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PYI Corporation Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 498)

DISCLOSEABLE TRANSACTION

INVESTMENT FOR 51% INTEREST IN YICHANG PORT GROUP LIMITED

On 2 September 2008, PYI Group entered into the Agreement to invest approximately RMB149 million (HK\$170 million) for a 51% equity interest in Yichang Port Group.

Yichang Port Group is principally engaged in transport logistics and properties investments, providing transportation, cargo loading and discharging, storage, shipping agent, cargo agent, port logistics and port equipment rental services in the Yichang Port, which is located on the Yangtze River near the Three Gorges Dam in Yichang, Hubei Province. It is listed as one of the eight largest ports on the Yangtze River.

The Investment constitutes a discloseable transaction for PYI under the Listing Rules.

In the event that the joint venture or other agreements to be entered into by PYI Group pursuant to the Agreement provides for further capital injection by PYI Group, it will make further announcement and comply with further requirements of the Listing Rules.

INTRODUCTION

On 2 September 2008, PYI Group entered into the Agreement to invest in Yichang Port Group by way of injection of the New Capital into Yichang Port Group, which amount represented a 51% equity interest in the share capital of Yichang Port Group as enlarged by the New Capital. The total sum payable by PYI Group under the Agreement is approximately RMB149 million (equivalent to approximately HK\$170 million).

THE AGREEMENT DATED 2 SEPTEMBER 2008

Date: 2 September 2008

Parties:

- (1) PYI;
- (2) Yichang State-owned Assets Commission, a PRC government body established for holding state-owned assets in Yichang,
- (3) Yiling, an enterprise wholly owned by Yichang State-owned Assets Commission and which principal business activity is the management of state-owned assets in Yichang on behalf of Yichang State-owned Assets Commission; and
- (4) Yichang Port Group

To the best of the knowledge, information and belief of the Directors and after making all reasonable enquiries, as at the date of this announcement, (i) Yichang Port Group, Existing YPG Shareholders, their respective ultimate beneficial owners and their respective associates are third parties independent of PYI and its connected persons (as defined under the Listing Rules) and are not connected persons of PYI and (ii) there was no previous transaction between PYI and Yiling and Yichang State-owned Assets Commission (and also their associates) in the past 12 months which may require aggregation under Rule 14.22 of the Listing Rules.

Amount of investment

The total sum payable by PYI Group under the Agreement is approximately RMB149 million (equivalent to approximately HK\$170 million). The New Capital of approximately RMB114 million (equivalent to approximately HK\$130 million) in cash will be invested by the Subscriber into Yichang Port Group in return for a 51% equity interest in the registered capital of Yichang Port Group and approximately RMB35 million (equivalent to approximately HK\$40 million) will be payable to Yichang State-owned Assets Commission as controlling premium. The amount of investment was arrived at having regard to (i) the net assets of RMB109.42 million (equivalent to approximately HK\$125 million) of Yichang Port Group immediately after the asset restructuring of Yichang Port Group but prior to the injection of the New Capital; (ii) a premium for control as Yichang Port Group will become a subsidiary of PYI Group upon Completion; (iii) the strategic value of Yichang Port being the transshipment hub for the middle and upper reach of the Yangtze and (iv) the future potentials of Yichang Port Group in view of, inter alia, its improved prospects arising from the asset restructuring referred to in the section headed "Asset restructuring of Yichang Port Group" mentioned below which included disposal of non-performing assets. Under the terms of the Agreement, PYI Group has no obligation to inject further amount into Yichang Port Group other than the New Capital. The Directors consider the aforesaid amount of investment, including the amount of premium, and the terms of the Investment to be fair and reasonable.

In the event that the joint venture or other agreements to be entered into by PYI Group pursuant to the Agreement provides for further capital injection by PYI Group, it will make further announcement and comply with further requirements of the Listing Rules.

Yichang Port Group

Yichang Port Group is a state owned enterprise incorporated in the PRC in April 2003. It is principally engaged in transport logistics and properties investments, providing transportation, cargo loading and discharging, storage, shipping agent, cargo agent, port logistics and port equipment rental services in Yichang Port, which is located on the Yangtze River near the Three Gorges Dam in Yichang, Hubei Province. It is listed as one of the eight largest ports on the Yangtze River.

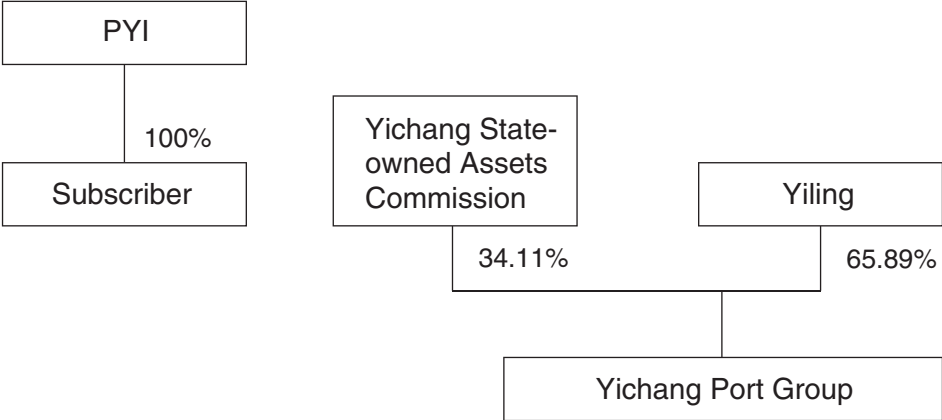
Yichang Port Group is the core port enterprise at Yichang Port, who achieved a cargo throughput of 7.34 million tons in 2007, accounting for 22.7% of the latter's total throughput. It occupies approximately 11.9 kilometres of shoreline along the Yangtze River and land of 1,504 mu (approximately 1.0 square kilometres), and owns 57 berths. It also houses the largest feeder port for phosphate in PRC and one of the four railway/river transshipment hub ports for coal along Yangtze River. In 2007, Yichang Port Group achieved cargo throughputs of 3.86 million tons for coal, 1.64 million tons for minerals and 0.86 million tons for chemicals and fertilizers, accounting for 55.8%, 27.4% and 80.8% respectively at Yichang Port. Housing the only container cargo terminal near the Three Gorges Dam region, container throughput achieved by Yichang Port Group in 2007 was 31,789 TEU.

Yichang Port Group has over 20 subsidiaries and owns equity interests in various companies, most of which are engaged in the provision of port-related services in Yichang.

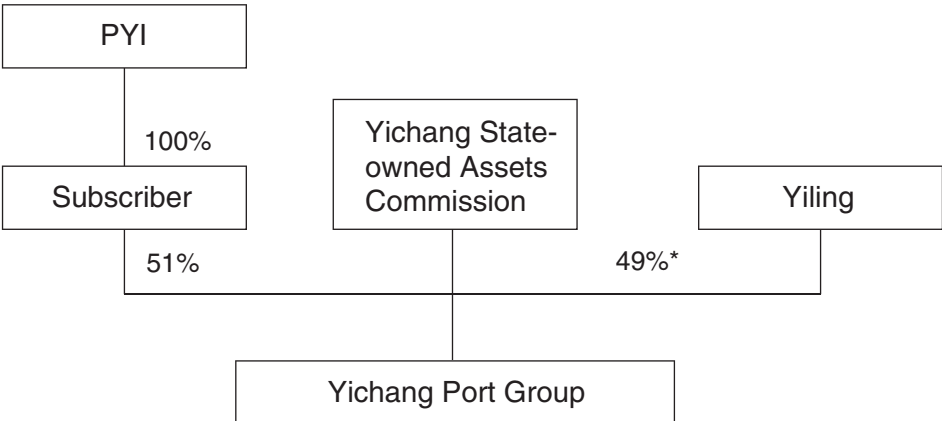
Shareholding in Yichang Port Group

Yichang Port Group currently has three shareholders, namely Yichang State-owned Assets Commission (as to 34.11%), Yiling (as to 65.23%) and Fulin Port Authority (as to 0.66%). The parties required a new strategic investor to participate in Yichang Port Group through the injection of the New Capital to implement the expansion plans of Yichang Port Group to meet the continuous increase in demand for port and logistics services in the area. The fund raised from the Subscriber is expected to be used for the purposes of expansion in existing facilities, increasing working capital and rationalisation of Yichang Port Group's capital structure.

Yiling will acquire the interests of Fulin Port Authority prior to Completion. Set out below is the ownership structure of Yichang Port Group immediately after such acquisition but before Completion:



Set out below is the ownership structure of Yichang Port Group immediately after Completion:



* The percentage equity interest between Yichang State-owned Assets Commission and Yiling has not yet been determined as at the date of this announcement.

Asset restructuring of Yichang Port Group

Pursuant to the Agreement, Yichang Port Group will be converted into and re-registered as a Sino-foreign joint venture. PYI Group will inject New Capital into Yichang Port Group while Yichang Port Group will implement a restructuring of its assets to improve the allocation of its resources and its operating efficiency and such that Yichang Port Group will, immediately prior to injection of New Capital, have a net asset value of RMB109.42 million (which will be audited by an international firm of accountants to be agreed by the parties, with the valuation of the assets based on the Valuation Report).

The asset restructuring of Yichang Port Group will primarily involve:

1. Removal of certain existing assets, including fixed assets and their associated liabilities (which include non-performing assets, allocated land and assets not relating to Yichang Port Group's port operations, for example, the hospital and education institute currently operated by Yichang Port Group);
2. Obtaining all land use rights certificates and building ownership certificates in the name of Yichang Port Group for all its real properties;
3. Registration of all relevant assets and properties under the name of Yichang Port Group, including construction in progress, vehicles, barges and vessels as well as other equipment and long term investments;
4. Resolution and rectification of the overdue taxation liabilities and levies;
5. Acquisition of minority shareholdings of certain non-wholly-owned subsidiaries and shareholdings of certain associated companies; and
6. Rationalization of all amounts and benefits payable to existing employees and the signing of new employment contracts with Yichang Port Group after its conversion into a Sino-foreign joint venture.

Financial information on Yichang Port Group

The following is a summary of the audited consolidated financial statements of Yichang Port Group (prior to the asset restructuring mentioned above) for each of the three years ended 31 December 2007 and the unaudited consolidated financial statements for the six months ended 30 June 2008, prepared in accordance with generally accepted accounting principles in the PRC:

	Six months ended	Year ended 31 December		
	30 June 2008	2007	2006	2005
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
	(unaudited)	(audited)	(audited)	(audited)
Turnover	74.4	151.5	141.1	117.9
Net profit/(loss) before taxation	(0.2)	1.3	(0.9)	(2.3)
Net profit/(loss) after taxation	(0.4)	0.5	(1.1)	(2.3)

	As at	As at 31 December		
	30 June 2008	2007	2006	2005
	<i>(RMB</i>	<i>(RMB</i>	<i>(RMB</i>	<i>(RMB</i>
	<i>million)</i>	<i>million)</i>	<i>million)</i>	<i>million)</i>
	(unaudited)	(audited)	(audited)	(audited)
Total assets	713.1	640.7	580.7	596.2
Total liabilities	469.3	396.0	342.6	435.4
Minority interests	18.9	18.4	18.5	7.9
Shareholders' equity	224.9	226.3	219.6	152.9

Payment

The total consideration shall be payable in the following manner (subject to all the conditions referred to in the section headed "Completion" below having been fulfilled):

1. 60% of the New Capital (i.e. approximately RMB68 million (equivalent to approximately HK\$78 million) within 1 month from the date of Yichang Port Group obtaining the certificate of approval for foreign-invested enterprises;
2. the remaining 40% of the New Capital (i.e. approximately RMB46 million (equivalent to approximately HK\$52 million) within 6 months from the date of issue of the new business licence of Yichang Port Group; and
3. a sum of RMB35 million (equivalent to approximately HK\$40 million) upon Yichang Port Group obtaining the certificate of approval for foreign-invested enterprises.

Payment of the total consideration will be financed by the internal resources of the Group. The Directors expect that the certificate of approval for foreign-invested enterprises and new business licence of Yichang Port Group will be issued by around January and February 2009 respectively.

Completion

The Agreement is a master agreement and conditional. After signing of the Agreement, Yichang State-owned Assets Commission, Yiling and the Subscriber will enter into a capital injection agreement in relation to the injection of the New Capital upon satisfaction of, inter alia, the following conditions precedent contained in the Agreement:

1. completion of the transfer of the equity interest in Yichang Port Group held by Fuling Port Authority to Yiling and all relevant documentation in respect thereof having been obtained and filing completed;
2. completion of the asset reorganisation of Yichang Port Group abovementioned;
3. completion of the audit of the construction works in progress of Yichang Port Group;

4. the parties being satisfied with the valuation of the assets of Yichang Port Group;
5. the legal title of the land use rights of Yichang Port Group having been obtained and completed;
6. no material issues being revealed by the financial and legal due diligence of Yichang Port Group;
7. Yichang Port Group having obtained legal opinion on the establishment of Yichang Port Group, its assets and liabilities and other material aspects as well as the legality of the asset reorganisation mentioned above having been obtained;
8. written confirmation having been obtained from the financing banks of Yichang Port Group of the continuation of the existing banking facilities after the conversion of the company into a Sino-foreign joint venture.

The parties shall facilitate completion of the conditions precedents within 3 months from the date of the Agreement (or such extended time as the parties may agree) and agree to enter into the relevant capital injection agreement to formalise PYI Group's capital injection and to enter into the joint venture agreement and articles of association of Yichang Port Group in order to apply for relevant PRC government approval for the conversion of Yichang Port Group into a Sino-foreign joint venture as soon as practicable after the signing of this Agreement. The Directors expect that the capital injection agreement, the joint venture agreement and articles of association will be signed in December 2008.

Termination

The Agreement may be terminated in the event of any of the following:

1. agreement by all parties to terminate the Agreement;
2. formation of Yichang Port Group as a Sino-foreign joint venture not being approved by the relevant PRC regulatory authorities including the Ministry of Commerce or its municipal equivalents;
3. as a result of a change in law or government policy, the implementation of the Agreement becoming impossible or impracticable; or
4. the parties agreeing to terminate the Agreement as a result of force majeure.

Board representation

The joint-venture agreement and articles of association of Yichang Port Group will provide that its board of directors shall comprise 7 members, with the Subscriber being entitled to appoint 4 members, Yichang State-owned Assets Commission to appoint 2 members and Yiling to appoint 1 member.

REASONS FOR THE INVESTMENT

The Investment reinforces PYI Group's commitment to the rapidly developing ports and infrastructure sector in China. It is consistent with the PYI Yangtze Strategy, which has been established for the long-term corporate development target of PYI. The Directors consider that with the sustained high growth of China's economy, building of an efficient network of ports is critical for the continuous development of the economy and its import and export activities along the Yangtze River Region.

As the regional transshipment hub port in the middle and upper reach of the Yangtze, Yichang Port Group will play a significant role in the implementation of the PYI Yangtze Strategy. There will be operational synergy between Yichang Port Group and the other port investments of PYI along the Yangtze River Region, which will enhance the critical mass and the overall competitiveness of PYI Group in the market. The Directors are confident that barring any unforeseen adverse situation, the Investment will generate profit right from the outset.

Upon Completion, Yichang Port Group will become a subsidiary of PYI Group and its results will be wholly consolidated into PYI Group's accounts. The Directors believe that the Investment will contribute to the earning base of PYI Group positively.

INFORMATION OF THE GROUP

PYI Group is principally engaged in the business of development and investment in port and other infrastructure projects, land and property development and investment in association with port facilities, treasury investment and, through its subsidiary, Paul Y. Engineering Group Limited, comprehensive engineering and property-related services.

GENERAL

The Investment constitutes a discloseable transaction for PYI under the Listing Rules as the applicable percentage ratios represent 5% or more but less than 25% for PYI. A circular will be despatched as soon as practicable by PYI to the Shareholders containing, among other things, further details of the Agreement.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, the following terms have the meanings set out below:

“Agreement”	the conditional agreement dated 2 September 2008 entered into among PYI, Existing YPG Shareholders and Yichang Port Group relating to the Investment
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors

“Completion”	completion of the Agreement with performance by PYI, Existing YPG Shareholders and Yichang Port Group of their respective obligations in accordance with the provisions of the Agreement
“Director(s)”	the director(s) of PYI
“Existing YPG Shareholders”	the existing shareholders of Yichang Port Group immediately before Completion, comprising Yichang State-owned Assets Commission and Yiling and excepting Fulin Port Authority
“Fulin Port Authority”	涪陵港務管理局
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investment”	the proposed investment in Yichang Port Group by injection of the New Capital pursuant to the terms and conditions of the Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Capital”	approximately RMB114 million (equivalent to approximately HK\$130 million) in cash, being the amount payable by the Subscriber into Yichang Port Group pursuant to the Agreement
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PYI”	PYI Corporation Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“PYI Group”	PYI and its subsidiaries
“Shareholders”	holder(s) of the ordinary share(s) of HK\$0.10 each in the issued share capital of PYI
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscriber”	PYI Yichang Investment Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of PYI
“Valuation Report”	the valuation report dated 28 March 2008 issued by 山東大地有限責任會計師事務所 on the assets of Yichang Port Group as at 31 December 2007
“Yichang Port Group”	宜昌港務集團有限責任公司(Yichang Port Group Limited*)
“Yichang State-owned Assets Commission”	宜昌市人民政府國有資產監督管理委員會(State-owned Assets Supervision and Administration Commission of Yichang Municipal Government*)
“Yiling”	宜昌市夷陵國有資產經營有限公司 (Yichang Yiling State-owned Assets Operation Co. Ltd*), an enterprise wholly owned by Yichang State-owned Assets Commission
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“TEU”	Twenty-foot equivalent unit
“%”	per cent.
“mu”	畝, a measurement of land used in PRC

* *English transliteration for identification purpose only*

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

Hong Kong, 3 September 2008

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

Dr. Chow Ming Kuen, Joseph	:	<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>Independent Non-Executive Director</i>
Mr. Li Chang An	:	<i>Independent Non-Executive Director</i>

Note:

In this announcement, the exchange rate of HK\$1 to RMB0.876 has been used for reference only.