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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)

ANNOUNCEMENT AND RESUMPTION OF TRADING

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

The Board notes that a writ of summons was served upon the Company, two of its subsidiaries and Mr Lau Ko Yuen, Tom on 28 July 2011. The alleged claim under the writ of summons is basically derived from a matter disclosed in note 22 to the consolidated financial statements in the annual report of the Company for the year ended 31 March 2011. The Company has sought legal advice from its legal adviser. It is considered that the Company and the other defendants are in a position to put up a respectable defence. The alleged claim will be vigorously defended. In addition, based on the legal advice, the Company is of the view that the alleged claim would not lead to any adverse material impact on the financial position of the Group.

Investors and shareholders of the Company are advised to exercise caution when dealing in shares of the Company.

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:18 a.m. on 1 August 2011, pending the issue of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company at 9:00 a.m. on 2 August 2011.

This announcement is made by Paul Y. Engineering Group Limited (the “Company” together with its subsidiaries, the “Group”) pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The board of directors (the “Board”) of the Company notes that a writ of summons was served upon the Company, two of its subsidiaries and Mr Lau Ko Yuen, Tom, Deputy Chairman (Non-Executive Director) of the Company, on 28 July 2011 claiming for, amongst others, damages in a sum of approximately RMB780 million. It is stated in the writ of summons that the Company and two of its subsidiaries were alleged to be in breach of certain terms contained in an alleged oral agreement (which is denied) and that Mr Lau Ko Yuen, Tom was alleged for, amongst others, misrepresentation (which is denied).

A related matter has already been disclosed in note 22 to the consolidated financial statements in the annual report of the Company for the year ended 31 March 2011. The alleged claim under the writ of summons is basically derived from the matter disclosed therein.

The Company has sought legal advice from its legal adviser. It is considered that the Company and the other defendants are in a position to put up a respectable defence. The alleged claim will be vigorously defended. In addition, based on the legal advice, the Company is of the view that the alleged claim would not lead to any adverse material impact on the financial position of the Group.

Investors and shareholders of the Company are advised to exercise caution when dealing in shares of the Company.

At the request of the Company, trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) was suspended with effect from 9:18 a.m. on 1 August 2011, pending the issue of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company at 9:00 a.m. on 2 August 2011.

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

Hong Kong, 1 August 2011

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

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 purpose only*