



PYI Corporation Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 498)

PROPOSED ADOPTION OF NEW SHARE AWARD SCHEME AND OF NEW SHARE FINANCING PLAN AND PROPOSAL TO ADJUST SUBSCRIPTION PRICES IN RESPECT OF CERTAIN OPTIONS OUTSTANDING UNDER EXISTING SHARE OPTION SCHEME

The board of directors of PYI proposes to adopt the Share Award Scheme in which Eligible Persons (including employees, consultants, advisers or agents of the PYI Group and any entity in which the PYI Group has invested in) will be entitled to participate. Pursuant to the Share Award Scheme, Shares will be acquired by an independent trustee at the cost of PYI and held in trust for the Selected Eligible Persons until the end of each vesting period. Vested Shares will be transferred at no cost to the Selected Eligible Persons.

The Board also proposes to adopt the Share Financing Plan in which all Eligible Persons will be entitled to participate. Pursuant to the Share Financing Plan, Selected Eligible Persons will be invited to subscribe new Shares with the subscription price left outstanding by way of loan.

The purpose of the Share Award Scheme and of the Share Financing Plan is to recognise the contributions of Eligible Persons, and to seek to retain them for the continued operation and development of the PYI Group, and to attract suitable personnel for the further development of the PYI Group. Through the Share Award Scheme and Share Financing Plan, Eligible Persons are encouraged to re-invest part of their remuneration by way of equity participation into PYI, thus closely aligning their goals and interests with those of PYI and its Shareholders as a whole.

A proposal will be put to Shareholders for a reduction in the subscription prices payable on exercise of certain options outstanding under the Existing Share Option Scheme by HK\$0.70 per Share. The proposed reduction factors into the HK\$0.70 special dividend enjoyed by the Shareholders in July 2005, which was not afforded to the existing option holders as the Existing Share Option Scheme does not provide for any adjustment to the option exercise price following the payment of cash dividend which is not a capital distribution by nature. Shareholders in PYI who have an interest in the proposal will abstain from voting it.

A circular containing, inter alia, details of (i) the proposed reduction in subscription prices together with the advice from KPMG Corporate Finance Limited, the independent financial adviser appointed by PYI for the purpose of advising independent Shareholders on the proposal; and (ii) the Share Award Scheme and Share Financing Plan for information purpose only will be despatched to Shareholders as soon as practicable.

Purposes and Eligible Persons

The board of directors of PYI proposes to adopt the Share Award Scheme and the Share Financing Plan, in addition to the adjustments in subscription prices proposed to options outstanding under the Existing Share Option Scheme.

The purpose of the Share Award Scheme and the Share Financing Plan is to recognise the contributions of Eligible Persons (including employees, consultants, advisers or agents of the PYI Group and an Invested Entity), and to seek to retain them for the continued operation and development of the PYI Group, and to attract suitable personnel for the further development of the PYI Group. Through the Share Award Scheme and Share Financing Plan, Eligible Persons are encouraged to re-invest part of their remuneration by way of equity participation into PYI, thus closely aligning their goals and interests with those of PYI and its Shareholders as a whole. A summary of each is set out below.

The Company now has in force the Existing Share Option Scheme. Once they have been adopted it will also have in force the Share Award Scheme and the Share Financing Plan. It is intended that these will give the Company more flexibility in providing incentives, by way of equity participation, to such Eligible Persons in various jurisdictions in which members of the PYI Group operate, where different regulations and tax regimes make it desirable for these Eligible Persons to be given different ways of participation in equity subject to all restrictions of the Listing Rules including the prohibition on issue of new Shares to connected persons of the Company without independent Shareholder approval.

The adoption of the Share Award Scheme and the Share Financing Plan and their related rules do not require approval of Shareholders. The substance of both is provision of financial benefits to employees and others structured so as to benefit the Company by requiring them to invest in it. They are effectively cash bonuses. They are to be administered by the Board and the Board will have full authority to delegate this role to a committee of directors (including the Remuneration Committee of the Company). All directors will be eligible to sit on any such committee, subject to conflicts of interest, which will be selected by the Board if and when it determines to establish such a committee.

NEW SHARE AWARD SCHEME

Duration

Unless earlier terminated, the Share Award Scheme will be valid for a term of 10 years from the Adoption Date for the relevant Settlor.

Restrictions

No instructions and no payments to purchase Shares will be given to the Trustee when any director of the Company is in possession of unpublished price sensitive information in relation to the Company or where dealings by directors of the Company are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time.

Operation

The Board will select Eligible Persons to invite to participate in the Share Award Scheme and determine the number of Shares to be awarded to each, by reference to, amongst other things their past or potential contributions to the growth and development of the PYI Group or any Invested Entity. Similar factors may be taken into account under the Existing Share Option Scheme. No guidelines have been established on whether Eligible Persons who are also employees will be invited to become Selected Eligible Persons or offered options under the Existing Share Option Scheme, or both.

The Board will pay the Trustee the purchase price and the related expenses from the Company's resources. The Trustee will purchase from the market the relevant number of Shares awarded and will hold such Shares until they are vested in accordance with the rules of the Share Award Scheme. There are no set limits on such purchases or financing and no set limits on the awards to any Eligible Person and it is not at present intended to apply guidelines similar to the requirements of Chapter 17 of the Listing Rules (which apply to share option schemes). The conditions attached to each offer will be decided on a case-by-case basis and may be different for different Eligible Persons.

The Trustee will purchase further Shares for the Selected Eligible Persons to be funded by the proceeds of the sale of any non-cash distributions such as dividends in specie. When the Selected Eligible Person has satisfied all vesting conditions specified by the Board at the time of making the award and become entitled to the Shares forming the subject of the award, the Trustee will transfer the relevant vested Shares (awarded Shares, related scrip distribution and further Shares acquired or subscribed out of the income derived therefrom) to that Selected Eligible Person at no cost. The Shares will not be repurchased by the Company or for its benefit and the purchase of the relevant

Shares will not fall within the definition of "share repurchase" for the purposes of the Code on Share Repurchases or within Rule 10.06 of the Listing Rules.

No Eligible Persons have yet been selected for offers under the Share Award Scheme.

Vesting and Lapse

Awarded Shares and the related income derived therefrom may be subject to a vesting period for the Eligible Person in question. Vesting of the Shares will be conditional on the Selected Eligible Person remaining an employee, consultant, adviser or agent of the PYI Group or the Invested Entity (as the case may be) until and on each of the relevant vesting dates and his/her execution of the relevant documents to effect the transfer from the Trustee.

An award will automatically lapse when the relevant Eligible Person ceases to be eligible and qualified under the definition of "Eligible Person", or the Group Company or the Invested Entity employing or engaging the relevant Eligible Person ceases to be a Group Company or an Invested Entity, save that in the case when the relevant Eligible Person dies, or retires at his/her normal retirement date or earlier by agreement prior to a vesting date, all the awarded Shares and the related income will be deemed to vest on the day immediately prior to his/her death or retirement. In case there is no claim of the vested interests by the legal representative of the relevant deceased Selected Eligible Person within two years of his or her death (or such longer period as the Trustee and the Board will agree from time to time) or the Trust Period (whichever is shorter), such vested interests will be forfeited and cease to be transferable and will be held as Returned Shares for the purposes of the Share Award Scheme.

Where the awarded Shares do not vest in accordance with the Share Award Scheme, the Trustee will hold such Shares and the related income for the benefit of one or more Eligible Persons as it determines in its discretion, after having taken into account the recommendations of the Board.

Voting Rights

The Trustee will exercise the voting rights in respect of any Shares held under the Trust (including but not limited to the awarded Shares, and further Shares acquired out of the income derived therefrom) at its sole discretion. It will be entitled to vote at its discretion on transactions requiring Shareholder approval under the Listing Rules (subject to restrictions under the Listing Rules including but not limited to restrictions on connected transactions).

Termination

The Share Award Scheme has not yet been adopted. Once adopted it will terminate on the earlier of the 10th anniversary of the Adoption Date or such other date as may be determined by the Board provided that such termination will not affect any subsisting rights of the Selected Eligible Persons.

Upon termination, all awarded Shares and the related income derived therefrom will become vested on the relevant Eligible Persons so referable on such date of termination, subject to the receipt by the Trustee of the transfer documents duly executed by the Selected Eligible Persons within the stipulated period. Net sale proceeds (after making appropriate deductions) of the Returned Shares and such non-cash income together with the residual cash and such other funds remaining in the Trust will be remitted to the Company forthwith after the sale.

The Board intends that subject to any legal restrictions full disclosure will be made in the Company's annual reports of awards under the Share Award Scheme.

In addition to the Share Award Scheme the directors of the Company propose the Share Financing Plan.

SHARE FINANCING PLAN

Under the Share Financing Plan, the Board can make invitations to Eligible Persons inviting them to apply for up to a number of Shares as specified in the invitation. The Eligible Persons who choose to apply for Shares will be issued new Shares by the Company at such subscription price as the Board may determine at the relevant time. Subject to obtaining all consents and approvals as may be required by law or under the Listing Rules, the Company will issue Shares to the relevant Eligible Persons. There are no set limits on the number of Shares that Eligible Persons may be invited to apply for and it is not at present intended to apply guidelines similar to the requirements of Chapter 17 of the Listing Rules (which apply only to share option schemes). No Eligible Persons have yet been selected for invitations.

The Eligible Persons may either pay the acquisition price in full or, if they fail to do so, will be deemed to have applied for a loan from the Company for the acquisition price less the amount of any payment made by the relevant Eligible Persons for allotment of the Shares. Any such loan will be interest free.

If an Eligible Person is not a connected person of the Company for the purposes of the Listing Rules, then loans or deemed loans to that person will be not connected transactions of the Company for the purposes of the Listing Rules but may be notifiable transactions under Chapter 14 depending on their size.

If an Eligible Person is a connected person of the Company for the purposes of the Listing Rules, then loans or deemed loans to that person will be connected transactions of the Company for the purposes of the Listing Rules and may also be notifiable transactions under Chapter 14 depending on their size.

The Company will at the material time comply fully with the Listing Rules (including Chapter 14 as regards notifiable transactions and Chapter 14A as regards connected transactions). Depending on the sums involved this may entail a press announcement and a circular to Shareholders and approval by those Shareholders who are permitted under the Listing Rules to vote on the proposal.

Whilst issues of Shares generally can be made under general mandates granted to directors from time to time, if a proposed issue of Shares is to a connected person of the Company for the purposes of the Listing Rules then it will entail a press announcement and a circular to Shareholders and approval by those Shareholders who are permitted under the Listing Rules to vote on the proposal. Again, the Company will at the material time comply fully with the Listing Rules including the restriction on issuing new Shares at a discount higher than that as permitted under Rule 13.36(5) of the Listing Rules. The Company will also issue an announcement on each issue of new Shares under the general mandate to Eligible Persons (with appropriate details included) and apply for the necessary listing approval on each occasion before issue of the relevant Shares.

Duration

The Share Financing Plan has no set term and may be terminated or suspended by the Board at any time.

Repayment

Whilst the Plan Loans remain outstanding no dividends will be passed over in cash to the relevant Eligible Person in respect of the Shares to which that Plan Loan relates and instead the repayment of Plan Loans may be made from cash representing dividends received from those Shares. If there are no such dividends that will not affect the obligation to repay the relevant Plan Loan. Each Plan Loan must be repaid by the relevant Eligible Person within 3 years after the Plan Loan is made (or such other period as may be determined by the Board either generally or in a case-by-case basis).

A Plan Loan must be repaid in full on the earlier of the day:-

- the relevant Eligible Person ceases to be employed or engaged by a Group Company or Invested Entity for any reason whatsoever;
- the relevant Eligible Person fails to observe or comply with his or her obligations under the rules; and
- the aggregate value of the Plan Shares beneficially owned by the relevant Eligible Person calculated based on the market price (being the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the subject day) is less than 50% of the Plan Loan then owed by that Eligible Person.

If a Plan Loan is not repaid to the extent required, the Company may sell, dispose of the relevant Plan Shares and apply any proceeds towards repayment of the Plan Loan in question. At all times until the Plan Loan has been repaid in full the certificates or other title documents for the relevant Shares will be in the physical custody of an agent. The Eligible Person will not hold the scrip.

Restrictions

Shares acquired by the Selected Eligible Persons under the Share Financing Plan cannot be disposed of until the later of:-

- the expiry of the prohibition period, being a minimum of 6 months and a maximum of 2 years from the date of acquisition of the Shares as determined by the Board before determining to grant the Plan Loan (unless the person ceases to be an Eligible Person); and
- the date on which the relevant Plan Loan is repaid in full.

The directors are satisfied that the Share Financing Plan is lawful under the laws of Bermuda and that Plan Loans can be made to Selected Eligible Persons under it in compliance with the laws of Bermuda. It is their intention to comply fully with all relevant laws.

The Board intends that subject to any legal restrictions full disclosure will be made in the Company's annual reports of Plan Loans made under the Share Financing Plan.

PROPOSED REDUCTION IN EXERCISE PRICE OF OPTIONS

The Company has outstanding a total number of 44,200,000 Share options granted under the Existing Share Option Scheme to directors and former directors. The exercise price for half of all these options (i.e. 22,100,000) is HK\$1.94 per Share and for the remaining options (i.e. 22,100,000) is HK\$2.20 per Share. The following directors and former directors (who are still engaged as general advisers of the PYI Group) own the options set opposite their names below exercisable at the prices specified below:-

Name of directors	Subscription price (HK\$)	Options exercisable	No. of Shares in respect of which options were granted
Tom Ko Yuen Lau	1.94	28 December 2004 to 26 August 2012	6,500,000
	2.20	28 December 2004 to 26 August 2012	6,500,000
Chan Fut Yan	1.94	28 December 2004 to 26 August 2012	6,500,000
	2.20	28 December 2004 to 26 August 2012	6,500,000
Chau Mei Wah, Rosanna	1.94	28 December 2004 to 26 August 2012	6,500,000
	2.20	28 December 2004 to 26 August 2012	6,500,000
Chow Ming Kuen, Joseph	1.94	28 December 2004 to 26 August 2012	650,000
	2.20	28 December 2004 to 26 August 2012	650,000
Kwok Shiu Keung, Ernest	1.94	28 December 2004 to 26 August 2012	650,000
	2.20	28 December 2004 to 26 August 2012	650,000
Chan Shu Kin	1.94	28 December 2004 to 26 August 2012	650,000
	2.20	28 December 2004 to 26 August 2012	650,000
Cheung Ting Kau, Vincent	1.94	28 December 2004 to 26 August 2012	650,000
	2.20	28 December 2004 to 26 August 2012	650,000

The proposed new subscription prices are HK\$1.24 for options with a current exercise price of HK\$1.94 per Share and HK\$1.50 per Share for options with a current exercise price of HK\$2.20 per Share. The closing price of the Shares reported in the daily quotation sheets of the Stock Exchange on 29 December 2005 (the last trading day prior to the issue of this announcement) was HK\$1.48 per Share. The directors believe that one reason why the current market price is significantly below the exercise price for the options is that the Company declared and paid a special dividend of HK\$0.70 per Share in July 2005. The proposed reduction was calculated not by reference to a particular formula widely used in respect of options generally but by deducting from the existing exercise prices under the relevant options the cash value of this special dividend enjoyed by the Shareholders. The dividend was not afforded to the existing option holders as the

Existing Share Option Scheme does not provide for any adjustment to the option exercise price following the payment of a cash dividend which is not a capital distribution by nature. The directors believe the proposed reduction is reasonable as a way of encouraging the option holders to continue their efforts for the PYI Group and to exercise their options, and taking into account the aforesaid circumstances, it is fair and reasonable for the Shareholders as a whole.

The reduction in subscription prices will constitute connected transactions between the relevant directors and the Company under Chapter 14A of the Listing Rules requiring independent Shareholder approval. Further, as the reduction is to the advantage of the option holders, Shareholder approval is required under the rules of the Existing Share Option Scheme. The Board will put the proposed adjustment in subscription prices to Shareholders for approval in a special general meeting to be convened.

Shareholders in the Company who have an interest in the proposed reduction will abstain from voting on the resolution it is put to Shareholders.

A circular containing, inter alia, details of (i) the proposed reduction in subscription prices together with the advice from KPMG Corporate Finance Limited, the independent financial adviser appointed by the Company for the purpose of advising independent Shareholders on the proposed reduction, including its fairness and reasonableness; and (ii) the Share Award Scheme and Share Financing Plan for information purpose only will be despatched to Shareholders as soon as practicable.

Definitions

In this announcement the following terms have the meanings set opposite them:-

"Adoption Date"	means in respect of a Settlor the date it adopts the Share Award Scheme;
"Board"	means the board of directors of the Company;
"Eligible Person"	means any employee (whether full time or part time), executive or officer, director (including any executive, non-executive and independent non-executive director) of a Group Company or any Invested Entity and any consultant, adviser or agent of any Group Company or any Invested Entity, who, in the sole discretion of the Board, has contributed or may contribute to the growth and development of the PYI Group or any Invested Entity, and "Selected Eligible Person" means an Eligible Person who has been selected to and does participate in the Share Award Scheme;
"Existing Share Option Scheme"	means the Share option scheme of the Company adopted by resolution of the Shareholders on 27 August 2002;
"Invested Entity"	means any entity in which the PYI Group holds an equity interest;
"Listing Rules"	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Plan Loan"	means in respect of an Eligible Person who has been invited to apply for, and has been issued new Shares under the Share Financing Plan, the sums owed by him by way of subscription price for the relevant Shares;
"PYI" or the "Company"	means PYI Corporation Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange;
"PYI Group"	means the Company and its Subsidiaries, and a "Group Company" means a member of the PYI Group;
"Returned Shares"	means Shares and related income which are not vested and/or forfeited in accordance with the Share Award Scheme;
"Settlor(s)"	means the settlor(s) under the Trust Deed;
"Share Award Scheme"	means a Share award scheme adopted on the Adoption Date by the Board whereby awards of Shares may be made to Eligible Persons (such Shares being purchased by the Trustee) pursuant to the Trust Deed and the related rules;
"Share Financing Plan"	means the plan adopted by the Board whereby selected Eligible Persons may be invited to apply for new Shares and offered the opportunity to finance their subscription by way of Plan Loans;
"Shareholders"	means shareholders of the Company;
"Shares"	means shares of HK\$0.10 each in the capital of the Company;
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited;
"Subsidiary(ies)"	means subsidiary(ies) of the Company from time to time within the meaning of the Listing Rules;
"Trust"	means the trust constituted by the Trust Deed;
"Trust Deed"	means the trust deed to be made between the Company and some or all of its Subsidiaries as settlors and the Trustee as trustee, establishing the Share Award Scheme;
"Trustee"	means a professional trustee to be appointed by the Board for the purpose of the Share Award Scheme which is independent and not connected with the Company; and
"Trust Period"	means in relation to a Settlor the period beginning with date in which it becomes party to the Trust Deed and ending upon the first to happen:- (a) the expiry of the period of 80 years beginning with the Adoption Date; or (b) the date when an order for the winding-up of the Settlor or the Company is made or a resolution is passed for the voluntary winding-up of the Settlor or the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company or the Settlor pass to a successor Company); or (c) the date that the Trustee declares to be the end of the Trust Period as may be informed by the Company that the Share Award Scheme will be terminated.

GENERAL

As at the date of this announcement, the following are the directors of the Company:

Dr. Chow Ming Kuen, Joseph	: Chairman (Independent Non-Executive)
Mr. Tom Ko Yuen Lau	: Deputy Chairman and Managing Director
Dr. Chan Kwok Keung, Charles	: Non-Executive Director
Mr. Kwok Shiu Keung, Ernest	: Independent Non-Executive Director
Mr. Chan Shu Kin	: Independent Non-Executive Director

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

Hong Kong, 29 December 2005