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## **PYI Corporation Limited**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 498)

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

*Registered office:*  
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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

18 September 2006

*To the Shareholders*

Dear Sir or Madam,

### **SCRIP DIVIDEND SCHEME IN RELATION TO THE FINAL DIVIDEND FOR THE YEAR ENDED 31 MARCH 2006**

On 7 July 2006, it was announced that the board of directors of PYI Corporation Limited (“Company”) recommended the payment of a final dividend of HK1.5 cents per share of HK\$0.10 each in the capital of the Company (“Share”) for the year ended 31 March 2006, such final dividend to be paid in cash with an option to elect for new Shares (“Scrip Shares”) in lieu of cash, payable to shareholders of the Company (“Shareholders”) whose names appeared on the register of members of the Company as at the close of business on 15 September 2006 (“Scrip Dividend Scheme”). The final dividend was approved at the annual general meeting of the Company held on 8 September 2006. The register of members of the Company was closed from 13 September 2006 to 15 September 2006, both dates inclusive, during which period no transfers of Shares were permitted to be effected. In order to qualify for the final dividend, all transfers of Shares together with the relevant share certificates must have been lodged with the Company’s share registrars in Hong Kong, Secretaries Limited of 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong on 12 September 2006.

#### **Particulars of the Scrip Dividend Scheme**

Under the Scrip Dividend Scheme, each Shareholder has the choice of receiving:

- (a) HK1.5 cents in cash for each existing Share held on 15 September 2006; or
- (b) an allotment of Scrip Shares at 2.3908 per Scrip Share (as determined by the market value stated below) credited as fully paid in lieu of payment of the final dividend to which such Shareholder is entitled; or
- (c) a combination partly of (a) and partly of (b) above.

As stated in the announcement of 7 July 2006, for the purpose of calculating the number of Scrip Shares to be allotted, the market value of Scrip Shares will be fixed by reference to the average of the closing prices of the Shares on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) for the three consecutive trading days ended 15 September 2006 less a discount of five per cent. of such average price or the par value of Shares, whichever is the higher. Since the average closing price of the Shares on the Stock Exchange for the three consecutive trading days ended 15 September 2006 was approximately HK\$2.5167 (“Average Closing Price”), the entitlements of Shareholders who elect to receive Scrip Shares under the Scrip Dividend Scheme shall be determined based on the price of HK\$2.3908 (which is higher than the par value of Shares), being the Average

Closing Price less a discount of five per cent. Accordingly, the number of Scrip Shares which each Shareholder will receive under the Scrip Dividend Scheme will be calculated by the following formula:

$$\begin{array}{l} \text{Number of Scrip Shares} \\ \text{to be received under the} \\ \text{Scrip Dividend Scheme} \end{array} = \begin{array}{l} \text{Number of existing Shares held on} \\ \text{15 September 2006 for which the dividend} \\ \text{is to be satisfied in Shares under} \\ \text{the Scrip Dividend Scheme} \end{array} \times \frac{0.015}{2.3908}$$

If all Shareholders elect to receive their entitlement in Scrip Shares, based on 1,462,609,910 Shares in issue as at 15 September 2006, not more than 9,176,488 Scrip Shares will be issued under the Scrip Dividend Scheme.

The number of Scrip Shares to be issued to each Shareholder will be rounded down to the nearest whole number. Fractional entitlements to Scrip Shares will not be allotted and the benefit thereof will accrue to the Company.

The Scrip Shares will rank *pari passu* in all respects with the Shares existing as at the date of issue save that they will not be entitled to the final dividend for the year ended 31 March 2006. The Scrip Shares will rank in full for all future dividends and distribution which may be declared, made or paid after the date of issue thereof.

#### **Form of Election**

A form of election is enclosed. **Any Shareholder who wishes to receive only cash in respect of his final dividend entitlement need not complete the form of election. Any Shareholder who wishes to receive Scrip Shares in lieu of cash in respect of his final dividend entitlement, whether in whole or in part, must complete the form of election and return it to Secretaries Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on 3 October 2006. No acknowledgement of receipt of the said form will be issued.**

If you complete the form of election but do not specify the number of Shares in respect of which you elect to receive Scrip Shares, or if you elect to receive Scrip Shares in respect of a greater number of Shares than your registered holding on 15 September 2006, then in either case you will be deemed to have chosen to receive Scrip Shares in respect of all the Shares of which you were then registered as the holder(s).

#### **Overseas Shareholders**

Based on the register of members of the Company as at 15 September 2006 (being the record date for the purpose of determining the Shareholders entitled to the said final dividend), all of the Shareholders have registered addresses in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong") save that there were one Shareholder in Macau, one Shareholder in Malaysia and one Shareholder in Taiwan.

The directors of the Company have made enquiries with legal advisers in the relevant jurisdictions, and have been advised that there are no restrictions or requirements on the issue of scrip dividend to such overseas Shareholders. Accordingly, these overseas Shareholders will be permitted to participate in the Scrip Dividend Scheme.

The participation in the Scrip Dividend Scheme by the Shareholders in any jurisdiction outside Hong Kong may be affected by laws of the relevant jurisdictions, so Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong should inform themselves about, and observe, all applicable legal and regulatory requirements of their relevant jurisdictions. It is the responsibility of any Shareholder not resident in Hong Kong who wishes to participate in the Scrip Dividend Scheme to satisfy himself/herself as to the full observance of all the applicable laws and regulations of any relevant jurisdiction in connection therewith, including obtaining any government or other approval or consent which may be required, complying with any other necessary formality and paying any issue, transfer or other taxes due in respect of such jurisdiction.

#### **Stock Exchange Listing and Despatch of Share Certificates**

The Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Scrip Shares. Application will be made to the Stock Exchange for listing of and permission to deal in the Scrip Shares. Certificates in respect of Scrip Shares and dividend warrants in respect of cash dividends are expected to be sent to Shareholders by post at their risk on or around 13 October 2006. You may deal in the Scrip Shares to be issued to you upon receipt of the relevant share certificate. In the unlikely event that the Scrip Shares are not admitted to listing before 13 October 2006, the form of election will be disregarded and the full cash dividend will be paid in the way as described above.

No equity or debt securities of the Company are listed on or dealt in on any other stock exchange and no listing or permission to deal in on any other stock exchange is being or is proposed to be sought.

Dealings in Scrip Shares are expected to commence on 16 October 2006.

#### **Advantage of the Scrip Dividend Scheme**

The Scrip Dividend Scheme will give Shareholders the opportunity to increase their investments in the Company at a discount to market value as provided above, without incurring brokerage and stamp duty costs. The Scrip Dividend Scheme will also be to the advantage of the Company because, to the extent that Shareholders receive Scrip Shares, in whole or in part, in respect of the final dividend, such cash as would otherwise have been paid to Shareholders will be retained for use by the Company.

#### **Recommendation**

Whether or not it is to your advantage to elect to receive Scrip Shares in lieu of cash, in whole or in part, will depend upon your own individual circumstances and the decision in this regard, and all effects resulting therefrom, are the sole responsibility of each Shareholder. **IF YOU ARE IN ANY DOUBT AS TO WHAT TO DO, YOU SHOULD CONSULT A LICENSED SECURITIES DEALER, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS.**

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