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## **Paul Y. Engineering Group Limited**

**保華建業集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock code: 577)

### **UNUSUAL PRICE AND TRADING VOLUME MOVEMENTS AND RESUMPTION OF TRADING**

This announcement is made at the request of the Stock Exchange.

The Board has noted the increases in the price and trading volume of the shares of the Company yesterday and wishes to state that the Board is not aware of any reasons for such movement save that the same may have resulted from speculation as to the status of the Transactions.

The Company has found it necessary to extend the time frame for the marketing of the Placing. The Company continues to work with the Placing Agents to advance discussions with a number of interested potential investors, but is of the view that this may, in turn, prompt further discussions on the transaction structure of the Film Joint Venture and, potentially, the need for changes to the Joint Venture Agreements.

To date, no changes to either the Joint Venture Agreements or the Placing have been negotiated, settled or agreed. The Company can provide no assurances that the Placing (with or without changes to the transaction structure) will be completed before the long-stop date of 31 December 2011. Moreover, the Company is aware that material changes to the Placing and, or the Film Joint Venture may require the need for a further approval on the part of Shareholders.

Trading in the Company's shares on the Stock Exchange has been suspended at the request of the Company with effect from 1:30 p.m. on 29 November 2011 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Company's shares on the Stock Exchange with effect from 1:30 p.m. on 30 November 2011.

This announcement is made at the request of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The board (the “**Board**”) of directors (the “**Directors**”) of Paul Y. Engineering Group Limited (“**PYE**” or the “**Company**”) has noted the increases in the price and trading volume of the shares of the Company yesterday and wishes to state that the Board is not aware of any reasons for such movement save that the same may have resulted from speculation as to the status of the Transactions.

Reference is made to the joint announcement and joint update announcement of the Company and PYI Corporation Limited dated 21 August 2011 and 23 October 2011, respectively, the circular of PYE dated 24 October 2011 (the “**Circular**”), the update announcement of PYE dated 18 November 2011 and the announcement of PYE dated 21 November 2011. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Circular.

### **Update in relation to the Transactions**

At the time of the Circular (and as referred to in the Circular), the Company’s goal was to complete the Placing by 30 November 2011 and effect the JV Closing shortly thereafter. It had also intended, by early December 2011, to have despatched a further circular containing details of (i) the arrangements for the completion of the Distribution in Specie (or the payment of the Cash Alternative) and (ii) the payment of the Cash Dividend (or entitlement to receive the Scrip Alternative).

Despite a positive response to the proposed Film Joint Venture from prospective investors and the clear backing and support of Shareholders, the Company has found it necessary to extend the time frame for the marketing of the Placing. The Company continues to work with the Placing Agents to advance discussions with a number of interested potential investors and it is apparent that more time than was originally anticipated will be needed to complete the Placing. Moreover, it is the Directors’ view that, in order to complete the Placing, it may become necessary for parties to the Joint Venture Agreements to concede certain changes to the transaction structure of the Film Joint Venture that would result in additional benefits to the Company.

To date, no changes to either the Joint Venture Agreements or the Placing have been negotiated, settled or agreed. The Company can provide no assurances that the Placing (with or without changes to the transaction structure) will be completed before the long-stop date of 31 December 2011. Moreover, the Company is aware that material changes to the Placing and, or the Film Joint Venture may require the need for a further approval on the part of Shareholders.

In any event, despatch of a further circular relating to the Distribution in Specie and the Cash Dividend would be premature at this time. The Company will make further announcement(s) concerning the Transactions, and in particular concerning the status of the Placing as and when appropriate, and in any event by the end of December 2011.

Save as disclosed above, the Board confirms that there are no other negotiations or agreements relating to intended acquisition or realization which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

**Notwithstanding the passing of all necessary shareholders' approvals on the part of PYE to approve the Transactions in their presently-agreed form, there is no assurance that the Transactions will complete, or that, if they complete, that they will (as regards the Placing and the Film Joint Venture) complete in their current form. Shareholders and potential investors should note that the Company's shares will continue to trade on an ex-entitlement basis. Under the terms of the Placing Agreements, the long stop date for the completion of the Placing is 31 December 2011. If owing to volatile market conditions or for any other reason, the Placing of 3,100 million Placing Shares at the fixed Placing Price of HK\$0.65 per Placing Share cannot be achieved, the Distribution in Specie with the Cash Alternative, and the Cash Dividend with the Scrip Alternative will not be made. In that case, PYE will remain in its present form and, other things being equal, is likely to trade on the same basis as it did before the Transactions Announcement.**

**As the various Transactions are subject to the fulfillment of a number of condition precedent and are effectively inter-conditional, completion of the Transactions may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Company's shares.**

Made by the order of the Company, the Board of which individually and jointly accept responsibility for the accuracy of this announcement.

### **Resumption of Trading**

Trading in the Company's shares on the Stock Exchange has been suspended at the request of the Company with effect from 1:30 p.m. on 29 November 2011 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Company's shares on the Stock Exchange with effect from 1:30 p.m. on 30 November 2011.

By Order of the Board of  
**Paul Y. Engineering Group Limited**  
**Mui Ching Hung, Joanna**  
*Company Secretary*

Hong Kong, 30 November 2011

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

Ir James Chiu, <i>OBE, JP</i>	:	Chairman (Independent Non-Executive Director)
Mr Lau Ko Yuen, Tom	:	Deputy Chairman (Non-Executive Director)
Mr Chan Fut Yan	:	Deputy Chairman (Executive Director)
Ir Dr Wong Kam Cheong, Stanley	:	Executive Director & Chief Executive Officer
Professor Lee Chack Fan, <i>SBS, JP</i>	:	Independent Non-Executive Director
Mr Iain Ferguson Bruce	:	Independent Non-Executive Director

\* *For identification purposes only*