by the Equity Exchange, with a minimum of 20 working days. If at the close of the listing period more than one qualified interested transferee registered for the Relevant Interest, it will be put up for a competition process which includes auction, tender/bidding, online auction and so on. If at the close of the listing period only one qualified interested transferee registered for the Relevant Interest, the parties are allowed to enter into agreement by way of negotiations on the basis of the consideration and terms set out in the listing announcement. As at the date of this announcement, no Equity Exchange has issued any listing announcement or definite timetable regarding the transaction for the Relevant Interest.

Since there is no guarantee that the timetable to be released by the Equity Exchange will accommodate the time required by the Company to go through all necessary regulatory procedures and get the PYI Shareholders' approval before the submission of tender, the Company needs to obtain approval from the PYI Shareholders in advance in order to offer a committed price in its tender to be submitted or exercise its pre-emption right when the competition process becomes necessary, and to proceed with the Acquisition in a timely manner. Similarly, on the basis that no definite timetable regarding the tender/auction for the Relevant Interest is currently available and there is no meaningful estimate on when such a definite timetable from the Equity Exchange will be available, the Directors consider that it is fair and reasonable and in the interests of the Company to seek a mandate from the PYI Shareholders to proceed with the Acquisition within a period of twelve months commencing from the date of approval by the PYI Shareholders.

Basis for arriving at the Cap

For the purpose of obtaining the requisite mandate from the PYI Shareholders, the cap of RMB1 billion (equivalent to approximately HK\$1.03 billion) was arrived at after taking into consideration various factors including:

1. the proportionate net asset value of the NTPG Group as shared by the Relevant Interest, i.e. around RMB128.3 million (equivalent to approximately HK\$132.1 million), as at 31 December 2006;
2. the price to book ratios, ranging from 1.15 times to 8.43 times with an average of around 4 times, of 10 comparable listed companies in Hong Kong engaged in similar business of the NTPG Group;
3. the fact that the results of the NTPG Group will be consolidated into the Group's accounts following completion of the Acquisition; and
4. a strategic need for inclusion of a buffer for the bidding process.

The Cap as compared to the Group's total assets and the Company's market capitalisation

The Cap represents only around 13.5% of the audited total assets of the Group as at 31 March 2007 of around HK\$7,621.4 million, or around 20% of the market capitalisation of the Company based on the closing price of the Shares as quoted from the Stock Exchange as at the date of this announcement.

Basis of using price to book ratios to arrive at the Cap

The conventional basis of analysis, by reference to cash flow/earnings and book value, can offer guidance. However, the NTPG Group's historical financials in 2006 only reveal the operation performance of its start-up phase as capital injection of the Group's existing 45% equity interest in the NTPG Group was only completed in September 2006. Under such circumstances, the Directors believe that the traditional cash flow/earnings basis for valuation of mature port operations may not be applicable in the current case but price to book value in turn could be regarded as a reasonable valuation basis.

The Cap, which represents around 7.8 times of the underlying book value attributable to the Relevant Interest, is within the range of valuations of the comparables, although towards the top end, observed for listed port groups by reference to book values. The NTPG Group is not listed, so it would be less liquid than the comparables; but on the other hand, a premium may be attributed by the Group as the Acquisition will allow the Group to consolidate Nantong Port Group as a subsidiary. The Cap also allows some buffer for the bidding process. These aspects are discussed further below.

Reasons of setting the Cap

Given that this announcement will be published in the public domain, the Board considers that any reference made to the proposed tender price is undesirable and will offer unfair advantage to any competing bidders. Should approval be given by the PYI Shareholders, the Board will exercise its judgment to proceed with the Acquisition at a price determined with reference to the net asset value of the NTPG Group as well as its financials and future potentials, and which the Board considers to be in the best interests of the Company and the PYI Shareholders as a whole.

The current opportunity is in many ways unique to the Group. The Group announced its original investment for a 45% interest in Nantong Port Group in August 2005. The Group has therefore already had a 2-year period to become familiarized with the NTPG Group, thus reducing the risk of further purchase by the Group, whereas other bidders will have a strictly limited time to assess the situation.

The Company wishes to have the flexibility of a cap at auction which takes into account the Group's unique position and allows it to respond effectively to tactics which may be adopted by other bidders. There is no reason of course for the Company to pay a higher price than it needs when the auction occurs and the Company will not do so. Nevertheless, the Board believes this is a strategic opportunity for the Group which is unlikely to occur again. It would be against the Company's interest to jeopardize such an opportunity if its options at auction were unnecessarily restricted. Consequently, the Board believes the Cap is a fair and reasonable figure from the point of view of the Group.

The bidding mechanism

The Company can participate in the bidding process to directly bid for the Relevant Interest, or as appropriate, the Company can also exercise its pre-emption right under the Joint Venture Agreement to match the price of the highest bidder in order to acquire the Relevant Interest. If the Company chooses to exercise the pre-emption right and (i) there is more than one bidder but the other shareholder of Nantong Port Group, namely Nantong SOA does not exercise its pre-emption right to acquire the Relevant Interest, the Company can acquire the whole of the Relevant Interest at the same price offered by the highest bidder (the "Highest Price"); or (ii) there is more than one bidder and Nantong SOA also chooses to exercise its pre-emption right to acquire the Relevant Interest, the Company can only acquire the Relevant Interest in part with Nantong SOA, with consideration payable by each of them calculated based on the Highest Price prorated to their respective shareholding percentage in Nantong Port Group; or (iii) if there is no bidder, consideration payable by the Group is to be agreed between the Company and SDIC Communications.

The Company confirms that it will exercise its pre-emption right to acquire the Relevant Interest at the Highest Price only on the basis that the Directors consider the Highest Price is in the interests of the Company and its shareholders as a whole.

The consideration will be funded by internal resources and bank financing, if necessary, of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The 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 Group Limited, comprehensive engineering and property-related services.

Upon completion of the Acquisition, whether in whole or pro rata with the other shareholder, Nantong Port Group will become an indirect subsidiary of the Company and the results of the NTPG Group will be consolidated into the Group's accounts. Since the Acquisition will allow the Group to have a larger share of return than the NTPG Group may have in the future, the Directors expect, in light of the recent business performance and profitability of the NTPG Group, the profitability of the Group will be further enhanced as a result of the completion of the Acquisition.

INFORMATION ON NANTONG PORT GROUP

The NTPG Group 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. The registered capital of Nantong Port Group is RMB966,004,400 (equivalent to approximately HK\$995 million), out of which approximately RMB435 million was contributed by the Group for the subscription of its current 45% equity interest. Details of the Group's investment for such a 45% equity interest in Nantong Port Group were set out in the Company's announcement dated 12 August 2005 and circular dated 22 August 2005.

As at the date of this announcement, Nantong Port Group is owned as to 45% by the Group, as to 42.68% by Nantong SOA and as to 12.32% by SDIC Communications. Assuming the Group successfully acquires the entire Relevant Interest tendered for sale by SDIC Communications, Nantong Port Group will be owned as to 57.32% by the Group. However, if Nantong SOA exercises its pre-emption right and the Group just acquires a pro rata portion of the Relevant Interest, Nantong Port Group will be owned as to 51.32% by the Group.

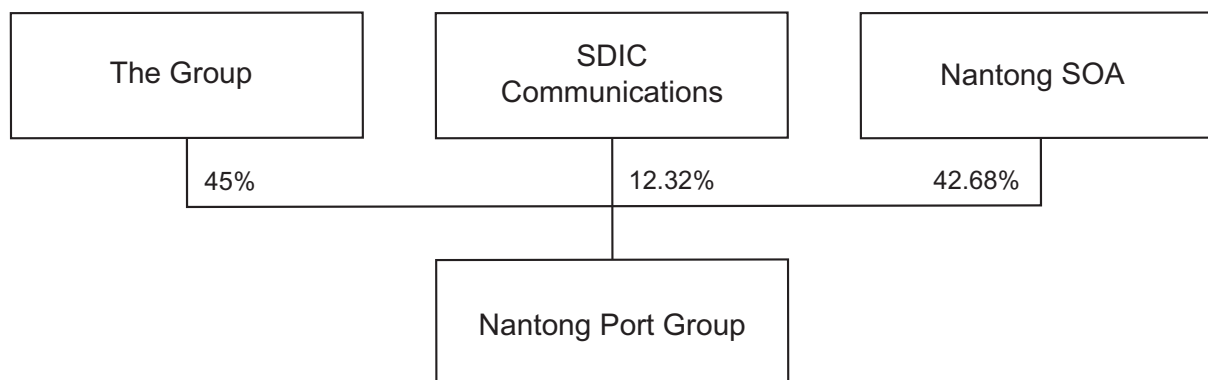
The following is a summary of the audited consolidated financial results of the NTPG Group for the two financial years ended 31 December 2006, prepared in accordance with generally accepted accounting principles in the PRC:

	Year ended 31 December	
	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	541,414	545,676
Profits/(losses) before tax	52,638	(45,501)
Profits/(losses) after tax	52,352	(57,398)

As at 31 December 2006, the audited consolidated net asset value of the NTPG Group (prepared in accordance with generally accepted accounting principles in the PRC) was approximately RMB1,041.5 million (equivalent to approximately HK\$1,072.7 million).

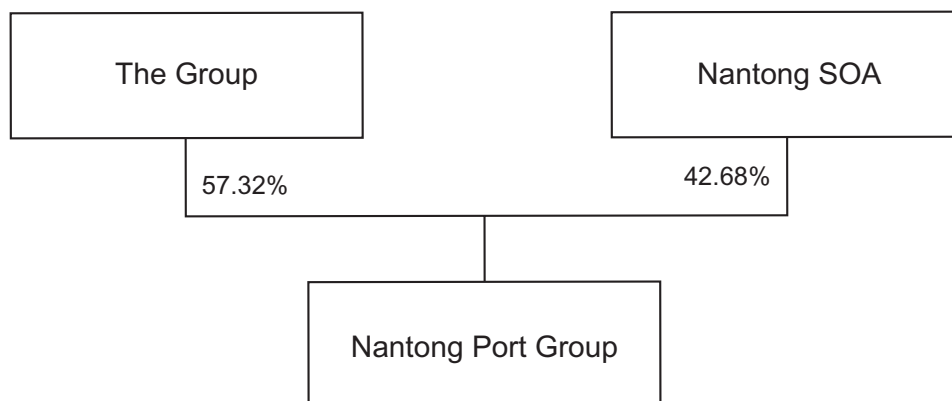
Below is the ownership structure of Nantong Port Group immediately before and after the completion of the Acquisition:

Before completion of the Acquisition

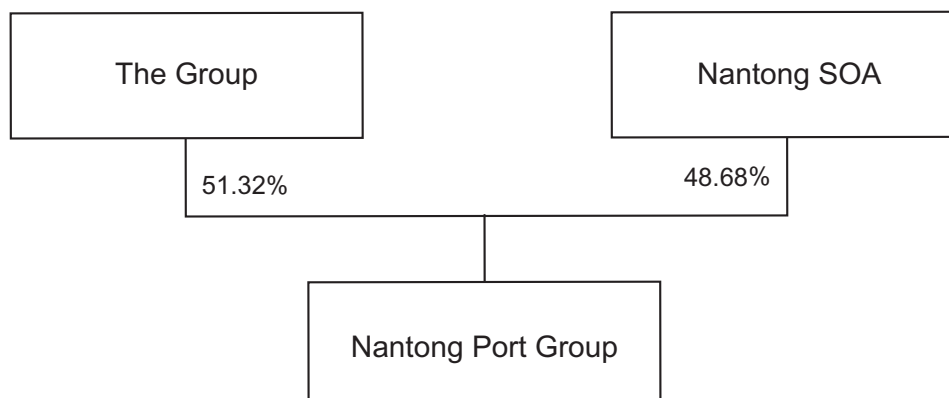


Immediately after completion of the Acquisition

(assuming acquisition of SDIC Communications' interest by the Group in whole)



Immediately after completion of the Acquisition
(assuming acquisition of SDIC Communications' interest pro rata to shareholding percentage)



INFORMATION ON SDIC COMMUNICATIONS

SDIC Communications was incorporated under the laws of the PRC and is a wholly-owned subsidiary of 國家開發投資公司 (State Development & Investment Corp.), a state-owned investment holding company. The major operating business of SDIC Communications includes investment, management and construction of ports, toll roads, bridges and other investments in transportation related projects.

POSSIBLE MAJOR TRANSACTION

The Company currently does not have a definite timetable for the sale and purchase agreement or agreement(s) to be concluded in respect of the possible Acquisition. However, the Acquisition, if materialized, may constitute a major transaction for the Company under Chapter 14 of the Listing Rules and will therefore be subject to the PYI Shareholders' approval under the Listing Rules. Since the final consideration cannot be ascertained at this stage owing to the special circumstances as previously discussed, the Company has applied to the Stock Exchange for a waiver from strict compliance of Rule 14.34. Nevertheless, further announcement will be made by the Company if the final consideration of the Acquisition is ascertained after the bidding.

The Board considers that it will be in the interests of the Company and the PYI Shareholders as a whole to seek prior approval from the PYI Shareholders of such possible Acquisition, as this will allow the Group the flexibility to acquire the whole or a part of the Relevant Interest at a price determined by the Board to be in the best interests of the Company and the PYI Shareholders as a whole (which in any event will not exceed the Cap).

GENERAL

The Acquisition, if materialized, may constitute a major transaction for the Company under Chapter 14 of the Listing Rules and will be subject to, amongst other things, PYI Shareholders' approval at the SGM.

The SGM will be held to consider and, if thought fit, approve the Acquisition and transactions contemplated thereunder.

A circular containing, amongst other things, details of the Acquisition, financial information on the NTPG Group, pro forma assets and liabilities of the Group as a result of the Acquisition and a notice of the SGM will be despatched to the PYI Shareholders as soon as practicable.

Investors and PYI Shareholders should note that the current intention in respect of the Acquisition may or may not materialize, and they should exercise caution when trading in the Shares.

DEFINITIONS

“Acquisition”	the proposed acquisition by the Company of the 12.32% interest currently held by SDIC Communications in Nantong Port Group, whether in whole or in part with Nantong SOA in proportion to their respective interest therein
“Board”	the board of Directors
“connected person”	has the meaning ascribed to it under the Listing Rules
“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
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Joint Venture Agreement”	the joint venture agreement dated 1 November 2005 entered into among Nantong SOA, SDIC Communications and Paul Y. Corporation Limited (a wholly-owned subsidiary of the Company)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nantong Port Group”	南通港口集團有限公司(Nantong Port Group Limited), a company incorporated in the PRC and in which the Group holds a 45% equity interest

“Nantong SOA”	南通國有資產投資控股有限公司 (Nantong State-owned Assets Investment Holdings Limited), formerly known as 南通眾和控股有限公司 (Nantong Zhonghe Holdings Limited), a company incorporated in the PRC with limited liability and wholly owned by State-owned Assets Supervision and Administration Commission of Nantong Provincial Government
“NTPG Group”	Nantong Port Group and its subsidiaries
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PYI Shareholders”	holders of the Shares
“Relevant Interest”	the 12.32% equity interest in Nantong Port Group currently held by SDIC Communications
“RMB”	Renminbi, the lawful currency of the PRC
“SDIC Communications”	國投交通公司 (SDIC Communications Co.), a company incorporated in the PRC and a wholly-owned subsidiary of 國家開發投資公司 (State Development & Investment Corp.)
“SGM”	a special general meeting of the Company to be convened and held for the PYI Shareholders to consider and, if thought fit, approve the possible Acquisition and transactions contemplated thereunder
“Shares”	ordinary shares of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 2 November 2007

For illustration purposes, an exchange rate of RMB1.00 to HK\$1.03 has been adopted in this announcement.

If there is any inconsistency between the Chinese names of the PRC entities mentioned in this announcement and their English translations, the Chinese version shall prevail.

As at the date of this announcement, the composition of the Board is 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 and 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>
Mr. Li Chang An	: <i>Independent Non-Executive Director</i>