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If you have sold or transferred all your shares in **PYI Corporation Limited** (the "Company"), you should at once hand this circular and the accompanying form of proxy 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.



PYI Corporation Limited

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

**PROPOSALS FOR
WARRANTS ISSUE
IN RELATION TO FINAL DIVIDEND
FOR THE YEAR ENDED 31 MARCH 2008,
RE-ELECTION OF RETIRING DIRECTORS,
REMUNERATION OF DIRECTORS,
GENERAL MANDATES TO ISSUE PYI SHARES AND
TO REPURCHASE PYI SHARES,
REFRESHMENT OF THE 10% LIMIT ON GRANT
OF OPTIONS UNDER THE SHARE OPTION SCHEME
AND
REFRESHMENT OF THE 10% LIMIT ON GRANT
OF OPTIONS UNDER THE PYE SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting of the Company to be held at JW Marriott Ballroom on Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 5 September 2008 at 10:30 a.m. is set out on pages 26 to 29 of this circular. If you are not able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it 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 and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

1 August 2008

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DEFINITIONS

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

“2007 AGM”	the annual general meeting of PYI held on 20 September 2007
“2008 AGM”	the annual general meeting of PYI to be held at JW Marriott Ballroom on Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 5 September 2008 at 10:30 a.m., notice of which is set out on pages 26 to 29 of this circular
“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
“Bye-laws”	the bye-laws of the Company
“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, the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	director(s) of the Company
“Eligible Person(s)”	any employee (whether full time or part time), executive, officer or director (including executive, non-executive and independent non-executive directors) 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, have contributed or will contribute to the growth and development of the Group or any Invested Entity
“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
“General Mandates”	the general mandate to issue PYI Shares and Repurchase Mandate to be sought at the 2008 AGM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People's Republic of China
“Invested Entity”	any entity in which the Group holds an equity interest
“Latest Practicable Date”	28 July 2008, being the latest practicable date for ascertaining certain information in this circular prior to its publication
“Listing Committee”	the same meaning as that in the Listing Rules

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholder(s)”	PYI Shareholder(s) whose addresses on the Company’s register of members as at the Record Date are in places outside Hong Kong
“Paul Y. Engineering”	Paul Y. Engineering Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange and a subsidiary of the Company
“PYE 2008 AGM”	the annual general meeting of Paul Y. Engineering to be held at Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Thursday, 4 September 2008 at 10:00 a.m.
“PYE Refreshment”	proposal by Paul Y. Engineering for refreshment of the 10% limit on grant of options under the PYE Share Option Scheme and all other share option scheme(s) of Paul Y. Engineering
“PYE Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of Paul Y. Engineering
“PYE Share Option Scheme”	the share option scheme adopted by Paul Y. Engineering on 7 September 2005 which is in compliance with the applicable requirements of Chapter 17 of the Listing Rules
“PYI Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of PYI
“PYI Shareholder(s)”	holder(s) of PYI Shares
“Record Date”	Thursday, 18 September 2008, being the date for determination of entitlements to the Warrants
“Repurchase Mandate”	the proposed new general mandate to be sought at the 2008 AGM to authorise the Directors to repurchase the PYI Shares in the manner as set out in the notice of the 2008 AGM
“Scheme Mandate Limit”	10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme/date of approval of the refreshment of the scheme mandate limit (as the case may be) which may be issued upon exercise of all options granted/ to be granted under the Share Option Scheme and any other scheme(s) of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Option Scheme”	share option scheme of the Company adopted 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
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Warrant(s)”	warrant(s) proposed to be issued by the Company entitling the holders thereof to subscribe for new PYI 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 of the Company at the close of business on the Record Date
“%”	per cent

EXPECTED TIMETABLE

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

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

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 circular refer to Hong Kong time.

LETTER FROM THE BOARD



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)
Li Chang An
(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

1 August 2008

*To the PYI Shareholders and,
for information only, holders of
share options of PYI*

Dear Sir or Madam,

**PROPOSALS FOR
WARRANTS ISSUE
IN RELATION TO FINAL DIVIDEND
FOR THE YEAR ENDED 31 MARCH 2008,
RE-ELECTION OF RETIRING DIRECTORS,
REMUNERATION OF DIRECTORS,
GENERAL MANDATES TO ISSUE PYI SHARES AND
TO REPURCHASE PYI SHARES,
REFRESHMENT OF THE 10% LIMIT ON GRANT
OF OPTIONS UNDER THE SHARE OPTION SCHEME
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REFRESHMENT OF THE 10% LIMIT ON GRANT
OF OPTIONS UNDER THE PYE SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The Company announced on 18 July 2008 the 2008 Final Results and announced on 23 July 2008 the Warrants Issue.

The purpose of this circular is to give you notice of the 2008 AGM, and information on matters to be dealt with at the 2008 AGM. They are: (a) proposed Warrants Issue; (b) re-election of the retiring Directors; (c) remuneration of Directors; (d) grant of General Mandates; (e) refreshment of the Scheme Mandate Limit; and (f) the PYE Refreshment.

LETTER FROM THE BOARD

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, such final dividend to be paid in the form of Warrants. On 23 July 2008, the Company made an announcement setting out certain basic terms of the Warrants. The principal terms of the Warrants are now set out in Appendix I to this circular.

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 Latest Practicable Date 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 Latest Practicable Date 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 the Latest Practicable Date and about 14.3% of the issued share capital of the Company as at the Latest Practicable Date 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 the Latest Practicable Date 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 at the Latest Practicable Date 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 at the Latest Practicable Date 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. 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);

LETTER FROM THE BOARD

- (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;
- (c) a discount of about 6% to the average closing price per PYI Share of HK\$1.06 for five business days up to and including the Latest Practicable Date; and
- (d) a discount of about 3% to the closing price per PYI Share of HK\$1.03 as quoted on the Stock Exchange on the Latest Practicable Date.

On the basis of 1,508,393,517 PYI Shares in issue as at the Latest Practicable Date 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 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 commencement date of dealings in the Warrants on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

LETTER FROM THE BOARD

Overseas Shareholders

As set out in the announcement of the Company dated 23 July 2008, the Warrants Issue will not be made to Overseas Shareholders in the event that the Board is of the view that, after making 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.

As at the Latest Practicable Date, based on the register of members of the Company, there were three Overseas Shareholders of which one is with an address in Taiwan, one is in Malaysia and another is in Macau. Pursuant to rule 13.36(2) of the Listing Rules, the Board has made enquiries on the legal restrictions and regulatory requirements in relation to the Warrants Issue to the Overseas Shareholders in the above jurisdictions and on the compliance requirements in the relevant restrictions and formalities. Based on the legal opinions obtained and having regard to the number of Overseas Shareholders as at the Latest Practicable Date, none of such Overseas Shareholders will be excluded from the Warrants Issue.

If on the Record Date, there are Overseas Shareholders who will be excluded from the Warrant Issue, warrants which would otherwise have been issued to such 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. For the avoidance of doubt, the Excluded Shareholders have been sent a copy of this circular for their information only.

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 of the opinion that 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/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.

LETTER FROM THE BOARD

Stamp Duty

Dealings in the Warrants are subject to Hong Kong stamp duty. PYI Shareholders are recommended to consult their professional advisers as to the tax implications of the Warrant Issue, in particular, whether the Warrants would be regarded as a transaction of an income or capital nature or make such PYI Shareholders liable to a taxation.

RE-ELECTION OF RETIRING DIRECTORS

The Board currently consists of seven Directors, including:

- (a) the only executive director, Mr Lau Ko Yuen, Tom, Deputy Chairman and Managing Director. He was last re-elected at the 2007 AGM and his term of office will expire at the conclusion of the Company's annual general meeting to be held in 2010;
- (b) one non-executive Director, Dr Chan Kwok Keung, Charles. He was last re-elected at the Company's annual general meeting in 2006 and will hold office until the conclusion of the Company's annual general meeting to be held in 2009; and
- (c) five independent non-executive Directors, namely Dr Chow Ming Kuen, Joseph, Mr Kwok Shiu Keung, Ernest, Mr Chan Shu Kin, Mr Leung Po Wing, Bowen Joseph and Mr Li Chang An. Dr Chow Ming Kuen, Joseph was re-elected at the Company's annual general meeting in 2005 and his term will expire at the 2008 AGM, whereas for both Mr Kwok Shiu Keung, Ernest and Mr Leung Po Wing, Bowen Joseph, they were re-elected at the Company's annual general meeting in 2006 and will hold office until the conclusion of the Company's annual general meeting to be held in 2009. As to Mr Chan Shu Kin and Mr Li Chang An, they were re-elected at the 2007 AGM and will hold office until the conclusion of the Company's annual general meeting to be held in 2010.

Pursuant to bye-law 87(1) of the Bye-laws, Dr Chow Ming Kuen, Joseph, Mr Kwok Shiu Keung, Ernest and Mr Leung Po Wing, Bowen Joseph will retire from office by rotation at the 2008 AGM. All of these retiring Directors are eligible for re-election to hold office until the conclusion of the Company's annual general meeting to be held in 2011.

Bye-law 88 of the Bye-laws provides that no person other than a Director retiring at the meeting shall be eligible for election as a Director at any general meeting unless:

- (a) he is recommended by the Directors; or
- (b) a notice signed by a PYI Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election as Director and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the registered office or at the head office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that the period for lodgment of such notice(s) shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Accordingly, if a PYI Shareholder wishes to nominate a person to stand for election as a Director, the following documents must be validly served on the Company, namely (i) his/her notice of intention to propose a resolution and (ii) a notice executed by the nominated candidate of his/her willingness to be elected together with (A) the candidate's information required to be disclosed under rule 13.51(2) of the Listing Rules and other information, as referred to under the heading "Requisite information of the candidate(s) nominated by PYI Shareholders" below and (B) the candidate's written consent to the publication of his/her personal data.

In order to ensure that other PYI Shareholders have sufficient time to receive and consider the particulars of the nominated candidate(s), PYI Shareholders are urged to submit their proposals as early as practicable, preferably before Monday, 18 August 2008 so that a supplementary circular containing particulars of the candidate(s) proposed by such PYI Shareholders can be dispatched to the PYI Shareholders, and an announcement can be published on or about Thursday, 21 August 2008.

LETTER FROM THE BOARD

Requisite information of the candidate(s) nominated by PYI Shareholders

In order to enable other PYI Shareholders to make an informed decision on their election of Directors, the said notice of intention to propose a resolution by a PYI Shareholder should be accompanied by the following information of the nominated candidate:

- (a) full name and age;
- (b) positions held with PYI and/or other members of the Group (if any);
- (c) previous experience including other directorships in listed public companies in the last three years and other major appointments and qualifications;
- (d) current employment and such other information (which may include business experience, professional qualifications and educational background) of which PYI Shareholders should be aware, pertaining to the ability or integrity of the candidate;
- (e) length or proposed length of service with PYI (if any);
- (f) relationships with any Directors or senior management of PYI, or an appropriate negative statement;
- (g) interests in PYI Shares within the meaning of Part XV of the SFO, or an appropriate negative statement;
- (h) contact details; and
- (i) a declaration made by the nominated candidate in respect of the information required under rules 13.51(2)(h) to (w) of the Listing Rules, or an appropriate negative statement to that effect where there is no information to be disclosed pursuant to any of such requirements.

Recommendations of the Nomination Committee

The Nomination Committee, consisting of three members namely, Dr Chow Ming Kuen, Joseph, Mr Lau Ko Yuen, Tom and Mr Kwok Shiu Keung, Ernest, held a meeting on 18 July 2008 to nominate the re-election of retiring Directors in the 2008 AGM. Both Dr Chow Ming Kuen, Joseph and Mr Kwok Shiu Keung, Ernest, being retiring Directors, abstained from voting on the relevant resolution of the Nomination Committee related to his own re-election. The Nomination Committee, with the aforesaid abstention of Dr Chow and Mr Kwok, has nominated and recommended to the Board that Dr Chow Ming Kuen, Joseph, Mr Kwok Shiu Keung, Ernest and Mr Leung Po Wing, Bowen Joseph, all being eligible, shall be re-elected as Directors at the 2008 AGM. In addition, all retiring Directors had abstained from voting at the Board meeting when their nominations were considered and approved by the Board for recommendation to PYI Shareholders for approval.

The biographical details of Dr Chow Ming Kuen, Joseph, Mr Kwok Shiu Keung, Ernest and Mr Leung Po Wing, Bowen Joseph are set out in Appendix II of this circular.

The Nomination Committee is also responsible for, inter alia, assessing the independence of independent non-executive Directors. In doing so, the Nomination Committee has reviewed the individual Director's annual confirmation of independence declared pursuant to rule 3.13 of the Listing Rules. As a good corporate governance practice, every member of the Committee has abstained from participating in the assessment of his own independence.

Mr Kwok Shiu Keung, Ernest, an independent non-executive Director, is eligible and will stand for re-election at the 2008 AGM. Mr Kwok has served the Board for more than 9 years, having been appointed in August 1993. Despite this length of service, there is no evidence that the independence of Mr Kwok, especially in terms of exercising independent judgment and objective challenges to the management, has been or will be in any way compromised or affected. The Board is confident that Mr Kwok, as a reputable professional with profound experience, will continue to make valuable contribution to the Company by providing his balanced and objective views to the Board. Mr Kwok has also provided an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules. The Nomination Committee is fully satisfied that Mr Kwok meets the independence guidelines set out in rule 3.13 of the Listing Rules and continues to be independent. The Board therefore comes to the view that Mr Kwok should be re-elected for a further term in the 2008 AGM.

LETTER FROM THE BOARD

REMUNERATION OF DIRECTORS

At the 2007 AGM, PYI Shareholders approved the Directors' fees in an aggregate amount of not exceeding HK\$4,000,000 per annum to be paid to all Directors and be divided amongst the Directors as the Board may agree. Based on this approval, the Board resolved the following allocation: (i) a Director's fee of HK\$300,000 per annum be paid to each Director; (ii) an additional fee of HK\$300,000 per annum be paid to the Chairman; (iii) an additional fee of HK\$20,000 per annum be paid to each Director for being a member of any Board committee; and (iv) an additional fee of HK\$20,000 per annum be paid to each Director for being the chairman of any Board committee for their services rendered to the Company during the period from the conclusion of the 2007 AGM to the conclusion of the 2008 AGM. A Director who has not served the entire period will receive payment in proportion to his period of service.

The Remuneration Committee had, at its meeting held on 18 July 2008, reviewed and considered that the current scale of the Directors' fees was reasonable under the current market environment and having regard to the prevailing market conditions, salary paid by comparable companies, the duties and responsibilities of the Directors, employment conditions elsewhere and the time committed by the Directors. The Remuneration Committee recommended that the existing aggregate amount of Directors' fees of not exceeding HK\$4,000,000 per annum for all Directors shall remain unchanged for the coming year.

Bye-law 96 of the Bye-laws provides that, among others, the ordinary remuneration of Directors shall from time to time be determined by the Company in general meeting. Accordingly, an ordinary resolution will be proposed at the 2008 AGM for PYI Shareholders to consider and, if thought fit, approve the paying of an aggregate amount of not exceeding HK\$4,000,000 per annum to all Directors and that the Board be authorized to divide this amount amongst the Directors. If approved by PYI Shareholders, the proposed Directors' fees will be effective from 5 September 2008. Payment will be made in proportion to the period of service in the case of a Director who has not served the entire period.

GENERAL MANDATES TO ISSUE PYI SHARES AND TO REPURCHASE PYI SHARES

At the 2007 AGM, ordinary resolutions were passed to grant the general mandates to the Directors to issue PYI Shares and to repurchase PYI Shares. Such general mandates will expire at the conclusion of the 2008 AGM. Ordinary resolutions will be proposed at the 2008 AGM to grant to the Directors a new general mandate, inter alia, (a) to allot and issue PYI Shares not exceeding 20% of the issued share capital of the Company as at the date of the passing of such resolution; (b) to repurchase PYI Shares not exceeding 10% of the issued share capital of the Company as at the date of the passing of such resolution; and (c) to extend the general mandate to issue PYI Shares by the number of PYI Shares purchased under the Repurchase Mandate.

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,508,393,517 PYI Shares. Subject to the passing of the proposed resolution for the grant of the General Mandates to issue PYI Shares and on the basis that no PYI Shares are allotted and issued or repurchased by the Company prior to the 2008 AGM, the Directors will be allowed under the General Mandates to allot and issue up to 301,678,703 PYI Shares and to repurchase up to 150,839,351 PYI Shares.

The Directors believe that it is in the interests of the Company and the PYI Shareholders as a whole that the General Mandates are granted at the 2008 AGM. The General Mandates provide Directors with flexibility to issue PYI Shares especially in the context of a fund raising exercise or a transaction involving an acquisition by the Company where PYI Shares are to be issued as consideration and which has to be completed speedily. However, the Directors currently have no intention of any acquisition by the Company nor any plan for raising capital by issuing new PYI Shares.

An explanatory statement providing all the information required under the Listing Rules concerning the Repurchase Mandate is set out in Appendix III to this circular.

LETTER FROM THE BOARD

REFRESHMENT OF THE 10% LIMIT ON GRANT OF OPTIONS UNDER THE SHARE OPTION SCHEME

The existing Scheme Mandate Limit was refreshed on 20 September 2007, which enables the Directors to grant options to Eligible Persons under the Share Option Scheme to subscribe for up to 149,780,440 PYI Shares. From the date of refreshing the existing Scheme Mandate Limit and up to the Latest Practicable Date, the Company has granted options entitling the holders thereof to subscribe for an aggregate of 86,434,000 PYI Shares, representing approximately 57.71% of the existing Scheme Mandate Limit. If the existing Scheme Mandate Limit is not refreshed, the Company would be allowed to grant options to subscribe for up to 63,346,440 PYI Shares, representing approximately 4.20% of PYI Shares in issue as at the Latest Practicable Date. In order to provide the Company with more flexibility in providing incentives to those Eligible Persons by way of granting of options, the Board decides to seek the approval of the PYI Shareholders to refresh the Scheme Mandate Limit so that the total number of PYI Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other scheme(s) of the Company shall not exceed 10% of the PYI Shares in issue as at the date of passing the relevant resolution at the 2008 AGM. Options previously granted under the Share Option Scheme and any other scheme(s) of the Company (including options outstanding, cancelled or lapsed in accordance with the relevant scheme rules and exercised options) and options not granted under the Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed.

As at the Latest Practicable Date, there were in issue 1,508,393,517 PYI Shares and a total of 168,144,000 outstanding options granted under the Share Option Scheme at exercise prices of HK\$1.24 (as to 7,800,000 options), HK\$1.50 (as to 11,580,000 options), HK\$2.00 (as to 60,246,000 options), HK\$2.43 (as to 4,300,000 options), HK\$2.48 (as to 9,200,000 options), HK\$2.50 (as to 22,338,000 options), HK\$3.00 (as to 19,515,000 options), HK\$3.50 (as to 20,365,000 options), HK\$3.546 (as to 11,700,000 options), HK\$4.00 (as to 650,000 options) and HK\$4.50 (as to 450,000 options) per PYI Share. Save and except for these outstanding options, there are no options granted under the Share Option Scheme or any other share option scheme(s) of the Company which remained outstanding as at the Latest Practicable Date.

If the Scheme Mandate Limit is refreshed, on the basis of 1,508,393,517 PYI Shares in issue as at the Latest Practicable Date and assuming no further issue or repurchase of PYI Shares prior to the 2008 AGM, the Company may grant options entitling holders thereof to subscribe for a total of 150,839,351 PYI Shares (representing approximately 10% of the PYI Shares in issue as at the date of the 2008 AGM approving the refreshment of the Scheme Mandate Limit).

Pursuant to the Listing Rules, the maximum number of PYI Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other scheme(s) of the Company at any time must not in aggregate exceed 30% of the PYI Shares in issue from time to time. No options shall be granted under any scheme(s) of the Company if this will result in the 30% limit being exceeded.

The purpose of the Share Option Scheme is to provide incentive or reward to Eligible Persons for their contribution to and continuing efforts to promote the interests of the Company. The Directors consider that the refreshment of the Scheme Mandate Limit is in the interests of the Company and the PYI Shareholders as a whole.

The refreshment of the Scheme Mandate Limit is conditional on:

- (i) the passing of an ordinary resolution to approve the refreshment of the Scheme Mandate Limit by the PYI Shareholders at the 2008 AGM; and
- (ii) the Listing Committee granting listing of and permission to deal in the PYI Shares (representing 10% of the PYI Shares in issue as at the date of the 2008 AGM approving the refreshing of the Scheme Mandate Limit) which may fall to be issued pursuant to the exercise of options under the Share Option Scheme and any other share option scheme(s) of the Company.

Application will be made to the Listing Committee for approval of the listing of and permission to deal in the PYI Shares which may fall to be issued pursuant to the exercise of options under the Share Option Scheme and any other share option scheme(s) of the Company.

LETTER FROM THE BOARD

REFRESHMENT OF THE 10% LIMIT ON GRANT OF OPTIONS UNDER THE PYE SHARE OPTION SCHEME

Paul Y. Engineering also proposes the PYE Refreshment, subject to (i) the passing of an ordinary resolution by PYE Shareholders to approve the PYE Refreshment at the PYE 2008 AGM; (ii) the Listing Committee granting the listing of, and the permission to deal in, the shares of Paul Y. Engineering to be issued upon exercise of any options granted under the refreshed limit of the PYE Share Option Scheme; and (iii) in accordance with rule 17.01(4) of the Listing Rules, the PYI Shareholders passing an ordinary resolution to approve the PYE Refreshment at the 2008 AGM.

The PYE Refreshment will enable Paul Y. Engineering to grant further options to eligible participants, being employees, executives, officers or directors of Paul Y. Engineering and its subsidiaries or any entity in which Paul Y. Engineering or its subsidiaries hold an equity interest, and any consultant, adviser or agent of Paul Y. Engineering or its subsidiaries or any entity in which Paul Y. Engineering or its subsidiaries hold an equity interest, who, in the sole discretion of the board of directors of Paul Y. Engineering, have contributed or will contribute to the growth and development of Paul Y. Engineering or its subsidiaries or any entity in which Paul Y. Engineering or its subsidiaries hold an equity interest.

The total number of options granted under the PYE Share Option Scheme as at the Latest Practicable Date was 21,900,000 at exercise prices of HK\$0.90 (as to 1,800,000 options), HK\$1.00 (as to 2,200,000 options), HK\$1.34 (as to 14,300,000 options), HK\$1.36 (as to 2,000,000 options) and HK\$1.40 (as to 1,600,000 options). If the scheme mandate limit on grant of options under the PYE Share Option Scheme is refreshed, on the basis of 601,312,066.8 PYE Shares in issue as at the Latest Practicable Date and assuming no further issue or repurchase of PYE Shares prior to the PYE 2008 AGM, Paul Y. Engineering may grant options entitling holders thereof to subscribe for a total of 60,131,206 PYE Shares (representing approximately 10% of the PYE Shares in issue as at the date of the PYE 2008 AGM approving the refreshment of the scheme mandate limit on grant of options under the PYE Share Option Scheme).

If Paul Y. Engineering utilises in full the 10% limit on grant of options under the PYE Share Option Scheme, the Company's shareholding in Paul Y. Engineering will be reduced from approximately 62.50% to 56.90%. However, the purpose of the PYE Share Option Scheme is to provide incentive or reward to the aforesaid eligible participants for their contribution to and continuing efforts to promote the interests of Paul Y. Engineering. The Directors therefore consider that the PYE Refreshment is in the interest of the Company and the PYI Shareholders.

An ordinary resolution will be proposed at the 2008 AGM to approve the PYE Refreshment.

ANNUAL GENERAL MEETING

A notice convening the 2008 AGM is set out on pages 26 to 29 of this circular at which resolutions will be proposed, inter alia, to approve (i) the proposed Warrants Issue; (ii) the re-election of retiring Directors; (iii) the remuneration of Directors; (iv) the grant of the General Mandates; (v) the refreshment of the Scheme Mandate Limit; and (vi) the PYE refreshment. To the best knowledge of the Directors, no PYI Shareholders had any material interest in the proposed Warrants Issue which is different from those of the other PYI Shareholders as at the Latest Practicable Date. No PYI Shareholders is required to abstain from voting at the 2008 AGM in respect of the resolution on the proposed Warrants Issue.

A form of proxy for use by PYI Shareholders at the 2008 AGM is enclosed. If you do not intend to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it 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 and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the 2008 AGM or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

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 the meeting; or;
- (ii) by at least three PYI Shareholders present or, in the case of a PYI Shareholder being a corporation, by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) by a PYI Shareholder or PYI Shareholders present in person or, in the case of a PYI Shareholder being a corporation, by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all PYI Shareholders having the right to vote at the meeting; or
- (iv) by a PYI Shareholder or PYI Shareholders present in person or, in the case of a PYI Shareholder being a corporation, by its duly authorized representative or by proxy and holding PYI Shares conferring a right to vote at the meeting being PYI 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 PYI 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 PYI 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 approved 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 accordance with rule 2.07C of the Listing Rules.

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 enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

RECOMMENDATION

The Board is pleased to recommend Dr Chow Ming Kuen, Joseph, Mr Kwok Shiu Keung, Ernest and Mr Leung Po Wing, Bowen Joseph to stand for re-election by PYI Shareholders as Directors. Their biographies are set out in Appendix II for PYI Shareholders' consideration. The Board also believes that the proposed Warrants Issue, the proposed remuneration of Directors, the grant of the General Mandates, the refreshment of the Scheme Mandate Limit and the PYE Refreshment are in the best interest of the Company and the PYI Shareholders as a whole, and accordingly recommends the PYI Shareholders to vote in favour of all resolutions to be proposed at the 2008 AGM.

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

The Warrants will be issued subject to and with the benefit of an instrument by way of deed poll (the "Instrument") to be executed by the Company and will be issued in registered form and will form one class and rank *pari passu* in all respects with each other.

The Warrants will represent direct obligations of the Company to the registered holders for the time being of the Warrants (the "Warrantheholders"). The principal terms and conditions of the Warrants will be set out in the certificates for the Warrants ("Warrant Certificates"). The Warrantheholders will be entitled to the benefit of, be bound by, and be deemed to have notice of all such terms and conditions (the "Conditions") and of the provisions of the Instrument, copies of which will be available for inspection from the registrar of the Company for the time being in Hong Kong in respect of the Warrants (the "Warrant Registrar"). The following is a summary of the principal provisions of the Instrument.

1. SUBSCRIPTION RIGHTS

- (a) Subject to the provisions in the Instrument and in compliance with all exchange control, fiscal and other laws and regulations applicable thereto, the Warrantheholder shall have the right ("Subscription Right"), which may be exercised in whole or in part, but not in respect of a fraction of a Share, at any time within the period from 26 September 2008 to 25 September 2009 (both dates inclusive) or such earlier date as provided in the instrument constituting the Warrants (the "Subscription Period"), to subscribe in Hong Kong dollars in cash an amount up to the amount stated on the certificate for such Warrants ("Exercise Moneys") for fully paid PYI Shares at a price of HK\$1.00 per PYI Share (subject to adjustment as referred to below) (the "Subscription Price"). After the last day of the Subscription Period, any Subscription Rights which have not been exercised shall lapse and Warrant Certificates shall cease to be valid for any purpose whatsoever.
- (b) The entitlements of the Warrantheholders to their Warrants will be evidenced by the Warrant Certificates, each of which will contain a subscription form (the "Subscription Form"). In order to exercise in whole or in part the Subscription Rights, the Warrantheholder must complete and sign the Subscription Form (which shall be irrevocable) and deliver the same to the Warrant Registrar, together with a remittance for, the Exercise Moneys (or, in the case of a partial exercise, the relevant portion of the Exercise Moneys), being the amount of the Subscription Price for the PYI Shares in respect of which the Warrantheholder is exercising his Subscription Rights, in each case, compliance must also be made with any exchange control, fiscal or other laws or, regulations for the time being applicable.
- (c) The number of PYI Shares to be allotted on exercise of the Subscription Rights shall be calculated by dividing the amount specified in the relevant Subscription Form and duly remitted as aforesaid by the Subscription Price applicable on the subscription date ("Subscription Date"). No fraction of a PYI Share shall be allotted but any balance representing fractions of the Exercise Moneys paid on exercise of the Subscription Rights shall be paid by the Company to the Warrantheholder and such balance shall be rounded down to the nearest one cent.
- (d) The Company has undertaken in the Instrument that other than in circumstances envisaged in Condition 8(A) of the Instrument any PYI Shares falling to be issued upon the exercise of any of the Subscription Rights represented by the Warrant Certificates shall be issued and allotted not later than 10 business days after, the relevant Subscription Date, taking account of any adjustment which may have been made pursuant to Condition 4 of the Instrument, and shall rank *pari passu* with the PYI Shares in issue on the relevant allotment date of such PYI Shares and accordingly shall entitle the holders to participate in all dividends or other, distributions paid or made after the relevant allotment date of such PYI Shares other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant allotment date of such PYI Shares and notice of the amount and record date for which shall have been given to the Stock Exchange prior to the relevant allotment date of such PYI Shares.

- (e) As soon as practicable after the relevant allotment and issue of PYI Shares (and, in any event, not later than 10 business days after the relevant Subscription Date) they shall be issued free of charge to the Warrantholder(s) to whom such allotment has been made upon his exercise of any Subscription Rights:
- (i) a certificate (or certificates) for the relevant PYI Shares in the name(s) of such Warrantholder's);
 - (ii) (if applicable) a balancing Warrant Certificate in registered form in the name(s) of such Warrantholder's) in respect of any Subscription Rights remaining unexercised;
 - (iii) (if applicable) a cheque representing fractions of the Exercise Moneys in respect of the Warrantholder's fractional entitlement to PYI Shares as mentioned in paragraph (C) of this Condition; and
 - (iv) (if applicable) the certificate mentioned in Clause 6(A)(4) of the Instrument.

The certificate(s) for PYI Shares arising on the exercise of Subscription Rights, the balancing Warrant Certificate (if any), the cheque in respect of the Exercise Moneys in respect of the Warrantholder's fractional entitlement to PYI Shares (if any), the certificate mentioned in Condition 6(A)(4) of the Instrument (if any) shall be sent by post at the risk of such Warrantholder's) to the address of such Warrantholder's) (or, in the case of a Joint holding to that one of them whose name stands first in the register of Warrantholders (the "Register")). If the Company agrees, such certificates and cheques may by prior arrangement be retained by the Warrant Registrar to await collection by the relevant Warrantholder's).

2. ADJUSTMENTS OF SUBSCRIPTION PRICE

The Instrument will contain detailed provisions relating to the adjustment of the Subscription Price. The following is a summary of the adjustment provisions of the Instrument:

- (a) The Subscription Price shall from time to time (except as mentioned in sub-paragraphs (b) and (c) below) be adjusted as provided in the Instrument in each of the following cases (but shall however not be adjusted below the nominal value of PYI Shares until the Subscription Right Reserve (as defined in the Instrument) is maintained):
- (i) an alteration of the nominal amount of each of the PYI Shares by reason of any consolidation or subdivision;
 - (ii) an issue (other than in lieu of a cash dividend) by the Company of any PYI Shares credited as fully-paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
 - (iii) any capital distribution being made by the Company, whether on a reduction of capital or otherwise, to PYI Shareholders (in their capacity as such);
 - (iv) a grant by the Company to PYI Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its Subsidiaries (as defined in the Instrument);
 - (v) an offer being made by the Company to PYI Shareholders for subscription by way of rights, or a grant to PYI Shareholders of any options or warrants to subscribe for new PYI Shares, at a price per new PYI Share which is less than 90% of the market price at the date of the announcement of the terms of the offer or grant (whether or not such issue is subject to the approval of the PYI Shareholders or other persons);
 - (vi) an issue wholly for cash being made by the Company or, any other company of any securities which by their terms are convertible into or exchangeable for or carrying rights of subscription for new PYI Shares, and the total Effective Consideration (as defined in the Instrument) per new PYI Share is less than 90% of the price which is the market price at the date of the announcement of the terms

- of issue of such securities (whether or not such issue is subject to the approval of the PYI Shareholders or other persons) or the rights of conversion or exchange on subscription attached to such securities are modified so that the total Effective Consideration per new PYI Share initially receivable for such securities shall be less than 90% of the price which is the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription;
- (vii) an issue being made wholly for cash of any PYI Shares (other than pursuant to a Share Option Scheme (as defined in the Instrument)) at a price per PYI Share which is less than 90% of the market price at the date of the announcement of the terms of such issue; and
 - (viii) an offer or invitation by the Company to tender for sale to the Company any PYI Shares, or the purchase by the Company of any PYI Shares or securities convertible into PYI Shares or any rights to acquire PYI Shares (excluding any such purchase made on the Stock Exchange or any recognised stock exchange, being a stock exchange recognised for this purpose by the Securities and Futures Commission or equivalent authority and the Stock Exchange) where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price.
- (b) Except as mentioned in sub-paragraph (c) below, no such adjustment as is referred to in sub-paragraph (a) above shall be made in respect of:
- (i) an issue of fully-paid PYI Shares upon the exercise of any conversion rights attached to securities wholly or partly convertible into PYI Shares or upon the exercise of any rights (including the Subscription Rights) to acquire PYI Shares;
 - (ii) an issue by the Company of PYI Shares or by the Company or any Subsidiary (as defined in the Instrument) of securities wholly or partly convertible into or carrying rights to acquire PYI Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or, business;
 - (iii) an issue of fully-paid PYI Shares by way of capitalisation of all or part of the Subscription Right Reserve (as defined in the Instrument) which has been or may be established pursuant to the terms of any other securities wholly or, partly convertible into or carrying rights to acquire PYI Shares;
 - (iv) an issue of PYI Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the PYI Shares so issued is capitalised and the market value (as defined in the Instrument) of such PYI Shares in aggregate is not more than 110% of the amount of dividend which PYI Shareholders could elect to or would otherwise receive in cash; or
 - (v) an issue by the Company of PYI Shares or other securities by the Company or any Subsidiary convertible into or exchangeable for or carrying rights of subscription for PYI Shares pursuant to a Share Option Scheme (as defined in the Instrument).
- (c) Notwithstanding the conditions as described above, in any circumstances where the Directors shall consider that an adjustment to the Subscription Price provided for under the foregoing conditions described above should not be made or should be calculated on a different basis or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the foregoing provisions of this Clause, the Company may appoint the Auditors (as defined in the Instrument) or approved financial adviser to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would not or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such Auditors or approved financial adviser shall consider this to be the case, the adjustment shall be modified or nullified, or an adjustment made instead of no adjustment, in such manner (including without limitation, making an adjustment calculated on a different basis) and the adjustment shall take effect from such other, date and/or time as shall be certified by the Auditors or, approved financial adviser to be in its opinion fair and appropriate.

- (d) Any adjustment to the Subscription Price shall be made to the nearest one cent (HK\$0.005 being rounded up) and in no event shall any adjustment (otherwise than upon the consolidation of PYI Shares into shares of a larger nominal amount each or upon a purchase of PYI Shares) involve an increase in the Subscription Price. In addition to any determination which may be made by the Directors, every adjustment to the Subscription Price shall, save as otherwise expressly provided in the Instrument, be certified either (at the option of the Company) by the Auditors or by an approved financial adviser.
- (e) Notwithstanding anything contained in the Instrument or the Warrant Certificates, no adjustment shall be made to the Subscription Price in any case in which the amount by which the same would be reduced would be less than one cent and any adjustment that would otherwise be required then to be made shall not be carried forward.
- (f) Whenever the Subscription Price is adjusted as provided for in the Instrument, the Company shall give notice to the Warrantheolders that the Subscription Price has been adjusted (setting forth the event giving rise to the adjustment, the Subscription Price in effect prior to such adjustment, the adjusted Subscription Price and the effective date thereof) and shall at all times thereafter, so long as the Subscription Rights remain exercisable, make available for inspection by Warrantheolders at its principal place of business for the time being in Hong Kong, where copies of the same may be obtained, a signed copy of the said certificate of the Auditors or (as the case may be) of an approved financial adviser and a certificate signed by a Director, setting forth brief particulars of the event giving rise to the adjustment, the Subscription Price in effect prior to such adjustment, the adjusted Subscription Price and the effective date thereof and shall, on request, send a copy thereof to any Warrantheolder.
- (g) If the Company or any Subsidiary shall in any way modify the rights attached to any share or loan capital so as wholly or partly to convert or make convertible such share or loan capital into, or attach thereto any rights to acquire, PYI Shares, the Company shall appoint the Auditors or approved financial adviser to consider whether any adjustment to the Subscription Price is appropriate (and if such Auditors or approved financial advisor shall certify that any such adjustment is appropriate, the Subscription Price shall be adjusted accordingly and the provisions of (d), (e) and (f) above shall apply).

3. REGISTERED WARRANTS

The Warrants will be issued in registered form. The Company shall be entitled to treat the registered holder of any Warrant as the absolute owner thereof and accordingly shall not, except as ordered by a court of competent jurisdiction or required by law, be bound to recognise any equitable or other claim to or interest in such Warrant on the part of any other person, whether or not it has express or other notice thereof.

4. TRANSFER, TRANSMISSION AND REGISTER

The Warrants shall be transferable in multiples of one whole PYI Share by instrument of transfer in any usual or common form or, in any other form which may be approved by the Directors. The Company shall accordingly maintain a register of Warrantheolders in the territory where the Stock Exchange for the time being is situated (or such other place as the Directors consider, appropriate, having regard to the applicable rules governing the listing of Warrants). Transfers of Warrants must be executed by both the transferor and the transferee. Where the transferor or the transferee is HKSCC Nominees Limited or its successor thereto (or such other company as may be approved by the board of Directors for this purpose), the transfers may be executed by machine imprinted signature on its behalf or under hand(s) of authorised person(s). The provisions of the bye-laws of the Company relating to the registration and transfer of PYI Shares shall, mutatis mutandis, apply to the registration and transfer of the Warrants. The Instrument contains provisions relating to the transfer, transmission and registration of the Warrants.

Since the Warrants will be admitted to the CCASS, so far as applicable laws or regulations of relevant regulatory authorities, terms of the Instrument and circumstances permit, the Company may determine the last trading day of the Warrants to be a date at least three trading days before 25 September 2009.

Persons who hold the Warrants and have not registered the Warrants in their own names and wish to exercise the Warrants should note that they may incur additional costs and expense in connection with any expedited re-registration of the Warrants prior to the transfer or exercise of the Warrants, in particular during the period commencing ten business days prior to and including the last day of the Subscription Period.

5. CLOSURE OF REGISTER OF WARRANTHOLDERS

The registration of transfers may be suspended and the Register may be closed at such times and for such periods as the Directors may from time to time direct, provided that the same be not closed for a period, or for periods together, of more than 30 days in any one year. Any transfer or exercise of the Subscription Rights attached to the Warrants made while the Register is so closed shall, as between the Company and the person claiming under the relevant transfer of Warrants or, as the case may be, as between the Company and the Warranholders who have so exercised their respective Subscription Rights attached to their Warrants (but not otherwise), be considered as made immediately after the reopening of the Register.

6. PURCHASE AND CANCELLATION

The Company or any of its subsidiaries may at any time purchase Warrants:

- (a) in the open market or by tender (available to all Warranholders alike) at any price; or
- (b) by private treaty at a price, exclusive of expenses, not exceeding 110 % of the closing price of the Warrants for one or more board lots of Warrants on the last day on which the Warrants were traded on the Stock Exchange prior to the date of purchase thereof, but not otherwise.

All Warrants purchased as aforesaid shall be cancelled forthwith and may not be reissued or, re-sold.

7. MEETINGS OF WARRANTHOLDERS AND MODIFICATION OF RIGHTS

- (a) The Instrument will contain provisions for convening meetings of Warranholders to consider any matter affecting the interests of Warranholders, including the modification by a Special Resolution (as defined in the Instrument) of the provisions of the Instrument and/or these Conditions. A resolution duly passed at any such meeting shall be binding on the Warranholders, whether present or not.
- (b) All or any of the rights for the time being attached to the Warrants (including any of the provisions of the Instrument) may from time to time (whether or, not the Company is being wound up) be altered or abrogated (including but without prejudice to that generality by waiving compliance with, or by waiving or authorising any past or, proposed breach of, any of the provisions of the Conditions and/or the Instrument) and the sanction of a Special Resolution shall be necessary and sufficient to effect such alteration or abrogation.
- (c) Where a Warranholder is a recognised clearing house (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative (or representatives) or proxy (or, proxies) at any Warranholders' meeting provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of Warrants in respect of which each such person is so authorised. The person so authorised shall be entitled to exercise the same power on behalf of the recognised clearing house as that recognised clearing house or its nominee(s) could exercise as if such person was an individual Warranholder.

8. QUORUM

The quorum of a meeting of the Warranholders shall be two or more Warranholders present in person or by proxy and being or representing in the aggregate the holders of not less than 10% of the Subscription Rights of all Warrants for the time being outstanding and exercisable.

The quorum of a meeting of the Warranholders for the passing of a Special Resolution shall be two or more persons holding warrants or being proxies and being or, representing in the aggregate holders of not less than one third of the Subscription Rights of all Warrants for the time being outstanding and exercisable.

9. REPLACEMENT OF WARRANT CERTIFICATES

- (a) If a Warrant Certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of the Company, be replaced at the office of the registrars for the time being of the Company in Hong Kong (unless the Directors otherwise determine) on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security as the Company may require and on payment of such fee not exceeding HK\$2.50 (or such other amount as may from time to time be permitted by the Stock Exchange) as the Company may determine. Mutilated or defaced Warrant Certificates must be surrendered before replacements will be issued.
- (b) In the case of lost Warrant Certificates, Section 71A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) shall apply as if "shares" referred to therein included the Warrants.

10. CALL

If at any time the aggregate of the amount of Exercise Moneys payable on exercise in full of the Warrants which have not been exercised is less than 10% of the aggregate amount of Exercise Moneys attached to all the Warrants issued under the Instrument, the Company may, on giving not less than three months' notice to that effect, require Warranholders either to exercise their Subscription rights or to allow them to lapse. On expiry of such notice, the unexercised Warrants shall be automatically cancelled without compensation to the Warranholders.

11. PROTECTION OF SUBSCRIPTION RIGHTS

The Instrument will contain undertakings by and restrictions on the Company designed to protect the Subscription Rights.

12. ISSUE OF FURTHER WARRANTS

The Company shall be at liberty to issue further warrants to subscribe PYI Shares in such manner and on such terms as it sees fits.

13. UNDERTAKINGS BY THE COMPANY

The Company will undertake in the Instrument, among other things, that:

- (a) it shall send to each Warranholder, at the same time as the same are sent to the holders of PYI Shares, its audited accounts and all other notices, reports and communications despatched by it to the PYI Shareholders generally;
- (b) it shall pay all Bermuda and Hong Kong stamp and capital duties (if any), registration fees or similar charges, if any, in respect of the execution of the Instrument, the creation and initial issue of the Warrants in registered form, the exercise of the Subscription Rights and the issue of PYI Shares upon exercise of the Subscription Rights;
- (c) it shall keep available for issue sufficient Ordinary Capital (as defined in the Instrument) to satisfy in full all rights for the time being outstanding of subscription for and conversion into PYI Shares; and

- (d) it shall use its best endeavours to procure that:
 - (i) at all times during the Subscription Period, the Warrants may be dealt in on the Stock Exchange (save that this obligation shall lapse in the event that the listing of the Warrants on the Stock Exchange is withdrawn following an offer for all or, any of the Warrants); and
 - (ii) all PYI Shares allotted upon exercise of the Subscription Rights may, upon allotment or as soon as reasonably practicable thereafter, be dealt in on the Stock Exchange (save that this obligation shall lapse in the event that the listing of the PYI Shares on the Stock Exchange is withdrawn following an offer, for all or any of the PYI Shares where a like offer is extended to holders of the Warrants).

14. OVERSEAS WARRANTHOLDERS

None of the Subscription Rights attaching to the Warrants may be exercised by any Warrantholder whose registered address is in or who is a national of or is resident in any territory other than Hong Kong where in the opinion of the Directors, after having reviewed the register of members, the allotment of PYI Shares to such Warrantholder upon exercise of any Subscription Rights would or may in the absence of compliance with registration or any other special formalities in such territory, be unlawful or impracticable under the laws of such territory or Hong Kong and each exercise of the Subscription Rights shall constitute a confirmation that the Warrantholder so exercising is not a resident or national of any such territories. In addition, the Directors shall have the discretion, if in their opinion that the foregoing restriction may apply to any exercise of Subscription Rights, to refuse to accept such exercise.

15. RIGHTS OF WARRANTHOLDERS ON WINDING-UP

- (a) In the event a notice is given by the Company to the PYI Shareholders and at the same time to each Warrantholder as undertaken by the Company in the Instrument to convene a PYI Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to wind-up the Company voluntarily, every Warrantholder shall be entitled by irrevocable surrender of his Warrant Certificate(s) to the Company with the Subscription Form(s) (as defined in the Instrument) duly completed, together with payment of the Exercise Moneys or the relative portion thereof (such Subscription Form(s) and Exercise Moneys to be received by the Company not less than five business days prior to the proposed PYI Shareholders' meeting) to be allotted and issued, as soon as possible and in any event no later than the day immediately prior to the date of the proposed PYI Shareholders' meeting, the PYI Shares to be issued pursuant to the exercise of the relevant Subscription Rights. The Company shall give notice to the Warrantholders of the passing of such resolution within seven days after the passing thereof.
- (b) If an effective resolution is passed during the Subscription Period for the voluntary winding-up of the Company for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholders, or some persons designated by them for such purpose by Special Resolution, shall be a party or in conjunction with which a proposal is made to the Warrantholders and is approved by Special Resolution, the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on all the Warrantholders.
- (c) Subject to the foregoing, if an effective resolution is passed to wind up the Company, all Subscription Rights which have not been exercised at the date of the passing of such resolution will lapse and the Warrant Certificates will cease to be valid for any purpose.

16. NOTICES

The Instrument will contain provisions relating to notices to be given to Warrantholders and the following provisions shall apply to such notices:

- (a) every Warrantholder shall register with the Company an address either in Hong Kong or elsewhere to which notices to be given to such Warrantholder are to be sent and if any Warrantholder shall fail so to do notice may be given to such Warrantholder by sending the same in any of the manners hereinafter mentioned to his last known place of business or residence or, if there be none, by posting the same for three days at the principal place of business of the Company in Hong Kong;
- (b) a notice may be given by paid advertisement of the same in both a leading English language newspaper circulated in Hong Kong and a leading Chinese language newspaper circulated in Hong Kong or, by delivery, prepaid letter (airmail in the case of an overseas address), cable or telex message; and
- (c) all notices with respect to Warrants standing in the names of joint holders shall be given to whichever, of such persons is named first in the Register and notice so given shall be sufficient notice to all the joint holders of such Warrants.

17. GOVERNING LAW

The Instrument and the Warrants will be governed by and are to be construed in accordance with the laws of Hong Kong.

The biographical and other details of retiring Directors standing for re-election at the 2008 AGM are set out below:

INDEPENDENT NON-EXECUTIVE DIRECTORS

	Director since	Board committee memberships	Emoluments (2007/2008)	Discloseable interests within the meaning of Part XV of the SFO as at the Latest Practicable Date
Chow Ming Kuen, Joseph OBE, JP (aged 67) Chairman and Independent non-executive Director	2004	Remuneration Committee (Chairman) Nomination Committee (Chairman) Compliance Committee (Chairman) Audit Committee (Member) Share Repurchase Committee (Alternate to Mr Chan Shu Kin)	HK\$760,000 (Notes 1(a), (d) and (e))	1,314,035 PYI Shares (Personal interests)

Dr Chow is a civil and structural engineer by profession. He is the Chairman of the Hong Kong Construction Workers Registration Authority and a Hon. Senior Superintendent of the Hong Kong Auxiliary Police Force. Dr Chow previously served as President of the Hong Kong Institution of Engineers, Chairman of Hong Kong Engineers' Registration Board, Hong Kong Examinations and Assessment Authority, Pamela Youde Nethersole Eastern Hospital as well as the Hong Kong Country Club. He is currently Chairman of Joseph Chow & Partners Ltd., a firm of independent civil and structural consulting engineers. Dr Chow is also a non-executive director of Wheelock Properties Limited (00049.HK), and an independent non-executive director of Chevalier International Holdings Limited (00025.HK), Build King Holdings Limited (00240.HK) and Road King Infrastructure Limited (01098.HK).

Save as disclosed above and an independent non-executive director of two subsidiaries of the Company, Dr Chow does not hold any positions with the Company or any of its subsidiaries, nor did he have any relationship with any Directors or senior management or substantial shareholder or controlling shareholder of the Company. There are no other matters that need to be brought to the attention of the PYI Shareholders nor there is other information required to be disclosed pursuant to any of the requirements under rule 13.51(2) of the Listing Rules.

	Director since	Board committee memberships	Emoluments (2007/2008)	Discloseable interests within the meaning of Part XV of the SFO as at the Latest Practicable Date
Kwok Shiu Keung, Ernest (aged 72) Independent non-executive Director	1993	Audit Committee (Member) Remuneration Committee (Member) Nomination Committee (Member) Compliance Committee (Member)	HK\$380,000 (Notes 1(b), (d) and (e))	1,300,000 PYI Shares (Personal interests)

Mr Kwok is a practising solicitor, a chartered civil engineer and a practising arbitrator. He was a registered structural engineer and an authorized person (List II) under the Hong Kong Buildings Ordinance for more than 30 years. Mr Kwok is also a member of the Institution of Civil Engineers, United Kingdom and a fellow member of both of the Chartered Institute of Arbitrators, United Kingdom and the Hong Kong Institute of Arbitrators.

Save as disclosed above, Mr Kwok does not hold any positions with the Company or any of its subsidiaries, nor did he have any relationship with any Directors or senior management or substantial shareholder or controlling shareholder of the Company. There are no other matters that need to be brought to the attention of the PYI Shareholders nor there is other information required to be disclosed pursuant to any of the requirements under rule 13.51(2) of the Listing Rules.

	Director since	Board committee memberships	Emoluments (2007/2008)	Discloseable interests within the meaning of Part XV of the SFO as at the Latest Practicable Date
Leung Po Wing, Bowen Joseph <i>GBS, JP</i> (aged 58) <i>Independent non-executive Director</i>	2006	Audit Committee (<i>Member</i>) Remuneration Committee (<i>Member</i>)	HK\$340,000 (<i>Notes 1(c), (d) and (e)</i>)	1,300,000 underlying PYI Shares (<i>Personal interests</i>) (<i>Note 2</i>)

Mr Leung previously served the Hong Kong Government for over 32 years until his retirement as the Director of the Office of the Government of the Hong Kong Special Administration Region in Beijing ("Beijing Office") in November 2005. He joined the Administrative Service in June 1973 and rose to the rank of Administrative Officer Staff Grade A1 in June 1996. During his service in the Administrative Service, Mr Leung had served in various policy bureaux and departments, including Deputy Secretary for District Administration (later re-titled as Deputy Secretary for Home Affairs); Deputy Secretary for Planning, Environment and Lands; Private Secretary, Government House; Secretary for Planning, Environment and Lands; and Director of the Beijing Office. Mr Leung has extensive experience in corporate leadership and public administration. During his tenure as the Director of the Beijing Office, he had made commendable efforts in promoting Hong Kong on the Mainland, as well as fostering better understanding, establishing closer links and facilitating exchanges in various spheres between Hong Kong and the Mainland. Mr Leung is also an independent non-executive director of Paliburg Holdings Limited (00617.HK).

Save as disclosed above and an independent non-executive director of two subsidiaries of the Company, Mr Leung does not hold any positions with the Company or any of its subsidiaries, nor did he have any relationship with any Directors or senior management or substantial shareholder or controlling shareholder of the Company. There are no other matters that need to be brought to the attention of the PYI Shareholders nor there is other information required to be disclosed pursuant to any of the requirements under rule 13.51(2) of the Listing Rules.

Notes:

- During the financial year ended 31 March 2008, Dr Chow received an annual Director's fee of HK\$600,000 and an additional fee of HK\$160,000 for serving as chairman and member of the Remuneration Committee, Nomination Committee and Compliance Committee, as a member of the Audit Committee and as alternate member to Mr Chan Shu Kin of the Share Repurchase Committee.
 - Mr Kwok received an annual Director's fee of HK\$300,000 and an additional fee of HK\$80,000 for serving as member of the Audit Committee, Remuneration Committee, Nomination Committee and Compliance Committee.
 - Mr Leung received an annual Director's fee of HK\$300,000 and an additional fee of HK\$40,000 for serving as member of the Audit Committee and Remuneration Committee.
 - The Director's fee was determined with reference to the prevailing market conditions, salary paid by comparable companies, the duties and responsibilities of the directors, employment conditions elsewhere and the time committed by the Director.
 - Save as disclosed in 1(a) and 1(d) above, the Directors received no other compensation from the Group.
- Such interests comprised 1,300,000 underlying PYI Shares in respect of share options granted to Mr Leung on 8 September 2006 pursuant to the share option scheme of the Company, further details of which are set out in the section headed "Share Option Scheme" of the Directors' Report in the 2008 annual report of the Company.
- No Director proposed for re-election at the 2008 AGM has a service contract with the Company or any of its subsidiaries that is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

This is the explanatory statement given to the PYI Shareholders relating to a resolution authorising the Company to repurchase its own PYI Shares which is proposed to be passed by the PYI Shareholders by means of an ordinary resolution at the 2008 AGM.

This explanatory statement contains a summary of the information required pursuant to rule 10.06 of the Listing Rules which is set out as follows:

Share capital

- As at the Latest Practicable Date, there were in issue a total of 1,508,393,517 PYI Shares, all of which are fully paid.
- Assuming that no further PYI Shares are issued or repurchased after the Latest Practicable Date and before the date of the 2008 AGM, there will be 1,508,393,517 PYI Shares in issue, and exercise in full of the Repurchase Mandate would result in up to a maximum of 150,839,351 PYI Shares being repurchased by the Company during the relevant period referred to in ordinary resolution numbered 5(C) of the notice of the 2008 AGM.

Reasons for repurchases

- The Directors believe that it is in the best interests of the Company and the PYI Shareholders as a whole for the Directors to have a general authority from the PYI Shareholders to enable the Directors to purchase the PYI Shares on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per PYI Share and will benefit the Company and the PYI Shareholders.

Funding of repurchases

- The repurchase of PYI Shares shall be made with funds legally available for such purpose in accordance with its memorandum of association and the Bye-laws and the applicable laws of Bermuda. Under Bermuda law, repurchases may only be effected out of the capital paid up on the purchased PYI Shares or out of funds of the Company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of PYI Shares made for the purpose. Any premium payable on a purchase over the par value of the PYI Shares to be purchased must be provided for out of funds of the Company otherwise available for dividend or distribution or out of the Company's share premium account before the PYI Shares are repurchased. It is envisaged that the funds required for any repurchase would be derived from such sources.
- As compared to the financial position of the Company as at 31 March 2008 (being the date of the Company's latest audited accounts), the Directors consider that the repurchases of securities will have no material adverse impact on the working capital and the gearing position of the Company in the event that the Repurchase Mandate were to be exercised in full during the proposed repurchase period. The Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

Directors, their associates and connected persons

- None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates, as defined in the Listing Rules, has any present intention, in the event that the Repurchase Mandate is approved by the PYI Shareholders, to sell PYI Shares to the Company.
- No connected person, as defined in the Listing Rules, has notified the Company that he has a present intention to sell PYI Shares to the Company, or has undertaken not to do so, in the event that the Repurchase Mandate is approved by the PYI Shareholders.

Undertaking of the Directors

- The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Bye-laws and the applicable laws of Bermuda.

Share repurchase made by the Company

- During the six months preceding the Latest Practicable Date, the Company had not purchased any of PYI Shares (whether on the Stock Exchange or otherwise).

GENERAL

If as a result of a repurchase of PYI Shares a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a PYI Shareholder or a group of PYI Shareholders acting in concert, depending on the level of increase of shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. If the Company were to repurchase PYI Shares up to the permitted maximum of 10% of the issued share capital of the Company, such parties may together with any other parties acting in concert with them become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code.

As at the Latest Practicable Date, Hollyfield Group Limited ("Hollyfield"), which is ultimately and wholly owned by ITC Corporation Limited ("ITC"), held 404,512,565 PYI Shares, representing approximately 26.82% of the issued share capital of the Company. On the basis that no further PYI Shares are issued or repurchased and in the event that the Repurchase Mandate is exercised in full and that there is no change in Hollyfield's and ITC's shareholding in the Company, the shareholding of Hollyfield and ITC would together be increased to approximately 29.77% of the issued share capital of the Company. Such increase would not give rise to an obligation to make a mandatory offer under rule 26 of the Takeovers Code. Save as disclosed herein, the Directors are not aware of any single shareholder who held more than 10% of the issued share capital of the Company as at the Latest Practicable Date. As at the Latest Practicable Date, the Board had not held any meeting to discuss the Company's intention with regard to repurchasing issued PYI Shares pursuant to the Repurchase Mandate.

PRICES OF THE PYI SHARES

The highest and lowest prices at which the PYI Shares were traded on the Stock Exchange during each of the previous twelve months preceding the Latest Practicable Date were as follows:

	PYI Shares	
	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
2007		
July	3.810	3.170
August	3.510	2.830
September	3.300	2.940
October	3.520	2.850
November	3.700	3.170
December	3.580	3.100
2008		
January	3.200	2.380
February	2.750	2.400
March	2.500	1.500
April	1.980	1.610
May	1.930	1.500
June	1.680	1.510
July (up to the Latest Practicable Date)	1.550	1.000

NOTICE OF ANNUAL GENERAL MEETING



PYI Corporation Limited

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

NOTICE IS HEREBY GIVEN that the annual general meeting of PYI Corporation Limited (the “Company”) will be held at JW Marriott Ballroom on Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 5 September 2008 at 10:30 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 March 2008.
2. To declare and approve the final dividend for the year ended 31 March 2008 such final dividend to be satisfied in full by the issue of warrants referred to in resolution 5(A) as set out in the notice convening this meeting.
3. To re-elect retiring directors and to fix the directors’ remuneration.
4. To re-appoint auditors and to authorise the board of directors to fix their remuneration.
5. As special business, to consider and, if thought fit, to pass the following resolutions as ordinary resolutions of the Company:

(A) **“THAT:**

subject to and conditional upon (i) the final dividend for the year ended 31 March 2008 to be satisfied in full by the issue of warrants as set out in the notice convening this meeting being declared and approved; and (ii) upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of and permission to deal in the Warrants (as defined below) and new Shares (as defined below) which may fall to be issued upon the exercise of subscription rights attached to the Warrants:-

- (i) the creation and issue of warrants (“Warrants”) conferring rights on holders thereof to subscribe up to HK\$251,398,919 in aggregate (or such other amount as may be determined by reference to the then total number of issued PYI Shares (as defined below) as at the Record Date (as defined below)) for shares in the Company of HK\$0.10 each (“Shares”) at an initial subscription price of HK\$1.00 per Share, subject to anti-dilutive adjustment, at any time from the date of issue (expected to be 26 September 2008) to the date immediately preceding the date falling on the first anniversary of the date of issue of the Warrants (expected to be 25 September 2009) both days inclusive (or such other date provided in the instrument constituting the Warrants (“Warrant Instrument”) (a final draft of which is tabled to this meeting and marked “A” for the purpose of identification) upon the terms and conditions of the Warrant Instrument to be executed by way of deed poll by the Company in the proportion of one Warrant for every six Shares to holders of Shares (“PYI Shareholders”) whose names appear on the register of members of the Company at the close of business on 18 September 2008 (or such other date as may be determined by the board of directors of the Company) (“Record Date”) other than those Shareholders whose addresses at the close of business on the Record Date are outside Hong Kong (“Overseas Shareholders”) and who are excluded from entitling the Warrants for 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 (“Excluded

NOTICE OF ANNUAL GENERAL MEETING

Shareholders”) and such other terms and conditions as may be determined by the directors of the Company (“Directors”) be and is hereby approved provided that (i) fractional entitlements to the Warrants be aggregated and sold (if a net premium in excess of all expenses could be obtained) for the benefit of the Company; and (ii) no Warrants shall be offered to Excluded Shareholders and the Warrants which would otherwise have been offered to them shall be sold if a net premium in excess of all expenses of sale is obtained and to the extent that such Warrants can be sold, the net proceeds of such sale (after deducting the expenses of sale, if any) be distributed to the Excluded Shareholders pro rata to their holding of Shares at the close of business on the Record Date provided further that individual amounts of HK\$100 or less shall be retained for the benefit of the Company); and

- (ii) the Directors be and are hereby authorised to (i) issue and allot the Warrants; (ii) issue and allot to holders of the Warrants upon the due exercise of subscription rights attached to the Warrants the appropriate number of new Shares; and (iii) to do all such acts and things as they may, in their absolute discretion, consider necessary, desirable or expedient to effect, implement and complete any or all other transactions contemplated in this resolution.”

(B) **“THAT:**

- (i) subject to sub-paragraph (iii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which would or might require the exercise of such powers, subject to and in accordance with all applicable laws and the bye-laws of the Company, be and is hereby generally and unconditionally approved;
- (ii) the approval in sub-paragraph (i) of this resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which would or might require the exercise of such powers after the end of the Relevant Period;
- (iii) the aggregate nominal amount of the share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approvals in sub-paragraphs (i) and (ii) of this resolution, otherwise than pursuant to a Rights Issue (as hereinafter defined) or an issue of shares of the Company under the share option scheme of the Company or an issue of shares upon exercise of subscription rights attached to warrants which may be issued by the Company or an issue of shares of the Company by way of any scrip dividend pursuant to bye-laws of the Company from time to time, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of this resolution, and the said approval shall be limited accordingly; and
- (iv) for the purpose of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws of Bermuda to be held; or
- (c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the PYI Shareholders in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject

NOTICE OF ANNUAL GENERAL MEETING

to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

(C) **“THAT:**

- (i) subject to sub-paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued shares in the capital of the Company and warrants to subscribe for shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors of the Company on behalf of the Company during the Relevant Period to procure the Company to purchase its securities at a price determined by the directors;
- (iii) the aggregate nominal amount of the share capital of the Company which the directors of the Company are authorised to repurchase pursuant to the approval in sub-paragraphs (i) and (ii) of this resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of this resolution, and 10 per cent of the warrants of the Company in issue on the date of this resolution, and the said approval shall be limited accordingly; and
- (iv) for the purpose of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

 - (a) the conclusion of the next annual general meeting of the Company;
 - (b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws of Bermuda to be held; or
 - (c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

(D) **“THAT** conditional upon resolutions numbered 5(B) and 5(C) as set out in the notice convening this meeting being passed, the aggregate nominal amount of the issued shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors of the Company pursuant to and in accordance with the said resolution numbered 5(C) above shall be added to the aggregate nominal amount of the share capital that may be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the directors of the Company pursuant to and in accordance with the resolution numbered 5(B) as set out in the notice convening this meeting.”

(E) **“THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of and permission to deal in the shares of HK\$0.10 each in the capital of the Company (representing 10 per cent. of the shares of the Company in issue as at the date of passing this resolution) which may be issued pursuant to the exercise of options granted under the Company’s share option scheme adopted on 27 August 2002 (the “Scheme”), the refreshment of the scheme limit in respect of the grant of options to subscribe for ordinary shares in the Company under the Scheme, provided that the total number of ordinary shares which may be allotted or issued pursuant to the grant or exercise

NOTICE OF ANNUAL GENERAL MEETING

of options under the Scheme (excluding options previously granted, outstanding, cancelled, lapsed or exercised under the Scheme) shall not exceed 10 per cent. of the shares of the Company in issue as at the date of passing this resolution (the "Refreshed Mandate Limit"), be and is hereby approved and the directors of the Company be and are hereby authorised to grant options under the Scheme up to the Refreshed Mandate Limit, to exercise all powers of the Company to allot, issue and deal with ordinary shares of the Company pursuant to the exercise of such options and to do such acts and execute such documents for or incidental to such purpose."

- (F) "THAT the refreshment of the scheme limit on grant of options under the share option scheme adopted by Paul Y. Engineering Group Limited ("Paul Y. Engineering", the Company's subsidiary) on 7 September 2005 up to 10 per cent. of the shares of Paul Y. Engineering in issue as at the date of passing of the resolution for approving such refreshing by the shareholders of Paul Y. Engineering be and is hereby approved."

6. To transact any other ordinary business of the Company.

By order of the Board
Mui Ching Hung, Joanna
Company Secretary

Hong Kong, 1 August 2008

Principal Place of Business:
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. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member may appoint a proxy in respect of part only of his holding of shares of the Company. A proxy need not be a member of the Company.
2. A form of proxy for the meeting is enclosed. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the Company's principal place of business in Hong Kong at 31st Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting at which the person named in the instrument proposes to vote.
3. The register of members of the Company will be closed during the period from 16 September 2008 to 18 September 2008, both dates inclusive, during which period no transfer of share(s) of the Company will be effected. In order to qualify for the final dividend, all transfer of share(s), accompanied by the relevant share certificate(s) with the completed transfer form(s) overleaf or separately, must be lodged with the Company's share registrars in Hong Kong, Tricor Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:00 p.m. on 12 September 2008.

As at the date of this notice, the Directors of the Company are:

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>