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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)



保華集團有限公司*
PYI Corporation Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 498)

**VERY SUBSTANTIAL ACQUISITION
AND CONNECTED TRANSACTION
FOR PYE**

**DEEMED VERY SUBSTANTIAL
DISPOSAL AND POTENTIAL
DISCLOSEABLE TRANSACTION
FOR PYI**

**PROPOSED ALLOTMENT AND ISSUE OF SHARES AND ISSUE
OF CONVERTIBLE BONDS BY PYE REQUIRING
A SPECIFIC MANDATE FROM PYE SHAREHOLDERS,
CONSTITUTING A DEEMED VERY SUBSTANTIAL DISPOSAL FOR PYI**

**PROPOSED ACQUISITION OF FALLONCROFT CONSTITUTING
A VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION FOR PYE**

**PROPOSED DISTRIBUTION IN SPECIE BY PYE OF A
49% INTEREST IN ITS EXISTING BUSINESSES, WITH THE OFFER
OF A CASH ALTERNATIVE PROVIDED BY
PYI CONSTITUTING
A POTENTIAL DISCLOSEABLE TRANSACTION FOR PYI**

**PROPOSED SPECIAL CASH DIVIDEND BY PYE OF HK\$0.26 PER SHARE
WITH A SCRIP ALTERNATIVE**

Financial Adviser to PYE and PYI

ANGLO CHINESE 英高
CORPORATE FINANCE, LIMITED

Anglo Chinese Corporate Finance, Limited

Placing Agent



CLSA Limited

Summary

The PYE Board is pleased to announce that PYE has entered into certain agreements and resolved to pursue certain transactions which the PYE Board believes will, in due course, generate strong discretionary cash flows and ultimately benefit all PYE Shareholders. PYE proposes to acquire a private company, Falloncroft, which had entered into the MOU and on completion will, indirectly, own New Concordia, a private company with an irrevocable, unconditional and exclusive power of attorney in respect of the Land, located on the Cotai Strip in Macau, on which it is proposed to construct and operate a 5 star hotel with ancillary retail and entertainment facilities (including but not limited to gaming). PYE also plans to reduce its exposure to, and reliance upon, its existing construction, civil engineering and property-related businesses by distributing to PYE Shareholders 49% of the intermediate holding company of those businesses.

Placing and Contingent Placing

The Placing

On 19 November 2012, PYE entered into a conditional placing agreement with the Placing Agent, pursuant to which the Placing Agent has conditionally agreed, as agent of PYE, to place, on a best-efforts basis, what has provisionally been set as a split of 1,176,470,588 new Shares at the Placing Price (raising aggregate gross proceeds of HK\$800 million) and up to HK\$2,400 million worth of Convertible Bonds at face value, each within the Placing Period. In addition, PYE has granted to the Placing Agent the Upsize Option pursuant to which PYE may be required by the Placing Agent to allot and issue what has provisionally been set as a split of up to an additional 588,235,294 new Shares at the Placing Price (raising aggregate gross proceeds of HK\$400 million) and up to HK\$1,200 million worth of Convertible Bonds at face value, again, within the Placing Period. The exact apportionment as between the new Shares and the Convertible Bonds will be settled and announced in due course after the book-building for the Placing has been completed but always on the basis that: (i) the number of new Shares to be issued pursuant to the Placing will be a minimum of 1,176,470,588 new Shares (raising minimum gross proceeds of HK\$800 million); (ii) the maximum amount of additional Placing Shares and additional Placing Convertible Bonds to be issued pursuant to the exercise of the Upsize Option will be 588,235,294 new Shares and HK\$1,200 million Convertible Bonds respectively; (iii) PYE will maintain its minimum public float requirement as prescribed by the Listing Rules; and (iv) there will not be a change in control in PYE (as defined in the Takeovers Code) (the “**Placing Parameters**”). Accordingly, the changes to the existing and enlarged share capital of PYE as a result of the Placing mentioned in this announcement are for illustrative purposes only, assuming the split between the new Shares and the Convertible Bonds is 1,176,470,588 new Shares at the Placing Price (raising aggregate gross proceeds of HK\$800 million) and up to HK\$2,400 million worth of Convertible Bonds at face value.

The Contingent Placing

On 19 November 2012, PYE entered into separate bilateral contingent placing agreements with the three Contingent Placing Agents. The Contingent Placing Agents have conditionally agreed to use all reasonable endeavours contingently, as agent of PYE, to place a total (between them) of up to HK\$1,600 million worth of Convertible Bonds at face value. The Contingent Placing will take place, assuming fulfilment (or, as applicable, waiver) of the conditions, only in circumstances where PYE elects to complete the Contingent Placing by serving the Contingent Placing Notice on any or all of the Contingent Placing Agents within the Contingent Placing Notice Period.

Number of Placing Shares and Shares on conversion of the Placing Convertible Bonds and Contingent Placing Convertible Bonds

As mentioned above, the changes to the existing and enlarged share capital of PYE as a result of the Placing mentioned in this announcement are for illustrative purposes only, assuming the split between the new Shares and the Convertible Bonds is 1,176,470,588 new Shares at the Placing Price (raising aggregate gross proceeds of HK\$800 million) and up to HK\$2,400 million worth of Convertible Bonds at face value.

The Placing Shares (assuming no exercise of the Upsize Option) represent approximately 193.83% of the existing issued share capital of PYE, amounting to 606,954,322 Shares as at the date of this announcement, and approximately 65.97% of the total issued share capital of PYE as enlarged by the Placing Shares. The aggregate number of Placing Shares (assuming exercise, in full, of the Upsize Option) represent approximately 290.75% of the existing issued share capital of PYE as at the date of this announcement, and approximately 74.41% of the total issued share capital of PYE as enlarged by the Placing Shares.

The number of Shares to be allotted and issued on exercise in full of the Placing Convertible Bonds and the Contingent Placing Convertible Bonds, assuming no exercise of the Upsize Option, amounting in total to 5,882,352,940 new Shares, represents approximately 969.16% of the existing issued share capital of PYE, and approximately 90.65% of the total issued share capital of PYE as enlarged by full conversion of the Placing Convertible Bonds and the Contingent Placing Convertible Bonds. The number of Shares to be allotted and issued on exercise in full of the Placing Convertible Bonds and the Contingent Placing Convertible Bonds, assuming exercise in full of the Upsize Option, amounting in total to 7,647,058,822 new Shares, represents approximately 1,259.91% of the existing issued share capital of PYE, and approximately 92.65% of the total issued share capital of PYE as enlarged by full conversion of the Placing Convertible Bonds and the Contingent Placing Convertible Bonds.

The Acquisition

On 19 November 2012, PYE entered into the Falloncroft SPA with Pride Wisdom, a private company indirectly owned by Mr. Sean Hung, the son of Mr. Stephen Hung (one of the Proposed New Directors) pursuant to which Pride Wisdom agreed to sell, or procure the sale of, and PYE agreed to purchase, or procure the purchase of, the entire issued share capital of Falloncroft for a consideration of HK\$2,000 million. Falloncroft is a private company incorporated in the British Virgin Islands that had entered into the MOU and will, on completion, hold the entire issued share capital of Uni-Dragon, which is the legal and beneficial owner of all the issued shares of Manlink and Challenge Shore. Manlink and Challenge Shore in turn holds 60% and 40% respectively of New Concordia which, on completion, will be granted an irrevocable, unconditional and exclusive power of attorney by Empresa in respect of the Land on the Cotai Strip in Macau on which it is proposed to construct and operate a 5 star hotel with ancillary retail and entertainment facilities (including but not limited to gaming).

Falloncroft Share Option Scheme and Exchange Right

Falloncroft proposes to adopt a share option scheme prior to completion of the Falloncroft SPA and will, again prior to such completion, grant options to Chief Wise, an affiliate of Mr. Hung, in respect of Falloncroft Shares representing up to 10% of the enlarged issued share capital of Falloncroft. Some or all of the options may, in due course, be assigned by the grantee to other executive managers of Falloncroft who are contributing to the development of the Project. All of the options will be granted subject to detailed vesting schedules relevant to performance criteria applicable to the Project and may be exercised at a price per Falloncroft Share that would value 10% of Falloncroft's share capital (as enlarged by shares allotted and issued pursuant to the scheme) at HK\$600 million.

Subject to fulfillment of certain conditions (as described in this announcement), management of Falloncroft subscribing Falloncroft Shares on exercise of the options will each have the right at one time, or from time to time, to require PYE to purchase some or all of their respective holdings of Falloncroft Shares in exchange for an allotment and issue of new Shares, with the exchange ratio being fixed by reference to the price per Share paid by the Placees pursuant to the Placing Agreement. Accordingly, the maximum aggregate number of new Shares that would be allotted and issued on exercise, in full, of the Exchange Right, would be 882,352,941 Shares, representing approximately 33.10% of PYE's issued share capital, as enlarged by the Placing Shares, assuming no exercise of the Upsize Option and no completion of the Contingent Placing; approximately 14.24% assuming full conversion of the Placing Convertible Bonds but no exercise of the Upsize Option and no completion of the Contingent Placing; approximately 10.32% assuming exercise in full of the Upsize Option but no completion of the Contingent Placing; approximately 8.09% assuming exercise in full of the Upsize Option and completion in full of the Contingent Placing.

The Acquisition will constitute a very substantial acquisition for PYE on the basis that one or more of the percentage ratios exceeds 100%. It is also a connected transaction on the basis that the vendor, Pride Wisdom, will become the associate of Mr. Hung, a proposed director of PYE. The Acquisition is, therefore, subject to the notification, announcement and independent shareholders' approval requirements under the Listing Rules.

The Exchange Right constitutes an additional, integral part, of the very substantial acquisition and connected transaction for PYE. On the basis that the value of the Exchange Right can be calculated from the outset and the maximum aggregate number of Shares to be allotted and issued has been fixed, the approval of PYE Shareholders will be sought in respect of the Exchange Right at the PYE SGM as a further aspect of the Specific Mandate.

The Convertible Bonds

Assuming the split between the new Shares and the Convertible Bonds pursuant to the Placing is 1,176,470,588 new Shares at the Placing Price (raising aggregate gross proceeds of HK\$800 million) and up to HK\$2,400 million worth of Convertible Bonds at face value, the Convertible Bonds comprise HK\$2,400 million worth in nominal value of convertible bonds to be issued, in aggregate, pursuant to the Placing assuming no exercise of the Upsize Option and no completion of the Contingent Placing; or in the aggregate amount of HK\$3,600 million assuming exercise in full of the Upsize Option but no completion of the Contingent Placing. The total nominal value of the Convertible Bonds increases to HK\$5,200 million assuming exercise in full of the Upsize Option and completion in full of the Contingent Placing.

Upon exercise in full of the conversion rights attaching to all of the Convertible Bonds (assuming no adjustment to the conversion price is made pursuant to the Convertible Bonds), PYE will allot and issue 5,882,352,940 new Shares assuming no exercise of the Upsize Option but completion in full of the Contingent Placing; or 7,647,058,822 new Shares assuming exercise in full of the Upsize Option and completion in full of the Contingent Placing. The details of the Convertible Bonds are set out below.

The Existing Businesses, the Distribution in Specie and the Cash Alternative

As part of the Transactions and following on from the PYE Board's decision to refocus the business activities of PYE through the Acquisition, the PYE Board is proposing to effect a distribution in specie of 49% of PYE BVI. PYE BVI is a wholly-owned subsidiary of PYE and is the PYE Group's vehicle under which the Existing Businesses are held.

As a result of the Distribution in Specie, and excluding the effect of PYE Shareholders taking up the Cash Alternative as described in this announcement, the shares of PYE BVI would be held as to 51% by PYE, approximately 30.34% by PYI and approximately 18.66% by PYE Shareholders other than PYI.

The PYE Directors recognise that PYE Shareholders (other than PYI) may not wish to hold shares in PYE BVI, as PYE BVI is an unlisted company incorporated in the British Virgin Islands. There will be no liquid market for the shares of PYE BVI. Accordingly, PYI has, conditionally upon the Distribution in Specie being effected, undertaken to acquire up to the full 18.66% stake in PYE BVI not otherwise held by PYE or PYI for an aggregate cash sum of approximately HK\$69.34 million, equating to a price of HK\$0.30 per PYE BVI Share. Were PYI called upon to meet its full obligation to acquire this 18.66% stake in PYE BVI, this would constitute a discloseable transaction for PYI.

PYE will appoint an independent financial adviser to advise an independent board committee of the PYE Board and independent PYE Shareholders as regards, among other things, the proposed Distribution in Specie and the Cash Alternative.

PYI and its associates will abstain from voting on the resolutions approving the Distribution in Specie at the PYE SGM.

The Cash Dividend and Scrip Alternative

The PYE Board further proposes that PYE will declare and pay a special cash dividend of HK\$0.26 per Share. The Cash Dividend will be paid to the Qualifying PYE Shareholders. Eligible Qualifying PYE Shareholders will be given the option to elect to receive Shares in lieu of cash in respect of all or part of the Cash Dividend, on the basis that each Share is required to be allotted and paid up (using the cash otherwise distributable pursuant to the Cash Dividend) as to HK\$0.68 per Share. The Cash Dividend and Scrip Alternative are conditional upon:

- (a) the passing, at the PYE SGM, of resolutions to approve the Cash Dividend and Scrip Alternative; and
- (b) completion of the Acquisition.

Proposed New Directors

The PYE Board proposes, with the approval of the PYE Shareholders to be sought at the PYE SGM, to appoint the Proposed New Directors to the PYE Board with effect from completion of the Acquisition. Brief biographical details of the Proposed New Directors are set out in this announcement.

Next Steps

Circulars in respect of the Transactions including notice of the PYE SGM and PYI SGM, respectively, will be despatched to PYE Shareholders and PYI Shareholders, respectively.

PYE and PYI will make a further announcement in due course concerning the detailed timetable for the Transactions (and in PYE's case, details of the Record Date and related book close period). PYE and PYI's best current estimate is that the Transactions, including the Distribution in Specie, the Cash Dividend and Scrip Alternative, the Placing and the Contingent Placing (if pursued by PYE), should be completed by not later than 30 June 2013.

As completion of the various Transactions is, in each case, subject to the fulfillment of a number of conditions precedent which, apart from the Distribution in Specie, are all inter-conditional, the various Transactions may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the shares of PYE and, or, PYI.

INTRODUCTION

PYE owns the entire issued share capital of PYE BVI, a private company that is, itself, the intermediate holding company of the PYE Group's existing businesses. These comprise a management contracting division, engaged in building construction and civil engineering projects predominantly in Hong Kong; a property investment division; and a property development management division. The PYE Board, in its continuous efforts to explore new projects and potential business developments that stand to benefit PYE and all of its shareholders, has made the decision to enter into a series of transactions that would involve PYE undertaking a substantial capital raising exercise, predominantly for the purpose of funding its involvement in the Acquisition and subsequently, in the development of the Land on which it is proposed to construct and operate a 5 star hotel with ancillary retail and entertainment facilities (including but not limited to gaming).

PYE intends to effect a distribution in specie of 49% of PYE BVI, which will enable PYE Shareholders to maintain a direct interest, as well as an interest through their shareholdings in PYE, in the Existing Businesses. In order to provide PYE Shareholders (other than PYI) with immediate liquidity should they not wish to hold shares in PYE BVI, an unlisted company incorporated in the British Virgin Islands, PYI has agreed to provide them with a cash alternative enabling them to realise cash from the distribution.

In addition, PYE is proposing to pay a special cash dividend to the PYE Shareholders in the amount of HK\$0.26 per Share and to offer all Eligible Qualifying PYE Shareholders the right to a scrip dividend in lieu of cash.

The PYE Board believes that the combination of this series of transactions will, in due course, generate strong discretionary cash flows and ultimately benefit all PYE Shareholders.

**A. (i) PROPOSED PLACING OF SHARES AND CONVERTIBLE BONDS AND
(ii) CONTINGENT CONVERTIBLE BONDS PURSUANT TO A SPECIFIC
MANDATE**

Placing Agreement

The Placing

On 19 November 2012, PYE entered into a conditional placing agreement with the Placing Agent, pursuant to which the Placing Agent has conditionally agreed, as agent of PYE, to place, on a best-efforts basis, what has provisionally been set as a split of 1,176,470,588 new Shares at the Placing Price (raising aggregate gross proceeds of HK\$800 million) and up to HK\$2,400 million worth of Convertible Bonds at face value, each within the Placing Period. In addition, PYE has granted to the Placing Agent the Upsize Option pursuant to which PYE may be required by the Placing Agent to allot and issue what has provisionally been set as a split of up to an additional 588,235,294 new Shares at the Placing Price (raising aggregate gross proceeds of HK\$400 million) and up to HK\$1,200 million worth of Convertible Bonds at face value, each, again, within the Placing Period. The exact apportionment as between the new Shares and the Convertible Bonds will be settled and announced in due course after the book-building for the Placing has been completed but always on the basis that: (i) the number of new Shares to be issued pursuant to the Placing will be a minimum of 1,176,470,588 new Shares (raising minimum gross proceeds of HK\$800 million); (ii) the maximum amount of additional Placing Shares and additional Placing Convertible Bonds to be issued pursuant to the exercise of the Upsize Option will be 588,235,294 new Shares and HK\$1,200 million Convertible Bonds respectively; (iii) PYE will maintain its minimum public float requirement as prescribed by the Listing Rules; and (iv) there will not be a change in control (as defined in the Takeovers Code) in PYE. Accordingly, the changes to the existing and enlarged share capital of PYE as a result of the Placing mentioned in this announcement are for illustrative purposes only, assuming the split between the new Shares and the Convertible Bonds is 1,176,470,588 new Shares at the Placing Price (raising aggregate gross proceeds of HK\$800 million) and up to HK\$2,400 million worth of Convertible Bonds at face value.

The Placing Agent has indicated that, as at the date of this announcement, there are a number of potential investors who have expressed interest in subscribing for approximately HK\$2,400 million worth of Placing Shares and, or, Placing Convertible Bonds on the terms of the Placing Agreement.

Subject to the completion of the Placing Agreement, the Placing Agent shall be entitled to a placing commission of 4% of the aggregate Placing Price of the Placing Shares and 4% of the aggregate face value of the Placing Convertible Bonds allotted and issued under the Placing Agreement, and an incentive payment of US\$1 million payable at the sole discretion of PYE. The PYE Directors are of the view that the placing commission reflects a market rate and is fair and reasonable.

To the best of the PYE Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner are third parties independent of, and not connected with, PYE and its connected persons.

It is expected that there will be not less than six Placees, in aggregate, subscribing for the Placing Shares and the Placing Convertible Bonds pursuant to the Placing Agreement at the Placing Price within the Placing Period. None of the Placees will be a connected person of PYE other than in a situation where consent from the Stock Exchange has been obtained as a pre-condition and in compliance with the Listing Rules.

Mr. Hung, a proposed director of PYE, has indicated his intention to subscribe for HK\$200 million worth of Placing Shares and, or, Placing Convertible Bonds, split provisionally as 73,529,411 Placing Shares and 220,588,235 new Shares as would be allotted and issued on exercise in full of such Placing Convertible Bonds.

The Upsize Option has been granted to the Placing Agent as a means of expanding the size of the Placing should there be sufficient demand for Placing Shares and, or, the Placing Convertible Bonds. It has not been granted in the context of any prospective price stabilisation programme.

Conditions Precedent

The Placing is conditional upon, amongst others:

- (a) both the Uni-Dragon SPA and the Falloncroft SPA having been duly entered into;
- (b) PYE having obtained the approvals of its shareholders in a general meeting and of any applicable court or regulatory body necessary to implement the Transactions (excluding the Distribution in Specie), including (i) the Acquisition as a very substantial acquisition and a connected transaction, including the Exchange Right; (ii) the Specific Mandate; (iii) the Cash Dividend and the Scrip Alternative and the issue of Shares thereunder; (iv) the increase in the authorised share capital as described in this announcement; and (v) the appointment of the Proposed New Directors to the PYE Board, and such approvals not having been or proposed to be revoked;
- (c) PYI having obtained the necessary approvals of its shareholders in a general meeting and of any applicable court or regulatory body necessary to authorise the deemed disposal of a very substantial interest of PYI in PYE and other applicable aspects of the Transactions, and such approvals not having been or proposed to be revoked;

- (d) the Listing Committee having granted listing of, and permission to deal in, the Shares to be issued under the Transactions (including the Shares to be issued pursuant to (i) the Placing; (ii) conversion of the Convertible Bonds; (iii) exercise of the Scrip Alternative; and (iv) exercise of the Exchange Right), and such listing and permission not having been subsequently revoked;
- (e) the Bermuda Monetary Authority having granted all, and not revoking any, necessary approvals and permissions for the creation, allotment and issue of the new Shares to be issued under the Transactions (as referred to above) and all other applicable approvals, authorisations and consents being unconditionally obtained for the Transactions;
- (f) the taking effect unconditionally of the Falloncroft SPA and the Uni-Dragon SPA (save for any condition as to completion of the Placing or the Contingent Placing) in all respects in accordance with their terms;
- (g) the MOU remaining in place and the terms of the MOU remaining unchanged;
- (h) PYE being in the position to raise minimum gross proceeds of HK\$3,200 million on the basis of completion of the Placing and, as applicable, the Contingent Placing, the completion of which will not result in a loss of the minimum public float requirement as prescribed by the Listing Rules;
- (i) the Placing Agent having completed due diligence in relation to the Transactions, the PYE Group, the Acquisition and the Placing to the satisfaction of the Placing Agent;
- (j) the deed constituting the Convertible Bonds and the paying and conversion agency agreement in relation to the Convertible Bonds shall have been executed by all parties thereto on or prior to the Placing Completion Date;
- (k) there not having occurred any breach of, or any event rendering untrue or inaccurate, any of the representations, warranties or undertakings under the Placing Agreement, as given (i) on the date of the Placing Agreement; (ii) on the Placing Completion Date; (iii) on all dates between the date of the Placing Agreement and the Placing Completion Date on which PYE makes any public announcement and the issue of any public documents; and (iv) on the date of the launch of the Placing;
- (l) trading generally not having been suspended or materially limited on, or by, the Stock Exchange, the Shanghai Stock Exchange, the Tokyo Stock Exchange, the New York Stock Exchange or the London Stock Exchange;

- (m) trading of any securities of PYE not being suspended on the Stock Exchange (other than for any suspension of a routine nature pending publication of any announcement(s) in relation to the Transactions);
- (n) a material disruption in securities settlement, payment or clearance services in Hong Kong, the United States, Japan, or the PRC not having occurred;
- (o) any moratorium on commercial banking activities not having been declared by Hong Kong, PRC, Japan, Federal or New York State authorities;
- (p) there not having occurred any event, or series of events beyond the reasonable control of the Placing Agent (including, without limitation, any outbreak or escalation of hostilities, declaration of a national emergency or war, act of terrorism, any significant event, development or change in financial markets, currency exchange rates or controls or calamity or crisis, any act of government, strike, labour dispute, lock-out, fire, explosion, flooding, earthquake, tsunami, civil commotion, economic sanctions, epidemic, pandemic, outbreak of infectious disease and act of God) that, in the Placing Agent's judgment in its sole discretion, is material and adverse and which, singly or together with any other event specified above, makes it, in the Placing Agent's judgment in its sole discretion, impracticable, inexpedient or inadvisable to proceed with the offer, sale or delivery of the Placing Shares or the Convertible Bonds on the terms and in the manner contemplated in the Placing Agreement;
- (q) there not having come into effect any new law or regulation and there being no change (whether or not permanent) or development (whether or not permanent) involving a prospective change in existing laws or regulations or the interpretation or application thereof by any court or other competent authority which in the sole opinion of the Placing Agent is or is likely to be materially adverse to the success of the Placing, or makes or is likely to make it impracticable or inadvisable or inexpedient to proceed therewith;
- (r) there not having occurred any change (whether or not permanent) or any development (whether or not permanent) involving a prospective change in local, national or international monetary, economic, military, financial, political, legal, industrial, fiscal, regulatory, currency or market conditions (including, but not limited to local, national or international securities (including stock and bonds) market conditions, or currency exchange rates or foreign exchange rates or foreign exchange controls or interbank markets and credit markets);
- (s) any action against any PYE Director not having been commenced by any state, governmental, regulatory or political body or organisation nor any announcement by any regulatory or political body or organisation that it intends to take any such action;

- (t) there not having occurred any material adverse change or development (whether or not permanent) involving a prospective material adverse change in the condition, financial or otherwise, or in the earnings or business affairs or prospects of PYE or the PYE Group, whether or not arising out of the ordinary course of business;
- (u) the Placing Agent not becoming aware, after the date of the Placing Agreement, of any information or other matter (including any matter relating to financial models and underlying assumptions related to projections) affecting PYE or any member of the PYE Group, the Transactions or the Placing that (in the Placing Agent's sole judgment) is inconsistent in a material and adverse manner with any such information or other matter disclosed to the Placing Agent prior to the date of the Placing Agreement or would be expected to impair the Placing or the Transactions;
- (v) there not having been any acquisition or transaction by PYE proposed, effected or completed after the date of the Placing Agreement and before the completion of the Placing (save as those contemplated in this announcement) which would or may reasonably be expected to in the Placing Agent's opinion in its sole discretion, impair or adversely affect the Placing or affect the marketing of the Placing Shares or the Convertible Bonds or otherwise makes it inadvisable, inexpedient or impracticable to proceed with the Placing;
- (w) the Placing Agent having completed book-building for the Placing to the satisfaction of the Placing Agent;
- (x) this announcement and any subsequent public disclosures (relating to the Placing or other content of this announcement) prior to the completion of the Placing to be issued by PYE being in a form and at a time agreed by the Placing Agent (save as to any amendments made with the prior written consent of the Placing Agent) prior to the issue thereof by PYE;
- (y) there not having been any capital restructuring and, or, capital reorganisation by PYE proposed, effected or completed after the date of the Placing Agreement (save for those disclosed in this announcement);
- (z) except pursuant to the Placing and the Transactions, no issue of new shares or other securities (including any options, warrants or convertible securities) by PYE will be proposed and, or, completed after the date of the Placing Agreement;
- (aa) the accuracy and completeness of all representations that PYE makes to the Placing Agent and all information that PYE furnishes to the Placing Agent in connection with the Placing and, or, the Transactions;

(bb) receipt by the Placing Agent of, amongst others, a signed original of the legal opinion from PYE's Bermuda legal counsel opining on PYE's due incorporation and valid existence, corporate power and authority to enter into and perform the Placing Agreement and the legal and binding effect and enforceability of the Placing Agreement against PYE;

(cc) the Placing Parameters having been met.

If the above conditions are not fulfilled to the satisfaction of the Placing Agent or waived by the Placing Agent (to the extent permissible) prior to the expiry of the Placing Period or such later date as may be agreed between PYE and the Placing Agent, the Placing Agreement and the obligations of the parties thereunder shall cease and terminate at that time and neither PYE nor the Placing Agent shall be under any liability to the other under the Placing Agreement, save for liability in respect of any antecedent breaches of the agreement.

Termination

If there shall be any failure or refusal on the part of PYE to comply with the terms of the Placing Agreement applicable to PYE, the Placing Agreement may be terminated by the Placing Agent by written notice to PYE given at any time prior to the Placing Completion Date.

Completion of the Placing

Completion of the Placing shall take place on the Placing Completion Date.

Contingent Placing Agreements

Contingent Placing

On 19 November 2012, PYE entered into separate bilateral contingent placing agreements with the three Contingent Placing Agents. The Contingent Placing Agents have conditionally agreed to use all reasonable endeavours contingently to place a total (between them) of up to HK\$1,600 million worth of Contingent Placing Convertible Bonds at face value. The Contingent Placing will take place, assuming fulfilment (or, as applicable, waiver) of the conditions only in circumstances where PYE elects to complete the Contingent Placing by serving the Contingent Placing Notice on any or all of the Contingent Placing Agents within the Contingent Placing Notice Period.

The Contingent Placing has been arranged by PYE to complete the Acquisition (depending upon market response to the Placing) and, or as a prospective source of funding for the development of the Project and as a means of reducing the amount of bank borrowings required to complete the Project in the event that the PYE Board decides that the Contingent Placing represents the better commercial proposition as regards financing the Project when compared with raising the equivalent amount by bank borrowings.

The Contingent Placing Agents shall be entitled to a commission of 2%, payable on the Placing Completion Date, in respect of funds, by then, raised by the Contingent Placing Agents; and an additional 2%, payable when the Contingent Placing Notice is served, in respect of the aggregate face value of the Contingent Placing Convertible Bonds allotted and issued under the Contingent Placing Agreements. The PYE Directors are of the view that the contingent placing commission reflects a market rate and is fair and reasonable.

Assuming fulfilment (or, as applicable, waiver) of the conditions if, at the end of the Contingent Placing Notice Period, the Contingent Placing Notice has not been served (or has been served but only in respect of part of the total sums raised), PYE shall pay to the Contingent Placing Agents, for the benefit of the proposed subscribers, an abortion fee of 2% of the aggregate amount raised from such proposed subscribers but not used in subscribing Contingent Placing Convertible Bonds.

To the best of the PYE Directors' knowledge, information and belief, having made all reasonable enquiries, the Contingent Placing Agents and its ultimate beneficial owner are third parties independent of, and not connected with, PYE and its connected persons.

It is expected that there will be not less than six Contingent Placees, in aggregate, subscribing for the Contingent Placing Convertible Bonds pursuant to the Contingent Placing Agreements. The Contingent Placing Agents will, themselves, be at liberty to, but have no obligation to, subscribe the Contingent Placing Convertible Bonds for which they have, respectively, assumed responsibility to place. None of the Contingent Placees will be a connected person of PYE other than in a situation where consent from the Stock Exchange has been obtained as a pre-condition and in compliance with the Listing Rules.

Conditions Precedent

The Contingent Placing Agreements are in substantially similar form and each is conditional upon:

- (a) both the Uni-Dragon SPA and the Falloncroft SPA having been duly entered into;
- (b) PYE having obtained the approvals of its shareholders or as required its independent shareholders in a general meeting and of any applicable court or regulatory body necessary to implement the Transactions, including (i) the Acquisition as a very substantial acquisition and a connected transaction, including the Exchange Right; (ii) the Specific Mandate; (iii) the Cash Dividend and the Scrip Alternative; (iv) the increase in the authorised share capital as described in this announcement; and (v) the appointment of the Proposed New Directors to the PYE Board, and such approvals not having been or proposed to be revoked;

- (c) PYI having obtained the necessary approvals of its shareholders in a general meeting and of any applicable court or regulatory body necessary to authorise the deemed disposal of a very substantial interest of PYI in PYE and other applicable aspects of the Transactions as necessary, and such approvals not having been or proposed to be revoked;
- (d) the Listing Committee having granted listing of, and permission to deal in, the Shares to be issued under the Transactions (including the Shares to be issued pursuant to (i) the Placing; (ii) conversion of the Convertible Bonds; (iii) exercise of the Scrip Alternative and (iv) exercise of the Exchange Right), and such listing and permission not having been subsequently revoked;
- (e) the Bermuda Monetary Authority having granted all, and not revoking any, necessary approvals and permissions for the creation, allotment and issue of the Shares to be issued under the Transactions (as referred to above) and all other applicable approvals, authorisations and consents being unconditionally obtained for the Transactions;
- (f) the taking effect unconditionally of the Falloncroft SPA and the Uni-Dragon SPA (save for any condition as to completion of the Placing or the Contingent Placing) in all respects in accordance with their terms;
- (g) the MOU remaining in place and the terms of the MOU remaining unchanged;
- (h) the ability to complete the Placing Agreement (whether or not simultaneously) such that PYE would, in conjunction with the completion of the Contingent Placing Agreements, raise minimum gross proceeds of HK\$3,200 million but not result in a loss of the minimum public float requirement as prescribed by the Listing Rules;
- (i) the deed constituting the Convertible Bonds shall have been executed by PYE on or prior to the Placing Completion Date;
- (j) there not having occurred any breach of, or any event rendering untrue or inaccurate to a material extent, any of the representations, warranties or undertakings under the Contingent Placing Agreements, as given (i) on the date of the Contingent Placing Agreements; (ii) on the Contingent Placing Completion Date; (iii) on all dates between the date of the Contingent Placing Agreements and the Contingent Placing Completion Date on which PYE makes any public announcement or issues any public documents; and (iv) on the date of the launch of the Contingent Placing;
- (k) trading generally not having been suspended or materially limited on, or by, the Stock Exchange;

- (l) trading of any securities of PYE not being suspended on the Stock Exchange (other than for any suspension of a routine nature pending publication of any announcement(s) in relation to the Transactions or other matters);
- (m) a material disruption in securities settlement, payment or clearance services in Hong Kong not having occurred;
- (n) any moratorium on commercial banking activities not having been declared by Hong Kong authorities;
- (o) there not having occurred any event, or series of events beyond the reasonable control of the Contingent Placing Agents (including, without limitation, any outbreak or escalation of hostilities, declaration of a national emergency or war, act of terrorism, any significant event, development or change in financial markets, currency exchange rates or controls or calamity or crisis, any act of government, strike, labour dispute, lock-out, fire, explosion, flooding, earthquake, tsunami, civil commotion, economic sanctions, epidemic, pandemic, outbreak of infectious disease and act of God) that, in any of the Contingent Placing Agent's judgment in its sole discretion, is material and adverse and which, singly or together with any other event specified above, makes it, in the Contingent Placing Agent's judgment in its sole discretion, impracticable, inexpedient or inadvisable to proceed with the offer, sale or delivery of the Contingent Placing Convertible Bonds on the terms and in the manner contemplated in the Contingent Placing Agreements;
- (p) there not having come into effect any new law or regulation and there being no change (whether or not permanent) or development (whether or not permanent) involving a prospective change in existing laws or regulations or the interpretation or application thereof by any court or other competent authority which in the sole opinion of the Contingent Placing Agents is or is likely to be materially adverse to the success of the Contingent Placing, or makes or is likely to make it impracticable or inadvisable or inexpedient to proceed therewith;
- (q) there not having occurred any change (whether or not permanent) or any development (whether or not permanent) involving a prospective change in local, national or international monetary, economic, military, financial, political, legal, industrial, fiscal, regulatory, currency or market conditions (including, but not limited to local, national or international securities (including stock and bonds) market conditions, or currency exchange rates or foreign exchange rates or foreign exchange controls or interbank markets and credit markets);

- (r) any action against any PYE Director not having been commenced by any state, governmental, regulatory or political body or organisation nor any announcement by any regulatory or political body or organisation that it intends to take any such action;
- (s) there not having occurred any material adverse change or development (whether or not permanent) involving a prospective material adverse change in the condition, financial or otherwise, or in the earnings or business affairs or prospects of PYE or the PYE Group, whether or not arising out of the ordinary course of business;
- (t) the Contingent Placing Agents not becoming aware, after the date of the Contingent Placing Agreements, of any information or other matter (including any matter relating to financial models and underlying assumptions related to projections) affecting PYE or any member of the PYE Group, the Transactions or the Contingent Placing that (in the Contingent Placing Agent's sole judgment) is inconsistent in a material and adverse manner with any such information or other matter disclosed to the Contingent Placing Agent prior to the date of the Contingent Placing Agreements or would reasonably be expected to impair the Contingent Placing or the Transactions;
- (u) there not having been any acquisition or transaction by PYE proposed, effected or completed after the date of the Contingent Placing Agreements and before the completion of the Contingent Placing (save as those contemplated in this announcement) which would or may reasonably be expected to in the Contingent Placing Agent's opinion in its sole discretion, impair or adversely affect the Contingent Placing or affect the marketing of the Contingent Placing Convertible Bonds or otherwise makes it inadvisable, inexpedient or impracticable to proceed with the Contingent Placing;
- (v) there not having been any capital restructuring and, or, capital reorganisation by PYE proposed, effected or completed after the date of the Contingent Placing Agreements (save for those disclosed in this announcement);
- (w) except pursuant to the Contingent Placing and the Transactions, no issue of new shares or other securities (including any options, warrants or convertible securities) by PYE will be proposed and, or, completed after the date of the Contingent Placing Agreements; and
- (x) the accuracy and completeness of all representations that PYE makes to the Contingent Placing Agents and all information that PYE furnishes to the Contingent Placing Agents in connection with the Contingent Placing and, or, the Transactions.

If the above conditions are not fulfilled to the satisfaction of the Contingent Placing Agents or waived by the Contingent Placing Agents (to the extent permissible), PYE shall not be entitled to serve the Contingent Placing Notice and the Contingent Placing will not be implemented. In these circumstances, the commissions or the abortion fee described above will not be paid to the Contingent Placing Agents. Rather, the Contingent Placing Agreements and the obligations of the parties thereunder shall cease and terminate at that time and neither PYE nor the Contingent Placing Agents shall be under any liability to the other under the Contingent Placing Agreements, save for liability in respect of any antecedent breaches of the agreement.

Completion of the Contingent Placing

In the event that PYE elects to complete the Contingent Placing, such placing shall take place on the Contingent Placing Completion Date.

Principal terms of the Convertible Bonds

The principal terms of the Convertible Bonds are summarised below:

- | | |
|---|--|
| (1) Principal Amount | Issued pursuant to the Placing and (as applicable) the Contingent Placing, assuming the split between the new Shares and the Convertible Bonds pursuant to the Placing is 1,176,470,588 new Shares at the Placing Price (raising aggregate gross proceeds of HK\$800 million) and up to HK\$2,400 million worth of Convertible Bonds at face value:

HK\$2,400 million (in the absence of exercise of the Upsize Option and assuming no completion of the Contingent Placing); or HK\$3,600 million (on the exercise in full of the Upsize Option but assuming no completion of the Contingent Placing); or HK\$5,200 million (on exercise in full of the Upsize Option and completion in full of the Contingent Placing). |
| (2) Form, denomination and subscription | The Convertible Bonds will be issued in registered form in the denomination of HK\$100,000 each, and will be subscribed at 100% of their principal amount. |
| (3) Interest/Coupon | Interest free/zero coupon. |

- (4) Maturity date and Redemption
- The twelfth anniversary of the date of issue of the Convertible Bonds (the “**Maturity Date**”).
- Unless previously redeemed or converted by PYE as described below or purchased and cancelled, each of the Convertible Bonds will be redeemed by PYE on the Maturity Date at its principal amount outstanding.
- (5) Redemption at the option of PYE
- At any time on or after the fifth anniversary of the date of issue of the Convertible Bonds, PYE may, having given not less than 30 days’ nor more than 60 days’ notice to the Convertible Bondholders, redeem the Convertible Bonds in whole or in part, at their Early Redemption Amount.
- “**Early Redemption Amount**” means an amount calculated with reference to the principal amount of the relevant Convertible Bonds so that it represents a gross yield of 5% per annum (calculated on a semi-annual basis) for the remainder of the period from the date fixed for early redemption until the Maturity Date.
- (6) Redemption for delisting
- In the event the Shares cease to be listed on the Stock Exchange or a suitable alternative exchange (a “**Delisting**”), each Convertible Bondholder shall have the right (the “**Delisting Put Right**”), at such Convertible Bondholder’s option, to require PYE to redeem all (but not less than all) of such Convertible Bondholder’s Bonds on the twentieth Business Day after notice has been given to Convertible Bondholders regarding the Delisting or, if such notice is not given, the twentieth Business Day after the Delisting at their principal amount.
- (7) Conversion
- The conversion rights attached to the Convertible Bonds may only be exercisable by the Convertible Bondholders so long as and to the extent that immediately after such exercise, there will be sufficient public float of the Shares as required under the Listing Rules.
- No conversion of the Convertible Bonds will be permitted to the extent that such conversion would result in a change of control (as defined in the Takeovers Code) of PYE.

The Convertible Bonds may be converted at any time commencing on the date of issue of the Convertible Bonds and up to the close of business on a day no later than seven days prior to the Maturity Date (both days inclusive), or if such Convertible Bonds shall have been called for redemption by PYE before the Maturity Date, then up to the close of business on a day no later than seven days (both days inclusive) prior to the day fixed for redemption thereof.

(8) Conversion Price The initial conversion price, subject to adjustment, shall be HK\$0.68, being equal to the Placing Price.

(9) Adjustments to the Conversion Price The conversion price will be subject to adjustment upon occurrence of certain prescribed events including amongst others, consolidation, subdivision or reclassification of Shares; rights issues of Shares, options over Shares or other securities; issues of Shares, or options to subscribe for Shares or other securities convertible or exchangeable into Shares, at less than 90% of the then current market price; modification of rights attaching to any such convertible or exchangeable securities as may from time to time be issued, where as a result of such modification Shares would be issued at less than 90% of the then current market price; and other offers to PYE Shareholders. The conversion price may not be reduced so that the conversion shares would fall to be issued at a discount to their par value.

No adjustment will be made to the conversion price when Shares or other securities are issued (i) to employees (including directors) of the PYE Group or any associated company of PYE pursuant to any employee's share scheme or plan adopted in accordance with the Listing Rules; or (ii) on exercise of the Exchange Right.

(10) Conversion at the option of PYE At the election of PYE, the Convertible Bonds will, subject to the restrictions on conversion referred to in (7) above, be mandatorily converted into Shares in the event that less than 10% of the original issue remains outstanding at any time.

(11) Distributions

The Convertible Bonds will have no entitlement to interest, but

- (i) if and whenever PYE shall, in respect of the issued Shares, pay or make any cash dividend or distribution of any kind or any distribution of assets in specie (excluding for these purposes, Scrip Dividends (as defined below)) to the PYE Shareholders (the “**Distribution**”), PYE shall, subject to compliance with relevant laws, rules, regulations and requirements in Hong Kong and Bermuda and the applicable Listing Rules, at the same time pay or distribute to each Convertible Bondholder an amount of cash or other assets the subject matter of the Distribution which is equal to (i) the amount of cash or other assets the subject matter of the Distribution per Share receivable by the PYE Shareholders under the Distribution, multiplied by (ii) the number of Shares of which the Convertible Bondholder would have become the holder of, had such Convertible Bondholder’s Convertible Bonds then outstanding been converted on the relevant record date for determining entitlement to the Distribution; or
- (ii) if and whenever PYE shall, in respect of the issued Shares, issue any Shares credited as fully paid, out of or by way of capitalisation of its profits or reserves (including any share premium account, contributed surplus or capital redemption reserve) including Shares paid up out of distributable profits or reserves and, or, share premium account issued in lieu of the whole or part of a cash dividend (whether at the choice of the PYE Shareholders, or as a mandatory issue) (a “**Scrip Dividend**”), PYE shall at its option and subject to compliance with relevant laws, rules, regulations and requirements in Hong Kong and Bermuda and the applicable Listing Rules, issue to each Convertible Bondholder either (a) such number of Shares which is equal to (i) the number of such Shares receivable by the PYE Shareholders

in respect of each issued Share held by them under the Scrip Dividend, multiplied by (ii) the number of Shares of which the Convertible Bondholder would have become a holder of, had such Convertible Bondholder's Convertible Bonds then outstanding been converted on the relevant record date for determining entitlement to the Scrip Dividend; or (b) further convertible bonds on the same terms and conditions as the Convertible Bonds in such amount which would, on conversion thereof on the record date for determining entitlement to such fully paid Shares issued (including Scrip Dividend), entitle the holders of such convertible bonds to such number of Shares as is equal to (i) the number of Shares receivable by the PYE Shareholders in respect of each issued Share held by them under the Scrip Dividend, multiplied by (ii) the number of Shares of which the Convertible Bondholder would have become a holder of, had such Convertible Bondholder's Convertible Bonds then outstanding been converted on the relevant record date for determining entitlement to the Scrip Dividend.

(12) Ranking

The new Shares to be issued on the conversion of the Convertible Bonds will rank *pari passu* in all respects with the Shares in issue at the date of the relevant conversion notice. The holders of the new Shares to be issued on the conversion of the Convertible Bonds are not entitled to the Distribution in Specie, the Cash Dividend nor the Scrip Alternative.

(13) Status of the
Convertible Bonds

The Convertible Bonds shall constitute direct, senior, unconditional, unsubordinated and unsecured obligations of PYE and shall at all times rank *pari passu* and without any preference or priority among themselves.

(14) Transferability

The Convertible Bonds may be assigned or transferred by holders thereof with prior notification to PYE. PYE will notify the Stock Exchange should it become aware of any proposed assignment or transfer of the Convertible Bonds to a connected person of PYE, and such assignment or transfer shall be subject to the requirements (if any) that

the Stock Exchange may impose from time to time. The aggregate principal amount of the Convertible Bonds to be assigned or transferred must be at least HK\$100,000 or integral multiples of HK\$100,000.

- (15) Voting Rights The Convertible Bonds do not confer any voting rights at any meetings of PYE.
- (16) Alteration of the terms of the Convertible Bonds Save as provided below, the terms of the Convertible Bonds may be altered provided that more than 50% of the holders of the Convertible Bonds agree in writing to such alteration or it is approved by more than 50% of the holders of Convertible Bonds attending and voting on a resolution proposed at a meeting of holders of Convertible Bonds to approve such alteration.
- In any event, no alteration of a material nature may be made to the Convertible Bonds without the prior approval of the PYE Shareholders in general meeting, except where the alteration takes effect automatically under the then existing terms of the Convertible Bonds.
- (17) No Listing No application will be made for the listing of the Convertible Bonds on the Stock Exchange. Application will be made to the Listing Committee for the listing of and permission to deal in the new Shares to be allotted and issued on exercise of the conversion rights attaching to the Convertible Bonds.
- (18) Specific Mandate The Convertible Bonds and the Shares to be issued on conversion of the Convertible Bonds will, if approved by the PYE Shareholders, be allotted and issued pursuant to the Specific Mandate.

Number of Placing Shares and Shares to be issued upon conversion of the Placing Convertible Bonds and Contingent Placing Convertible Bonds

As mentioned above, the changes to the existing and enlarged share capital of PYE as a result of the Placing mentioned in this announcement are for illustrative purposes only, assuming the split between the new Shares and the Convertible Bonds is 1,176,470,588 new Shares at the Placing Price (raising aggregate gross proceeds of HK\$800 million) and up to HK\$2,400 million worth of Convertible Bonds at face value.

The Placing Shares (assuming no exercise of the Upsize Option) represent approximately 193.83% of the existing issued share capital of PYE, amounting to 606,954,322 Shares as at the date of this announcement, and approximately 65.97% of the total issued share capital of PYE as enlarged by the Placing Shares. The aggregate number of Placing Shares (assuming exercise, in full, of the Upsize Option) represent approximately 290.75% of the existing issued share capital of PYE as at the date of this announcement, and approximately 74.41% of the total issued share capital of PYE as enlarged by the Placing Shares.

The number of Shares to be allotted and issued on exercise in full of the Placing Convertible Bonds and the Contingent Placing Convertible Bonds, assuming no exercise of the Upsize Option, amounting in total to 5,882,352,940 new Shares, represents approximately 969.16% of the existing issued share capital of PYE, and approximately 90.65% of the total issued share capital of PYE as enlarged by full conversion of the Placing Convertible Bonds and the Contingent Placing Convertible Bonds. The number of Shares to be allotted and issued on exercise in full of the Placing Convertible Bonds and the Contingent Placing Convertible Bonds, assuming exercise in full of the Upsize Option, amounting in total to 7,647,058,822 new Shares, represents approximately 1,259.91% of the existing issued share capital of PYE, and approximately 92.65% of the total issued share capital of PYE as enlarged by full conversion of the Placing Convertible Bonds and the Contingent Placing Convertible Bonds.

Placing Price

The Placing Price of HK\$0.68 per Share represents:

- (i) a discount of approximately 18.07% to the closing price of HK\$0.83 per Share as quoted on the Stock Exchange on 19 November 2012, being the trading day of the date of the Placing Agreement;
- (ii) a discount of approximately 15.00% to the average closing price of approximately HK\$0.80 per Share as quoted on the Stock Exchange for the last five trading days of the date of the Placing Agreement;
- (iii) a premium of approximately 19.30% to the price referred to at (i) above after factoring in payment by PYE of the Cash Dividend; and
- (iv) a premium of approximately 25.93% to the price referred to at (ii) above after factoring in payment by PYE of the Cash Dividend;

The net placing price after the placing commission under the Placing Agreement is approximately HK\$0.65 per Placing Share.

The PYE Directors consider that the Placing Price, and the terms of the Placing and the Contingent Placing, which were agreed after arm's length negotiations between PYE, the Placing Agent and the Contingent Placing Agents with reference to the market price of the Shares in recent months and after factoring in the effect of the Distribution in Specie and Cash Dividend, discussed below, is fair and reasonable and in the interests of PYE and the PYE Shareholders as a whole.

Ranking of the Placing Shares

The Placing Shares, when issued and fully paid, will rank pari passu in all respects with the other Shares that will be in issue on the Placing Completion Date; and the Placees shall be entitled to exercise all rights attached or accruing to the Placing Shares, including the rights to all dividends and other distributions or any return of capital declared, made or paid at any time after the date of issue, excluding any rights to the Distribution in Specie and the Cash Dividend or Scrip Alternative, each as referred to below.

Specific Mandate

The Placing Shares and the Placing Convertible Bonds; and the Contingent Placing Convertible Bonds will be allotted and issued pursuant to the Specific Mandate, which it is proposed, as regards such securities will have a validity period of nine months from the date of the PYE SGM. The Specific Mandate will also cover the allotment and issue of new Shares upon exercise of the conversion rights attaching to the Placing Convertible Bonds, the Contingent Placing Convertible Bonds and the allotment and issue of new Shares on exercise of the Exchange Right.

As the Placing has not been launched and completion of the Placing and (as applicable) the Contingent Placing are respectively subject to the fulfillment of a number of conditions precedent, the Placing and the Contingent Placing may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the shares of PYE and, or, PYI.

REASONS FOR THE PLACING AND THE CONTINGENT PLACING AND USE OF PROCEEDS

The Placing and the Contingent Placing are being pursued by PYE so as to enable PYE to fund the Acquisition and subsequent development of the Land as discussed further below.

The Placing (assuming no exercise of the Upsize Option) will result in PYE raising gross proceeds of up to HK\$3,200 million or net proceeds (after placing commission) of up to approximately HK\$3,072 million. The Contingent Placing, if pursued by PYE, will result in PYE raising additional gross proceeds of up to HK\$1,600 million or net proceeds (after commission) of up to approximately HK\$1,536 million.

From this combination of fund raisings, assuming the minimum gross proceeds of HK\$3,200 million is raised, PYE will receive net proceeds after placing commission of approximately HK\$3,072 million. PYE will apply HK\$2,000 million to the Acquisition, as described below. The balance, of approximately HK\$1,072 million (assuming completion in full of the Placing (but not the Upsize Option and no completion of the Contingent Placing), will be applied as to approximately HK\$778 million towards the construction of the hotel and other aspects of developing the Project, as to approximately HK\$44 million towards transaction expenses and as to the balance of approximately HK\$250 million for general working capital purposes.

In the event that the Upsize Option is exercised in full, PYE will receive additional gross proceeds of HK\$1,600 million or net proceeds after placing commission of approximately HK\$1,536 million. The additional monies will also be applied towards development of the Project, and would, accordingly, reduce the bank borrowings needed to complete the Project.

In the event that the Contingent Placing is pursued by PYE, PYE will receive additional gross proceeds of HK\$1,600 million or net proceeds after commission of approximately HK\$1,536 million which will also be applied towards the Project, thereby also reducing the bank borrowings necessary to complete the Project.

CHANGES TO THE EXISTING ISSUED SHARE CAPITAL OF PYE AS A RESULT OF THE PLACING AND THE CONTINGENT PLACING

As mentioned above, the changes to the existing and enlarged share capital of PYE as a result of the Placing mentioned in this announcement are for illustrative purposes only, assuming the split between the new Shares and the Convertible Bonds is 1,176,470,588 new Shares at the Placing Price (raising aggregate gross proceeds of HK\$800 million) and up to HK\$2,400 million worth of Convertible Bonds at face value.

The tables below set out the issued share capital of PYE (i) as at the date of this announcement; (ii) as it would be immediately after completion of the Placing; (iii) as it would be immediately after conversion of the Placing Convertible Bonds; and (iv) as it would be immediately after conversion of all of the Placing Convertible Bonds and the Contingent Placing Convertible Bonds. The first table assumes no exercise of the Upsize Option. The second table assumes exercise in full of the Upsize Option. For the purposes of illustration, it has been assumed, in each scenario, that no PYE Shareholders will elect to receive new Shares pursuant to the Scrip Alternative.

Table 1 – Assuming no exercise of the Upsize Option:

Identity of Shareholders	Shareholdings in PYE as at the date of this announcement		Shareholdings in PYE upon completion of the Placing		Shareholdings in PYE upon conversion in full of the Placing Convertible Bonds		Shareholdings in PYE upon conversion in full of the Placing Convertible Bonds and the Contingent Placing Convertible Bonds	
	<i>Number of Shares</i>		<i>Number of Shares</i>		<i>Number of Shares</i>		<i>Number of Shares</i>	
	<i>Approximate %</i>	<i>Approximate %</i>	<i>Approximate %</i>	<i>Approximate %</i>	<i>Approximate %</i>	<i>Approximate %</i>	<i>Approximate %</i>	<i>Approximate %</i>
PYI ¹	375,826,317	61.92	375,826,317	21.07	375,826,317	7.07	375,826,317	4.90
Other PYE Shareholders as at the date of this announcement	231,128,005	38.08	231,128,005	12.96	231,128,005	4.35	231,128,005	3.02
Placees	nil	nil	1,176,470,588	65.97	4,705,882,352	88.58	4,705,882,352	61.39
Contingent Placees	nil	nil	nil	nil	nil	nil	2,352,941,176	30.69
	<u>606,954,322²</u>	<u>100.00</u>	<u>1,783,424,910</u>	<u>100.00</u>	<u>5,312,836,674</u>	<u>100.00</u>	<u>7,665,777,850</u>	<u>100.00</u>

Notes:

- 1 PYI's interest in the Shares is an indirect interest in the Shares held by its indirect wholly-owned subsidiary, Paul Y. Investments Limited.
- 2 As at the date of this announcement, there are no outstanding share options granted by PYE pursuant to the share option scheme of PYE adopted on 7 September 2005.

Table 2 – Assuming exercise in full of the Upsize Option:

Identity of Shareholders	Shareholdings in PYE as at the date of this announcement		Shareholdings in PYE upon completion of the Placing		Shareholdings in PYE upon conversion in full of the Placing Convertible Bonds		Shareholdings in PYE upon conversion in full of the Placing Convertible Bonds and the Contingent Placing Convertible Bonds	
	<i>Number of Shares</i>		<i>Number of Shares</i>		<i>Number of Shares</i>		<i>Number of Shares</i>	
	<i>Approximate %</i>	<i>Approximate %</i>	<i>Approximate %</i>	<i>Approximate %</i>	<i>Approximate %</i>	<i>Approximate %</i>	<i>Approximate %</i>	<i>Approximate %</i>
PYI ¹	375,826,317	61.92	375,826,317	15.85	375,826,317	4.90	375,826,317	3.75
Other PYE Shareholders as at the date of this announcement	231,128,005	38.08	231,128,005	9.74	231,128,005	3.02	231,128,005	2.30
The Placees	nil	nil	1,764,705,882	74.41	7,058,823,528	92.08	7,058,823,528	70.46
Contingent Placees	nil	nil	nil	nil	nil	nil	2,352,941,176	23.49
	<u>606,954,322²</u>	<u>100.00</u>	<u>2,371,660,204</u>	<u>100.00</u>	<u>7,665,777,850</u>	<u>100.00</u>	<u>10,018,719,026</u>	<u>100.00</u>

Notes:

- 1 PYI's interest in the Shares is an indirect interest in the Shares held by its indirect wholly-owned subsidiary, Paul Y. Investments Limited.
- 2 As at the date of this announcement, there are no outstanding share options granted by PYE pursuant to the share option scheme of PYE adopted on 7 September 2005.

EQUITY FUND RAISING ACTIVITIES BY PYE DURING THE PAST TWELVE MONTHS

PYE has not completed any equity fund raising activities in the last 12 months immediately prior to the date of this announcement.

As disclosed in the joint announcement of PYE and PYI dated 29 December 2011, PYE entered into a placing agreement and a subscription agreement on 21 August 2011 to allot and issue a total of up to 3,600 million Shares. However, both agreements terminated on 31 December 2011.

EFFECT OF THE PLACING AND THE CONTINGENT PLACING ON PYI Deemed very substantial disposal

The Placing, allotment and issue of Shares pursuant to the conversion of any of the Convertible Bonds issued pursuant to the Placing and the Contingent Placing will have the effect of diluting all existing PYE Shareholders' percentage shareholdings in PYE. So far as PYI is concerned, its percentage share of the issued share

capital of PYE will be diluted from approximately 61.92% to approximately 21.07% assuming no exercise of the Upsize Option and no completion of the Contingent Placing; or to approximately 15.85% assuming exercise in full of the Upsize Option and no completion of the Contingent Placing; and after conversion of the Convertible Bonds including those issued pursuant to the Contingent Placing, to approximately 4.90% assuming no exercise of the Upsize Option or to approximately 3.75% assuming exercise in full of the Upsize Option.

With or without conversion of the Convertible Bonds, this constitutes a deemed disposal for the purposes of the Listing Rules and on the basis that one or more of the percentage ratios exceeds 75%, the transaction amounts to a deemed very substantial disposal on the part of PYI. PYI's estimated gain, provided that the Distribution in Specie is made, on the deemed disposal of its equity interest in PYE is anticipated to be approximately HK\$164 million before transaction costs, which is calculated by reference to the Placing Price and after taking into account the net carrying value of PYE as at 30 September 2012. In the event that the Distribution in Specie is not made, it is estimated that PYI will make an estimated loss on the deemed disposal of approximately HK\$35 million calculated on the same basis as the gain on the deemed disposal. The actual amount of the gain or loss to be recognised in PYI's consolidated income statement will depend on the actual transaction costs, the actual market price for the Shares and the net carrying value of PYE and PYE BVI on the date of completion.

On completion, PYE will no longer be a subsidiary of PYI and its financial position and results will not be consolidated into those of PYI. PYE will be accounted for as an associate or an available-for-sale investment depending on the ultimate shareholding interest of PYI in PYE.

As a deemed very substantial disposal, the impact of the Placing and the Contingent Placing on PYI is a matter that is subject to the approval of the PYI Shareholders in general meeting.

Financial information on PYE

The consolidated net asset value of PYE attributable to its shareholders as at 31 March 2012, being PYE's last financial year end, was approximately HK\$639.43 million. This figure has been extracted from its 2012 annual report. The unaudited consolidated net asset value of PYE attributable to its shareholders as at 30 September 2012, being PYE's latest interim results, was approximately HK\$654.40 million.

The consolidated net profit before taxation and extraordinary items of PYE for the financial year ended 31 March 2012 and the financial year ended 31 March 2011 was approximately HK\$34.52 million and HK\$41.66 million, respectively. These figures have been extracted from its 2012 annual report. Furthermore, for the six months ended 30 September 2012 the unaudited consolidated net profit before taxation and extraordinary items of PYE was approximately HK\$24.25 million.

The consolidated net profit after taxation and extraordinary items of PYE for the financial year ended 31 March 2012 and the financial year ended 31 March 2011 was approximately HK\$33.00 million and HK\$33.76 million, respectively. These figures have been extracted from its 2012 annual report. Furthermore, for the six months ended 30 September 2012 the unaudited consolidated net profit after taxation and extraordinary items of PYE was approximately HK\$21.19 million.

B. ACQUISITION OF FALLONCROFT

The principal terms of the Falloncroft SPA are as follows:

Date: 19 November 2012

Parties: (a) PYE; and
(b) Pride Wisdom

Pride Wisdom is a private company indirectly owned by Mr. Sean Hung, the son of Mr. Hung. Given that Pride Wisdom will become, as a result of the Acquisition, an associate of Mr. Hung, a proposed director of PYE, the Acquisition also constitutes a connected transaction for PYE pursuant to rule 14A.13(b)(i) of the Listing Rules.

Pride Wisdom is not currently a connected person of PYE, but will, when Mr. Hung is appointed as a director of PYE with effect from completion of the Acquisition, become an associate of Mr. Hung and will, therefore, become a connected person of PYE after completion of the Acquisition.

Subject Matter: Pride Wisdom agreed to sell, or procure the sale of, and PYE agreed to purchase, or procure the purchase of, the entire issued share capital of Falloncroft, a private company incorporated in the British Virgin Islands that will, on completion of the Uni Dragon SPA, hold the entire issued share capital of Uni-Dragon, which is the legal and beneficial owner of all the issued shares of Manlink and Challenge Shore. Manlink and Challenge Shore in turn holds 60% and 40% respectively of New Concordia which, on completion, will be granted an irrevocable and exclusive power of attorney by Empresa in respect of the Land on which it is proposed to construct and operate a 5 star hotel with ancillary retail and entertainment facilities (including but not limited to gaming). The grant of the power of attorney

is a completion obligation under each of the Falloncroft SPA and the Uni-Dragon SPA, which cannot be waived pursuant to the terms thereto.

It is stipulated under the land grant that: (i) the title to the Land is only transferrable after completion of construction of the buildings on the Land and issuance of user licence by the relevant authority; and (ii) while the Land has not been fully developed, the transfer of title has to be approved by the Macau Government in advance. In view of these land grant provisions, an irrevocable and exclusive power of attorney will be granted by Empresa to New Concordia to enable the Falloncroft Group to develop the Land.

Falloncroft has entered into the MOU, with an affiliate of one of the gaming concessionaries or sub-concessionaries in Macau. The MOU sets out the general principles agreed as regards the proposed management and operation of a casino to be opened in the hotel to be constructed on the Land.

Consideration:

The consideration to be paid by PYE to Pride Wisdom for the purchase of the entire issued share capital of Falloncroft will be HK\$2,000 million, settled as follows:

- (i) HK\$30 million, in cash, as a deposit on the signing of the Falloncroft SPA; and
- (ii) the balance, in cash, upon completion.

The consideration was negotiated by the parties on an arm's length basis, with the PYE Board also having sought and obtained for internal purposes and due diligence into forming its views on the consideration amount an independent property valuation of the Land and an independent professional valuation of the Project.

The PYE Directors are satisfied that the consideration payable is fair and reasonable (in the context of the HK\$900 million to be paid by Uni-Dragon for the Land rights, as referred to below), as the acquisition of Falloncroft means that the PYE Group acquires the incremental benefits of the MOU (needed for the casino), the Construction LOI (needed to build the hotel), and the necessary management for the Project.

Conditions precedent:

Completion is conditional upon the following conditions being satisfied or waived pursuant to the terms of the Falloncroft SPA on or before the Long Stop Date:

- (i) the Uni-Dragon SPA having been duly entered into;
- (ii) PYE having obtained the approvals of its shareholders or as required its independent shareholders in a general meeting and of any applicable court or regulatory body necessary to implement the Transactions, including (i) the Acquisition as a very substantial acquisition and a connected transaction, including the Exchange Right; (ii) the Specific Mandate; (iii) the Cash Dividend and the Scrip Alternative; (iv) the increase in the authorised share capital as described in this announcement; and (v) the appointment of the Proposed New Directors to the board of directors of PYE, among whom each of Mr. Hung and Mr. Coker shall be proposed to be appointed as an executive director and Joint Chairman of PYE and Mr. Power shall be proposed to be appointed as an executive director and Chief Executive Officer of PYE, and such approvals not having been or proposed to be revoked;
- (iii) PYI having obtained the necessary approvals of its shareholders in a general meeting and of any applicable court or regulatory body necessary to authorise the deemed disposal of a very substantial interest of PYI in PYE and other applicable aspects of the Transactions as necessary, and such approvals not having been or proposed to be revoked;

- (iv) the Listing Committee having granted listing of, and permission to deal in, the Shares to be issued under the Transactions (including the Shares to be issued pursuant to (i) the Placing; (ii) conversion of the Convertible Bonds; (iii) exercise of the Scrip Alternative and (iv) exercise of the Exchange Right), and such listing and permission not having been subsequently revoked;
- (v) the Bermuda Monetary Authority having granted all, and not revoking any, necessary approvals and permissions for the creation, allotment and issue of the Shares to be issued under the Transactions (as referred to above) and all other applicable approvals, authorisations and consents being unconditionally obtained for the Transactions;
- (vi) completion of the Placing and (if applicable) the Contingent Placing raising minimum gross proceeds of HK\$3,200 million but not result in a loss of the minimum public float requirement as prescribed by the Listing Rules;
- (vii) the MOU remaining in place and the terms of the MOU remaining unchanged;
- (viii) PYE being satisfied that each Falloncroft Group Company has, or will on completion have, zero assets and liabilities (other than, directly or indirectly, in relation to the Land, the MOU and the Construction LOI);
- (ix) Falloncroft having adopted the share option scheme and having granted options that would, for a subscription of HK\$600 million, entitle Chief Wise to subscribe new Falloncroft Shares representing what will, following the injection of additional capital by PYE, be 10% of the enlarged issued share capital of Falloncroft (on the basis that 100% of the issued share capital of Falloncroft (inclusive of the shares to be issued on exercise of the options) would be valued at HK\$6,000 million); and

- (x) the representations, warranties and undertakings of Pride Wisdom being true, correct, complete and not misleading in any material respect at, and as if made on, the completion date and at all times between the date of the Falloncroft SPA and the completion date, and all information that Pride Wisdom furnish to PYE in connection with Falloncroft and, or, the Land being true, correct and complete and not misleading in any material respect.

In the event that not all the conditions have been satisfied or waived pursuant to the terms of the Falloncroft SPA on or before the Long Stop Date, the Falloncroft SPA will lapse and become null and void and the parties shall be released from all obligations under the Falloncroft SPA, save and except: (i) the deposit in the amount of HK\$30 million shall be refunded to PYE; (ii) for the ongoing obligations such as governing law, confidentiality and costs provisions; (iii) for liability in respect of any antecedent breaches of the Falloncroft SPA; and (iv) if all of the conditions precedent, other than the condition in sub-paragraph (viii) above, are satisfied on or prior to 14 February 2013 or such later date as may be agreed between the parties and the parties are ready to complete the Acquisition on or prior to 14 February 2013 or such later date as may be agreed between the parties, if not for the fact that the condition in sub-paragraph (viii) above is not fulfilled and if it is the only condition that has not been fulfilled and leads to the lapse of the Falloncroft SPA, Pride Wisdom shall pay to PYE a sum, capped at HK\$20 million, in reimbursement of professional costs and expenses incurred by PYE in relation to the Transactions.

FALLONCROFT SHARE OPTION SCHEME AND EXCHANGE RIGHT

Falloncroft proposes to adopt a share option scheme prior to completion of the Falloncroft SPA and will, prior to such completion, grant options that would, for a subscription of up to HK\$600 million, entitle Chief Wise, an affiliate of Mr. Hung, to subscribe new Falloncroft Shares. If exercised in full, this will represent up to 10% of the issued share capital of Falloncroft as enlarged by the injection of new capital after completion of the Falloncroft SPA for the purposes of pursuing the Project (and which would in aggregate result in Falloncroft having an issued share capital and, or shareholders' loans valued at HK\$6,000 million, calculated as the product of the HK\$2,000 million acquisition cost of Falloncroft plus the injection of additional capital in the form of shares and, or shareholders' loans

to an aggregate amount of up to HK\$3,400 million from PYE and up to HK\$600 million in the form of capital from the optionholders on exercise of the options). Some or all of the options may, in due course, be assigned by the grantee to other executive managers of Falloncroft who are contributing to the development of the Project. All of the options will be granted subject to detailed vesting schedules relevant to performance criteria applicable to the Project and may be exercised at a price per Falloncroft Share that values 10% of Falloncroft's share capital on a basis that is pro rata to PYE's capital commitment to Falloncroft (measured as the sum of its cost of purchase and cost of additional capital contribution), the cost of the 10% being capped at HK\$600 million.

In effect, the share option scheme is designed to permit management of Falloncroft to acquire an interest in Falloncroft at the same 'entry price' as it is envisaged will be paid by PYE itself (such entry price representing a combination of the price PYE will pay to Pride Wisdom for its stake in Falloncroft and the price to PYE of injecting additional capital into Falloncroft). The PYE Directors believe that this is a fair and reasonable basis by which to set the strike price for the options given their view that HK\$6,000 million is a fair and reasonable estimate of the total Project costs. The PYE Directors do not envisage a scenario whereby optionholders would gain a benefit by needing to inject only HK\$600 million for a maximum of 10%, whilst PYE would have to spend more than HK\$5,400 million for its 90%, on the basis that the PYE Directors believe that were Falloncroft to be capitalised to the extent of HK\$6,000 million, additional funding for the Project could readily be obtained by means of bank borrowings (thereby avoiding the prospect of a disproportionate shift in the relative percentages of the Falloncroft equity in favour of the optionholders and at the expense of PYE).

Further particulars of the Falloncroft share option scheme will be included in the circular to be published by PYE in relation to the Transactions. The scheme will be structured such that optionholders will, on exercise, never be able to acquire more than 10% of Falloncroft.

Chief Wise is a private company indirectly owned by Mr. Sean Hung, the son of Mr. Hung. Mr. Hung is a director of Chief Wise and Chief Wise is a company accustomed to acting in accordance with Mr. Sean Hung's instructions. Save as described above, Chief Wise has no connections to other parties to the Transactions. Chief Wise is not currently a connected person of PYE, but will, when Mr. Hung is appointed as a director of PYE with effect from completion of the Acquisition, become an associate of Mr. Hung. Chief Wise will, therefore, become a connected person of PYE after completion of the Acquisition. Chief Wise may assign options to management of Falloncroft other than Mr. Hung, as it sees fit. The ownership, rights and benefits of the options belong to Chief Wise until it elects to assign all or any of the same.

Subject to fulfillment of the Exchange Conditions (as defined below) management of Falloncroft subscribing Falloncroft Shares on exercise of the options will each have the right at one time, or from time to time, to require PYE to purchase some or all of their respective holdings of Falloncroft Shares in exchange for an allotment and issue of new Shares on the basis described below.

Exchange Conditions: The Exchange Right will be conditional on the following (the “**Exchange Conditions**”):

- (i) approval of the same by PYE Shareholders (as an integral part of approving the Acquisition);
- (ii) the Listing Committee granting approval for the listing of, and permission to deal in all Shares to be allotted and issued pursuant to the exercise of the Exchange Right;
- (iii) the Exchange Right may only be exercised so long as and to the extent that immediately after such exercise, there will be sufficient public float of the Shares as required under the Listing Rules; and
- (iv) the Exchange Right may only be exercisable so long as and to the extent that immediately after such exercise, there will not be a change in control (as defined in the Takeovers Code).

Exchange Ratio: Subject to adjustment in the event of any alteration in the capital structure of PYE, on exercise of the Exchange Right, Falloncroft Shares will be exchanged for new PYE Shares based upon the following formula:

$$a = \frac{b \times c}{d}$$

where:

- a = the number of new Shares allotted and issued (rounded down to the nearest whole number);
- b = the number of Falloncroft Shares being exchanged;
- c = the subscription price paid per Falloncroft Share; and

d = the Placing Price.

Under this formula, 'b x c' will always be equal to the actual subscription amount paid by the optionholders for their Falloncroft Shares (capped at a maximum of HK\$600 million). Accordingly, the maximum aggregate number of new Shares that would be allotted and issued on exercise, in full, of the Exchange Right would be 882,352,941 Shares. This would equate to PYE issuing HK\$600 million worth of Shares (based on an issue price of HK\$0.68 per Share) in order to purchase 10% of the enlarged issued share capital of Falloncroft, valued at the same aggregate amount.

Specific Mandate:

The Shares to be issued upon exercise of the Exchange Right shall be allotted and issued pursuant to the Specific Mandate the authority in respect of which will remain perpetually valid. The Shares issued on exercise of the Exchange Right shall not be subject to any restrictions imposed by PYE on subsequent sales.

The tables below show the issued share capital of PYE (i) immediately after completion of the Placing; (ii) on exercise in full of the Exchange Right assuming no conversion of the Convertible Bonds; (iii) on exercise of the Exchange Right assuming full conversion of the Placing Convertible Bonds; and (iv) on exercise of the Exchange Right assuming full conversion of all of the Convertible Bonds including those issued pursuant to the Contingent Placing. The first table assumes no exercise of the Upsize Option. The second table assumes exercise in full of the Upsize Option. In each case, it is assumed that all options issued pursuant to the Falloncroft share option scheme will have been exercised. For the purposes of illustration, it has been assumed, in each scenario, that no PYE Shareholders will elect to receive new Shares pursuant to the Scrip Alternative.

As mentioned above, the changes to the existing and enlarged share capital of PYE as a result of the Placing mentioned in this announcement are for illustrative purposes only, assuming the split between the new Shares and the Convertible Bonds is 1,176,470,588 new Shares at the Placing Price (raising aggregate gross proceeds of HK\$800 million) and up to HK\$2,400 million worth of Convertible Bonds at face value.

Table 1 – Assuming no exercise of the Upsize Option:

Identity of Shareholders	Shareholdings in PYE on completion of the Placing		Shareholdings in PYE on exercise of the Exchange Right (and no conversion of the Convertible Bonds)		Shareholdings in PYE on exercise of the Exchange Right (and full conversion of the Placing Convertible Bonds)		Shareholdings in PYE on exercise of the Exchange Right (and full conversion of the Placing Convertible Bonds and the Contingent Placing Convertible Bonds)	
	<i>Number of</i>		<i>Number of</i>		<i>Number of</i>		<i>Number of</i>	
	<i>Shares</i>	<i>Approximate %</i>	<i>Shares</i>	<i>Approximate %</i>	<i>Shares</i>	<i>Approximate %</i>	<i>Shares</i>	<i>Approximate %</i>
PYI ¹	375,826,317	21.07	375,826,317	14.10	375,826,317	6.07	375,826,317	4.40
Placees	1,176,470,588	65.97	1,176,470,588	44.13	4,705,882,352	75.96	4,705,882,352	55.05
Other PYE Shareholders	231,128,005	12.96	231,128,005	8.67	231,128,005	3.73	231,128,005	2.70
Management of Falloncroft	nil	nil	882,352,941	33.10	882,352,941	14.24	882,352,941	10.32
Contingent Placees	nil	nil	nil	nil	nil	nil	2,352,941,176	27.53
	<u>1,783,424,910</u>	<u>100.00</u>	<u>2,665,777,851</u>	<u>100.00</u>	<u>6,195,189,615</u>	<u>100.00</u>	<u>8,548,130,791</u>	<u>100.00</u>

Note:

1. PYI's interest in the Shares is an indirect interest in the Shares held by its indirect wholly-owned subsidiary, Paul Y. Investments Limited.

Table 2 – Assuming exercise in full of the Upsize Option:

Identity of Shareholders	Shareholdings in PYE on completion of the Placing		Shareholdings in PYE on exercise of the Exchange Right (and no conversion of the Convertible Bonds)		Shareholdings in PYE on exercise of the Exchange Right (and full conversion of the Placing Convertible Bonds)		Shareholdings in PYE on exercise of the Exchange Right (and full conversion of the Placing Convertible Bonds and the Contingent Placing Convertible Bonds)	
	<i>Number of</i>		<i>Number of</i>		<i>Number of</i>		<i>Number of</i>	
	<i>Shares</i>	<i>Approximate %</i>	<i>Shares</i>	<i>Approximate %</i>	<i>Shares</i>	<i>Approximate %</i>	<i>Shares</i>	<i>Approximate %</i>
PYI ¹	375,826,317	15.85	375,826,317	11.55	375,826,317	4.40	375,826,317	3.45
Placees	1,764,705,882	74.41	1,764,705,882	54.23	7,058,823,528	82.58	7,058,823,528	64.75
Other PYE								
Shareholders	231,128,005	9.74	231,128,005	7.10	231,128,005	2.70	231,128,005	2.12
Management of								
Falloncroft	nil	nil	882,352,941	27.12	882,352,941	10.32	882,352,941	8.09
Contingent Placees	nil	nil	nil	nil	nil	nil	2,352,941,176	21.59
	<u>2,371,660,204</u>	<u>100.00</u>	<u>3,254,013,145</u>	<u>100.00</u>	<u>8,548,130,791</u>	<u>100.00</u>	<u>10,901,071,967</u>	<u>100.00</u>

Note:

1. PYI's interest in the Shares is an indirect interest in the Shares held by its indirect wholly-owned subsidiary, Paul Y. Investments Limited.

REASONS FOR THE ACQUISITION

The PYE Directors believe that the Acquisition will, in due course, generate strong cash flows to PYE for the benefit of all shareholders of PYE. PYE proposes to build an exclusive luxury hotel and entertainment complex on a site of some 65,000 square feet which forms part of a larger mixed use development on Coloane Island, Macau. The overall design of the complex is a distinctive rounded, sculptural building which is expected to become a Macau landmark. The development is planned to comprise a hotel of some 584,000 square feet, all the accommodation in which will be individual suites varying in size from approximately 2,200 to 15,000 square feet each with its own lift lobby. In addition the hotel will offer two floors of gaming rooms with approximately 66 tables, restaurants and shops. The gaming activities will be operated by one of Macau's gaming concessionaires or sub-concessionaires. The casino, lobby, and food and shopping outlets will comprise some 96,000 square feet, with the balance of the development of some 164,000 square feet being parking and refuge floors. It is planned that the complex will be designed and outfitted to the highest international specifications, offering a level of service and luxury which is presently unmatched in Macau. In keeping with its aim of attracting the very wealthy patron and

offering exclusive accommodation and services, minimum table bets will be set at a high level. The PYE Directors believe that there is substantial demand for an exclusive hotel and entertainment facility in Macau designed to provide the highest levels of quality and service and that, on completion, which is expected to occur in 2016, it will generate strong discretionary cash flows to PYE and ultimately benefit all PYE shareholders.

The total cost of this development, including the cost of the Land, is expected to be approximately HK\$6,000 million. Out of net proceeds of approximately HK\$3,072 million raised through the Placing (assuming no exercise of the Upsize Option), approximately HK\$2,778 million will be utilised to fund this development, with the balance to be provided by bank borrowings on terms yet to be negotiated. In the event the Upsize Option is exercised in full, additional net proceeds of HK\$1,536 million will be raised and will also be applied towards the Project, thereby reducing the bank borrowings necessary to complete the Project. The Contingent Placing, if pursued by PYE, will raise additional net proceeds of HK\$1,536 million and will also be applied towards the Project, thereby also reducing the bank borrowings necessary to complete the Project.

Additionally, Falloncroft has entered into the Construction LOI with Paul Y. Construction, a wholly-owned indirect subsidiary of PYE and PYE BVI, which will act as the project and construction manager for the development.

The PYE Directors believe that the Acquisition and the terms of the Falloncroft SPA are fair and reasonable and in the interests of the PYE Shareholders as a whole.

EFFECT OF THE TRANSACTION UNDER THE LISTING RULES

The Acquisition will constitute a very substantial acquisition for PYE on the basis that one or more of the percentage ratios exceeds 100% and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Given that Pride Wisdom will become, as a result of the Acquisition, an associate of Mr. Hung, a proposed director of PYE, the Acquisition also constitutes a connected transaction for PYE pursuant to rule 14A.13(b)(i) of the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. To the best of the PYE Directors' knowledge, as at the date of this announcement, none of Pride Wisdom, Mr. Hung and their respective associates held any shares of PYE. In any event, they would not be entitled to vote at the PYE SGM.

In addition, the Exchange Right constitutes an additional, integral part, of the very substantial acquisition and a connected transaction to the extent that the Falloncroft Shares that are subject to the Exchange Right are owned by Chief Wise. On the basis that the value of the Exchange Right can be calculated from the outset and the maximum aggregate number of Shares to be allotted and issued has been fixed, the approval of PYE Shareholders will be sought in respect of Exchange Right at the PYE SGM.

INFORMATION ON THE FALLONCROFT GROUP, PRIDE WISDOM AND EMPRESA

Falloncroft is a private investment holding company incorporated in the British Virgin Islands and a party to the MOU. As described above, upon completion, Falloncroft will hold the entire issued share capital of Uni-Dragon, which is the legal and beneficial owner of all the issued shares of Manlink and Challenge Shore. Manlink and Challenge Shore in turn holds 60% and 40% respectively of New Concordia which, on completion, will be granted an irrevocable and exclusive power of attorney by Empresa in respect of the Land.

To date, no consolidated accounts for the Falloncroft Group have been prepared. The audited net liabilities of Falloncroft on a stand-alone basis as at 31 December 2011 was approximately HK\$212,040,270. The aggregate audited losses of Falloncroft before taxation and extraordinary items for the years ended 31 December 2010 and 31 December 2011 were approximately HK\$47,656,878 and HK\$45,481,211, respectively.

The aggregate audited losses of Falloncroft after taxation and extraordinary items for the years ended 31 December 2010 and 31 December 2011 were approximately HK\$47,656,878 and HK\$45,481,211, respectively.

The losses recorded by Falloncroft in the two years mentioned were in respect of general administrative expenses and finance costs (namely interest on its convertible bonds which will be cancelled without further cost or liability to Falloncroft on completion of the Acquisition).

The unaudited consolidated net asset value of Uni-Dragon as at 31 August 2012 was zero.

The aggregate unaudited consolidated profit of Uni-Dragon before taxation and extraordinary items for the years ended 31 March 2011 and 31 March 2012 were zero, respectively.

The aggregate unaudited consolidated profit of Uni-Dragon after taxation and extraordinary items for the years ended 31 March 2011 and 31 March 2012 were zero, respectively.

As Uni-Dragon, Manlink, Challenge Shore and New Concordia are non-trading shell companies, they have not recorded any profits for the years ended 31 March 2011 and 31 March 2012. The Falloncroft Group will derive value from the power of attorney in respect of the Land to be granted by Empresa to New Concordia on completion, which will constitute the principal asset of the Falloncroft Group.

On completion, the Falloncroft Group will be accounted as subsidiaries of PYE and the results of the Falloncroft Group will be consolidated into the accounts of PYE.

Falloncroft was a company established by Pride Wisdom as a holding company for investment purposes on the basis of a nominal original purchase cost of approximately HK\$80,000 in the form of subscriptions for new shares.

Pride Wisdom is a private investment holding company incorporated in the British Virgin Islands.

Empresa is a private company incorporated in Macau principally engaged in property development. It is responsible for the development of multiple parcels of land adjacent to the Land principally for residential use. Its decision to grant the power of attorney necessary to enable New Concordia to undertake the Project was a commercial decision taken by Empresa, which the PYE Directors believe will have been motivated by a desire to see the Land developed concurrently and on the basis that a 5 star hotel with related amenities will enhance the desirability of the location generally. Empresa is the guarantor pursuant to the Uni-Dragon SPA, pursuant to which Falloncroft will acquire Uni-Dragon and the right to develop the Land for an aggregate consideration of HK\$900 million. ITC Properties, an associate of ITC Corporation which is a shareholder of PYI, holds an indirect attributable interest of approximately 35.5% in Empresa. Empresa and Concordia are associates of ITC Properties.

C. PROPOSED DISTRIBUTION IN SPECIE BY PYE AND PROPOSED CASH DIVIDEND

Introduction

As part of the Transactions, the PYE Board is proposing to effect a distribution in specie of 49% of PYE BVI. PYE BVI was incorporated on 8 June 2011 and became a wholly-owned subsidiary of PYE on 29 June 2011, under which the Existing Businesses are held for the purpose of the Distribution in Specie. As at the date of this announcement, PYE owns 100% of the ordinary shares of PYE BVI. PYE BVI presently has an issued share capital of 1,238,682,291 shares of HK\$0.10 each, being approximately double the number of shares in PYE in issue so that the Distribution in Specie will be on a one share for one share basis.

For the financial year ended 31 March 2012, the consolidated net profit of PYE attributable to its shareholders was approximately HK\$30.30 million and the consolidated net asset value of PYE attributable to its shareholders as at 31 March 2012 was approximately HK\$639.43 million, as announced in its 2012 annual report. In addition, for the six months ended 30 September 2012, the unaudited consolidated net profit of PYE attributable to its shareholders was approximately HK\$20.97 million, and the unaudited consolidated net asset value of PYE attributable to its shareholders as at 30 September 2012 was approximately HK\$654.40 million. Such numbers are also representative of the consolidated net profit and consolidated net asset value of PYE BVI.

The Distribution in Specie requires the approval of the PYE Shareholders at the PYE SGM. Recognising that PYE Shareholders (other than PYI) may not wish to hold shares in PYE BVI, PYI has agreed to provide PYE Shareholders with a cash alternative enabling them to realise cash from the distribution. In addition, PYE proposes to pay a special cash dividend to the PYE Shareholders and to offer all Eligible Qualifying PYE Shareholders the right to receive Shares pursuant to the Scrip Alternative. These aspects of the Transactions are explained below.

Proposed Distribution in Specie

The PYE Board proposes, subject to the conditions set out below, to effect the Distribution in Specie, pursuant to which each Eligible Qualifying PYE Shareholder will be entitled to receive one PYE BVI Share for every one Share which he or she holds on the Record Date.

The Record Date will be announced by PYE in due course and will be a date that follows the PYE SGM but precedes the Placing Completion Date and the Contingent Placing Completion Date. Accordingly, the Placing Shares will not qualify for the Distribution in Specie.

Following the Distribution in Specie, PYE will continue to hold 51% equity interest in PYE BVI. Thus, PYE BVI will continue to be a subsidiary of PYE and the results of PYE BVI and the Existing Businesses will continue to be consolidated in the consolidated financial statements of PYE. The PYE Board will maintain the operations of the Existing Businesses as disclosed in its 2012 annual report and the PYE Board confirms that there exists no arrangement, understanding, intention or negotiation, whether formal or informal, whether express or implied, whether concluded or otherwise, about any further disposal of the remaining 51% equity interest in PYE BVI or to dispose or terminate or scale down the Existing Businesses.

The Cash Alternative and the Cash Dividend with Scrip Alternative serve two different purposes. The Cash Alternative forms part of the structure of the Distribution in Specie and provides Eligible Qualifying PYE Shareholders an option to receive cash should they choose not to hold shares in PYE BVI.

The Cash Dividend with Scrip Alternative is to be paid by PYE to all Eligible Qualifying Shareholders of PYE, it provides Eligible Qualifying PYE Shareholders a choice between payment in the form of cash or in the form of new PYE Shares (thereby giving the shareholders an opportunity to reinvest into the enlarged PYE Group.)

Reason for the Distribution in Specie

The PYE Board, in seeking to refocus the business activities of PYE through the Acquisition and reduce the scale of PYE's economic interest in the Existing Businesses does wish to ensure that all PYE Shareholders are given the opportunity to maintain an interest in and exposure to the Existing Businesses (in the form of an indirect interest via PYE's retained 51% shareholding in PYE BVI and in the form of a direct interest via their pro rata entitlement to 49% of PYE BVI, to be distributed pursuant to the Distribution in Specie) before their interests in the Existing Businesses are diluted by the Placing and the allotment and issue of Shares pursuant to the conversion of any of the Convertible Bonds. The Existing Businesses will continue to be well supported, on the basis that they will continue to be conducted by entities that remain subsidiaries of PYE, and PYE will remain the controller of the Existing Businesses. The reduction in the economic interest by PYE is to allow more resources to be focused on the Acquisition, and subsequently, the Project. Moreover, pursuant to the Potential Additional PYE BVI Shares Acquisition, the second largest shareholder of PYE BVI will be PYI. Since PYI is currently the ultimate holding company of the Existing Businesses, it is entirely familiar with their operations and requirements and will work with PYE to generate sustained further successful results from those businesses.

Conditions to the Distribution in Specie

The Distribution in Specie is conditional upon:

- (a) the passing, at the PYE SGM, of all resolutions, by the requisite majority in each case, necessary to approve the Distribution in Specie;
- (b) (as necessary) the passing, at the PYI SGM, of all resolutions, by the requisite majority in each case, necessary to approve the Potential Additional PYE BVI Shares Acquisition;
- (c) receipt by the PYE Group of all relevant consents, authorisations or approvals required from any governmental or other competent regulatory authorities (including but not limited to the approval of the Bermuda Monetary Authority) and, or, from any bank(s) pursuant to facility agreements entered into by members of the PYE Group and, or, from any other counter-parties to contracts entered into by members of the PYE Group; and
- (d) completion of the Acquisition.

If the conditions referred to above are not fulfilled, the Distribution in Specie (and the Cash Alternative referred to below) will not be implemented.

Details of the exact timetable for the Distribution in Specie will be announced by PYE in due course.

Proposed increase in the authorised share capital

In order to create sufficient numbers of Shares for the purposes of effecting the Placing, (if applicable) the Contingent Placing and, potentially, in order to satisfy the obligations of PYE pursuant to the Exchange Right described above, PYE proposes to increase the authorised share capital from HK\$2,000 million divided into 10,000 million shares of HK\$0.20 each to HK\$3,000 million divided into 15,000 million shares of HK\$0.20 each. A resolution to increase PYE's authorised share capital on this basis will be proposed at the PYE SGM.

Cash Alternative

As a result of the Distribution in Specie, and excluding the effect of PYE Shareholders taking up the Cash Alternative, the shares of PYE BVI would be held as to 51% by PYE, approximately 30.34% by PYI and approximately 18.66% by PYE Shareholders other than PYI. The book value of that 18.66% stake equates to a value of approximately HK\$0.52 and HK\$0.53 per PYE BVI Share respectively based on the consolidated net asset value of PYE attributable to its shareholders as at 31 March 2012 and 30 September 2012.

The PYE Directors recognise that PYE Shareholders (other than PYI) may not wish to hold shares in PYE BVI, as PYE BVI is an unlisted company incorporated in the British Virgin Islands. Accordingly, there will be no liquid market for the shares of PYE BVI. Accordingly, PYI has, conditional on the Distribution in Specie being effected, undertaken, pursuant to the PYE BVI Shares Deed of Undertaking, to acquire up to the full 18.66% stake in PYE BVI (equating to approximately 231,128,005 shares of PYE BVI) not otherwise held by PYE or PYI for an aggregate cash sum of approximately HK\$69.34 million, equating to a price of:

HK\$0.30 per PYE BVI Share.

The cash alternative of HK\$0.30 per PYE BVI Share was based on 49% of the 30 days' average closing price of PYE Share of HK\$0.78 as quoted on the Stock Exchange during the period ended 19 November 2012, being the trading date of the date of the Placing Agreement, as adjust for the Cash Dividend i.e. HK\$0.78 less HK\$0.26 multiplied by 49% (equals approximately HK\$0.25). The trading price of PYE Shares is considered to be the appropriate valuation basis for the up to 18.66% minority interest potentially available to be acquired. It represents an approximate 20% premium to the 30 days' average closing price of HK\$0.78 per Share less the net of the proposed special cash dividend of HK\$0.26 per Share and multiplied by 49%. Note that a holder of each Share will end up holding

that existing Share (which represents the 51% of the issued share capital of PYE BVI retained by PYE) and a PYE BVI Share (which represents the 49% of the issued share capital of PYE BVI not held by PYE). The PYI Directors and the PYE Directors are of the view that the calculation basis for the Cash Alternative of HK\$0.30 per PYE BVI Share is fair and reasonable. The trading price of PYE Shares is considered to be the appropriate valuation basis for the up to 18.66% minority interest potentially available to be acquired instead of the book value as a consideration price based on the trading price would be expected for the acquisition of a minority interest in a business, rather than the book value which could not be realised unless the business was liquidated. Further, the fact that the PYE Shares do not trade at its book value validates that book value is not the basis for its trading price.

The Cash Alternative will be made available to all Qualifying PYE Shareholders (other than PYI) who duly complete Cash Alternative Election Forms. Moreover, all Qualifying PYE Shareholders who are not Eligible Qualifying PYE Shareholders will automatically be entitled to the Cash Alternative. For all Qualifying Shareholders obliged to receive or electing to receive the Cash Alternative, a cheque will be sent to them, by post, at their own risk, unless the amount falling to be distributed to any such person is less than HK\$100, in which case, it will be retained for the benefit of PYE BVI.

Excess applications

Whilst some Qualifying PYE Shareholders may be required to receive or may elect to receive cash in lieu of their pro rata entitlements to PYE BVI Shares pursuant to the Cash Alternative, it is possible that other Qualifying PYE Shareholders (provided that they are Eligible Qualifying PYE Shareholders) may not only want to receive their pro rata entitlements to PYE BVI Shares pursuant to the Distribution in Specie but also to acquire and pay for additional PYE BVI Shares.

Accordingly, PYE proposes to make arrangements for Eligible Qualifying PYE Shareholders to be given the opportunity to apply to purchase additional PYE BVI Shares.

In the unlikely circumstance that the Distribution in Specie results in the transfer of all 49% of PYE BVI to all PYE Shareholders on a strictly pro rata basis, then there will be no PYE BVI Shares available for purchase by Eligible Qualifying PYE Shareholders.

However, where Qualifying PYE Shareholders stand to receive the Cash Alternative, PYE BVI Shares will be available for purchase at a price of HK\$0.30 per PYE BVI Share, being the share price per PYE BVI Share offered by PYI.

Applications for additional PYE BVI Shares may be made by Eligible Qualifying PYE Shareholders on the Excess Application Forms. Should the number of PYE BVI Shares in respect of which valid excess applications have been made exceed the number of PYE BVI Shares available for excess application, then the excess applications will be scaled back on a fair and equitable basis such that each Eligible Qualifying PYE Shareholder making such an application and PYI would share the relevant number of PYE BVI Shares available according to their respective pro rata shareholdings in PYE on the Record Date. In these circumstances, PYI would not be required to purchase the full 18.66% interest in PYE BVI to which it would otherwise be committed pursuant to the PYE BVI Shares Deed of Undertaking. Thus, the effect of valid excess applications for PYE BVI Shares from Eligible Qualifying PYE Shareholders will be to reduce the obligation on PYI's part to take up the full 18.66% interest in PYE BVI Shares pursuant to the Cash Alternative.

In this manner, the rights and interests of PYI as regards the Distribution in Specie are aligned in all material respects, with all other PYE Shareholders.

Independent advice as regards the Distribution in Specie and the Cash Alternative

PYE will appoint an independent financial adviser to advise an independent board committee of the PYE Board and independent PYE Shareholders as regards, among other things, the proposed Distribution in Specie and the Cash Alternative.

CASH DIVIDEND

The PYE Board further proposes, subject to the conditions set out below, that PYE will declare and pay a special cash dividend of HK\$0.26 per Share. The Cash Dividend will be paid to the Qualifying PYE Shareholders.

Scrip Alternative

Eligible Qualifying PYE Shareholders will be given the option, by duly completing Scrip Dividend Election Forms, to elect to receive Shares in lieu of cash in respect of all or part of the Cash Dividend, on the basis that each Share is required to be allotted and paid up (using the cash otherwise distributable pursuant to the Cash Dividend) as to HK\$0.68 per Share. Accordingly, the number of Shares which Eligible Qualifying PYE Shareholders would receive in respect of the Shares registered in their names on the Record Date would be calculated as follows:

$$\begin{array}{rcccl} \text{Number of} & & \text{Number of} & & \text{(Cash Dividend} \\ \text{Shares to be} & & \text{Shares held on} & & \text{per Share)} \\ \text{allotted and} & = & \text{the Record Date} & \times & \text{(the Placing} \\ \text{issued} & & \text{for which} & \frac{\text{HK\$0.26}}{\text{HK\$0.68}} & \text{Price)} \\ & & \text{election is made} & & \end{array}$$

The Scrip Alternative, which is not part of the Placing, is being proposed by the PYE Directors to enable Eligible Qualifying PYE Shareholders to reinvest in the enlarged PYE and increase their equity interest in PYE notwithstanding that their relative shareholdings in PYE will be diluted as a result of the Placing. The Shares to be allotted and issued pursuant to the Scrip Alternative would be so allotted and issued at a price that represents the same discount to market price as the Placing Shares, as referred to above.

The Shares to be allotted and issued pursuant to the Scrip Alternative will rank pari passu in all respects with the other Shares then in issue (but will not rank for the Distribution in Specie and the Cash Dividend). The number of Shares to be issued to each Eligible Qualifying PYE Shareholder who duly completes a Scrip Dividend Election Form will be rounded down to the nearest whole number. Fractional entitlements to the Shares will not be issued to such PYE Shareholders.

Conditions to the Cash Dividend and Scrip Alternative

The Cash Dividend and Scrip Alternative are conditional:

- (a) on the passing, at the PYE SGM, of resolution(s) to approve the Cash Dividend and Scrip Alternative; and
- (b) completion of the Acquisition.

If the conditions referred to above are not fulfilled, the Cash Dividend and the Scrip Alternative will not be implemented.

EFFECT OF THE POTENTIAL ADDITIONAL PYE BVI SHARES ACQUISITION ON PYI

Discloseable transaction

As described above, PYI has, conditionally upon the Distribution in Specie being effected, undertaken, pursuant to the PYE BVI Shares Deed of Undertaking, to acquire up to an additional 18.66% of PYE BVI not otherwise held by PYE or PYI for an aggregate cash sum of approximately HK\$69.34 million.

Were PYI called upon to meet its full obligation under the PYE BVI Shares Deed of Undertaking, this would constitute a discloseable transaction for PYI under the Listing Rules on the basis that one or more of the percentage ratios applicable to PYI exceeds 5% (but all are less than 25%).

The PYI Board confirms that PYI has the necessary cash on hand to complete the purchase of an additional 18.66% of PYE BVI.

PYE BVI is a private company and the holding company of the Existing Businesses. Through acquiring 18.66% of PYE BVI, PYI would be purchasing an 18.66% attributable interest in the Existing Businesses.

Financial information on PYE BVI

An 18.66% interest in the consolidated net asset value of PYE BVI, based on the consolidated net asset value of PYE attributable to its shareholders as at 31 March 2012 and 30 September 2012, equates to approximately HK\$119.32 million and HK\$122.11 million, respectively. The Existing Businesses of PYE are entirely contained under PYE BVI. The consolidated net asset value of PYE BVI is essentially the same as the consolidated net asset value of PYE.

An 18.66% attributable interest in the consolidated net profits before taxation and extraordinary items of PYE BVI for the financial year ended 31 March 2012 and the financial year ended 31 March 2011, based on the consolidated net profits before taxation and extraordinary items of PYE for the financial year ended 31 March 2012 and the financial year ended 31 March 2011, equate to approximately HK\$6.44 million and HK\$7.77 million, respectively. Furthermore, an 18.66% attributable interest in the unaudited consolidated net profits before taxation and extraordinary items of PYE for the six months ended 30 September 2012 equates to approximately HK\$4.53 million.

An 18.66% attributable interest in the consolidated net profits after taxation and extraordinary items of PYE BVI for the financial year ended 31 March 2012 and the financial year ended 31 March 2011, based on the consolidated net profits after taxation and extraordinary items of PYE for the financial year ended 31 March 2012 and the financial year ended 31 March 2011, equate to approximately HK\$6.16 million and HK\$6.30 million, respectively. Furthermore, an 18.66% attributable interest in the unaudited consolidated net profits after taxation and extraordinary items of PYE for the six months ended 30 September 2012 equates to approximately HK\$3.95 million.

Reasons for and benefits of the transaction

PYI has offered to effect the Potential Additional PYE BVI Shares Acquisition on the basis that it is willing to acquire a direct interest in PYE BVI over and above the indirect attributable interest that it will continue to hold through its shareholding in PYE and the direct interest it will receive by way of its pro rata entitlement to the Distribution in Specie.

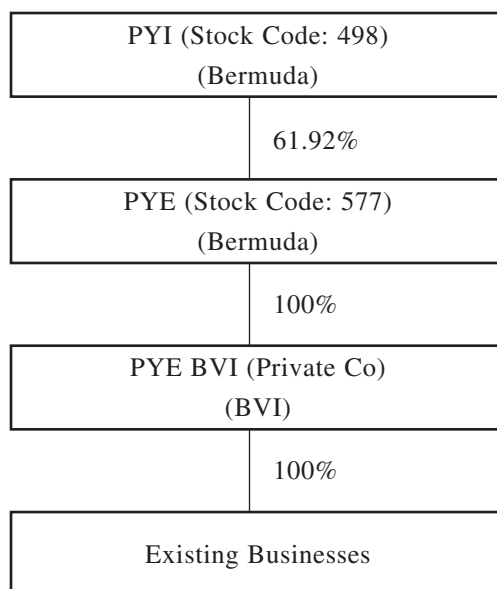
The PYI Directors believe that the PYI Shareholders will continue to benefit from PYI's direct and indirect interests in the Existing Businesses which have been consistently profitable in recent years. The shares received through the Distribution in Specie and the Potential Additional PYE BVI Shares Acquisition will allow it to maintain its interest in the Existing Businesses with which it has transactions in the ordinary course of its business for the provision of engineering and management services, whilst also minimising its exposure to the development of the Land, thereby keeping its focus on its current principal business activities.

The PYI Directors believe that the terms of the PYE BVI Shares Deed of Undertaking are fair and reasonable and in the interests of PYI Shareholders as a whole. The PYI Directors consider that the terms of the Transactions (so far as applicable to PYI) are fair and reasonable and in the interests of the PYI Shareholders as a whole.

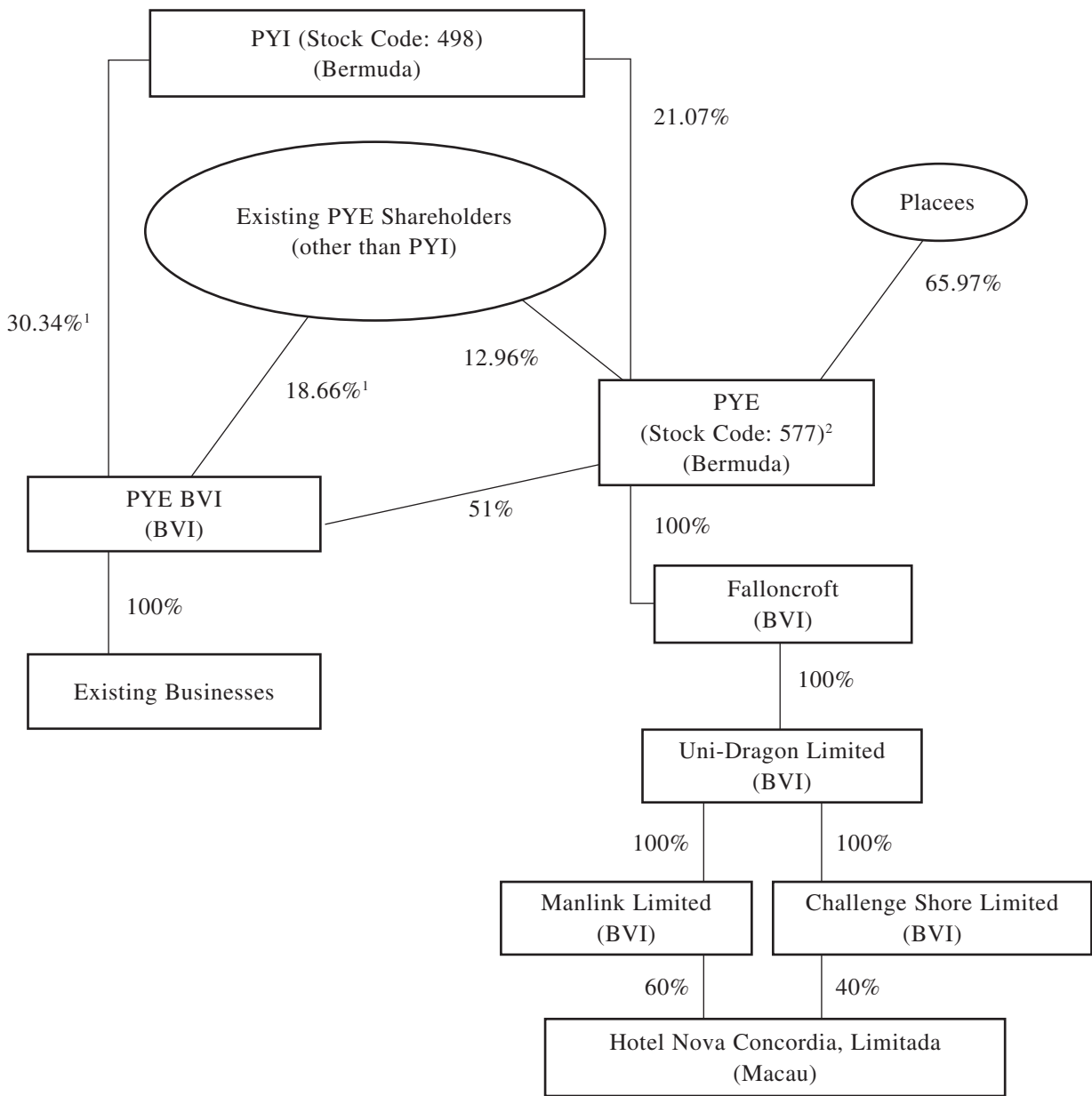
STRUCTURE OF INTERESTS BEFORE AND AFTER THE TRANSACTIONS

Set out below are simplified diagrams of the structure of the interests of PYE and PYI before and after completion of the Transactions (assuming no exercise of the Upsize Option). They do not illustrate the effect of any exercise of options to be granted pursuant to the share option scheme to be adopted by Falloncroft or the exercise of the Exchange Right applicable to Falloncroft Shares allotted and issued on the exercise of such options. They also do not illustrate the effect of any Shares being allotted and issued on conversion of any of the Convertible Bonds.

Current structure:



Proposed structure:



Notes

- 1 The diagram assumes that the Distribution in Specie is effected on a strictly pro rata basis. In circumstances where all PYE Shareholders other than PYI receive the Cash Alternative, PYE BVI would be held as to 51% by PYE and 49% by PYI.
- 2 The diagram shows the relative shareholdings in PYE assuming that no PYE Shareholders elect to receive Shares pursuant to the Scrip Alternative, and that the Upsize Option is not exercised.

D. PROPOSED NEW DIRECTORS

The PYE Board proposes, with the approval of the PYE Shareholders to be sought at the PYE SGM, to appoint the Proposed New Directors to the PYE Board with effect from completion of the Acquisition. As the business dynamic of PYE Group will undergo significant change after completion of the Acquisition, Ir James Chiu intends to step down as Chairman of PYE following completion of the Acquisition and Mr. Coker and Mr. Hung will take up the position of Joint Chairman of PYE. Set out below are brief biographical details of the Proposed New Directors:

Mr. Stephen Hung (“Mr. Hung”), Aged 54

Proposed Position

An executive Director and Joint Chairman of PYE.

Experience

Mr. Hung has over 30 years of experience in the finance and investment industries. He is the Chairman of Falloncroft, the Chairman of The Taipan Investment Group and the Vice Chairman of Rio Entertainment Group, the holding company operates Rio Hotel & Casino in Macau. Mr. Hung was formerly co-head of investment banking for Asia at Merrill Lynch and subsequently formed his own investment banking firm, Amida Capital Group, and served as the Chairman and Managing Director from 1992 to 1999. From 2000 to 2002, Mr. Hung served as the Vice Chairman of eSun Holdings Limited (HK stock code: 571). From 2000 to 2004, he also served as a non-executive director of AcrossAsia Limited (HK stock code: 8061). Mr. Hung graduated from University of Southern California, Los Angeles with a master’s degree in business administration in 1981.

Relationships with directors, senior management, substantial or controlling shareholders of PYE

Mr. Hung is not related to any directors, senior management, substantial or controlling shareholders of PYE.

Interests in Shares and Falloncroft Shares

As at the date of this announcement, Mr. Hung is interested or deemed to be interested in (i) Falloncroft Shares equating to 10% of the enlarged issued share capital of Falloncroft, which shares would be allotted and issued on exercise of the options to be granted under the share option scheme to be adopted by Falloncroft (or 882,352,941 Shares to be allotted and issued on exercise of the Exchange Right); and (ii) has indicated his intention to subscribe to HK\$200 million worth of Placing Shares and, or, Placing Convertible Bonds, split provisionally as 73,529,411 Placing Shares and 220,588,235 new Shares as would be allotted and issued on exercise in full of the Placing Convertible Bonds.

Service contract

It is proposed that there will be a director's service contract entered into between Mr. Hung and PYE. Mr. Hung will receive a director's fee as determined by the PYE Board, pursuant to the authority given by the PYE Shareholders at general meeting from time to time, with reference to his duties and responsibilities for PYE and the prevailing market situation. Further details of Mr. Hung's service contract will be included in the PYE circular.

Save as disclosed above, there are no other matters concerning Mr. Hung that need to be brought to the attention of the PYE Shareholders nor any information to be disclosed pursuant to the requirement of rule 13.51(2) of the Listing Rules.

Mr. Peter Coker ("Mr. Coker"), Aged 43

Proposed Position

An executive Director and Joint Chairman of PYE.

Experience

Mr. Coker has over 22 years of experience in the finance and investment industries. He is the Managing Partner of Pacific Advisers, and is also a partner of TDR Capital Investment Ltd (a Shenzhen-based private equity firm). Mr. Coker served as an officer of the Bridge Companies from 1992 to 2001. He held the title of Managing Director-Asia, Chief Executive Officer of E-Bridge and Managing Director of Bridge Trading Company Asia where he was responsible for the firm's equity business in Japan and South East Asia/Australia. From 1999 to 2001, Mr. Coker served as the Chairman of IRESS Market Technology Limited (formerly BridgeDFS) (ASX: IRE). From 2002 to 2005, Mr. Coker served as the Chairman of Wellington Securities (New Zealand). From 2006 to 2009, Mr Coker served as Chairman of Global Trading Offshore Pte (Singapore). Mr. Coker graduated from Lehigh University in the United States with a Bachelor of Arts degree in 1990.

Relationships with directors, senior management, substantial or controlling shareholders of PYE

Mr. Coker is not related to any directors, senior management, substantial or controlling shareholders of PYE.

Interests in Shares and Falloncroft Shares

Mr. Coker does not have any interest in any shares or underlying shares of PYE required to be disclosed pursuant to Part XV of the Securities and Futures Ordinance. Mr. Coker does not have any interest in Falloncroft Shares.

Service contract

It is proposed that there will be a director's service contract entered into between Mr. Coker and PYE. Mr. Coker will receive a director's fee as determined by the PYE Board, pursuant to the authority given by the PYE Shareholders at general meeting from time to time, with reference to his duties and responsibilities for PYE and the prevailing market situation. Further details of Mr. Coker's service contract will be included in the PYE circular.

Save as disclosed above, there are no other matters concerning Mr. Coker that need to be brought to the attention of the PYE Shareholders nor any information to be disclosed pursuant to the requirement of rule 13.51(2) of the Listing Rules.

Mr. Walt Power ("Mr. Power"), Aged 58

Proposed Position

An executive Director and Chief Executive Officer of PYE.

Experience

Mr. Power is the longest serving casino executive expatriate in Macau's gaming industry. Arrived in Macau in January 2003, Mr. Power has held the positions of chief operating officer of New Cotai Entertainment, an investor and developer of Macau Studio City, as well as Senior Vice President of Operations of Venetian Macau Limited. Mr. Power was instrumental to the success of the development, opening and operation of the Sands, the first western casino in Macau. During his tenure at the Sands, he was responsible for casino operations, hotel operations, all food and beverage outlets and security operations. He was also a member of the Compliance and Credit Committees. Being one of first western executives to enter the Macau gaming market, and having worked in Macau for over nine years, Mr. Power is known internationally for his extensive knowledge of Macau gaming to include Junket, VIP, and mass market operations. A 20-year gaming industry veteran, Mr. Power accumulated extensive international gaming experience through executive operational positions at casino resorts in the United States, Argentina, South Africa and the Philippines, in addition to his work in Macau. Mr. Power, a former United States Marine Corps Major and Naval Aviator, received his BA and MBA from the University of Michigan. He is also a graduate of the casino industry's Executive Development Program offered by the University of Nevada/Reno.

Relationships with directors, senior management, substantial or controlling shareholders of PYE

Mr. Power is not related to any directors, senior management, substantial or controlling shareholders of PYE.

Interests in Shares and Falloncroft Shares

Mr. Power does not have any interest in any shares or underlying shares of PYE required to be disclosed pursuant to Part XV of the Securities and Futures Ordinance. Mr. Power does not have any interest in Falloncroft Shares.

Service contract

It is proposed that there will be a director's service contract entered into between Mr. Power and PYE. Mr. Power will receive a director's fee as determined by the PYE Board, pursuant to the authority given by the PYE Shareholders at general meeting from time to time, with reference to his duties and responsibilities for PYE and the prevailing market situation. Further details of Mr. Power's service contract will be included in the PYE circular.

Save as disclosed above, there are no other matters concerning Mr. Power that need to be brought to the attention of the PYE Shareholders nor any information to be disclosed pursuant to the requirement of rule 13.51(2) of the Listing Rules.

INFORMATION ON PYE

The PYE Group is an international engineering services group serving Hong Kong, the PRC and the international market with its 60 years' of expertise. Through its subsidiary, PYE BVI, it has three core areas of business: management contracting, property development management and property investment.

INFORMATION ON PYI AND ITS SUBSIDIARIES

Following the completion of the transactions, the principal business activities of PYI and its subsidiaries will remain unchanged and PYI and its subsidiaries will still principally engage in ports and infrastructure development and investment, the operation of ports and logistics facilities, land and property development and investment in association with ports and infrastructure development, treasury investment and provision of comprehensive engineering and property-related services through its direct and indirect interests in PYE BVI.

GENERAL

A circular containing, amongst other things, further particulars on the Transactions in so far as they apply to PYE, a letter of advice from an independent financial adviser as regards the Acquisition, the Exchange Right, the Distribution in Specie and the Cash Alternative and notice of the PYE SGM will be despatched to PYE Shareholders as soon as practicable by not later than 31 December 2012. This is longer than the 15 business days envisaged by the Listing Rules and reflects the time which the parties believe will be necessary for PYE's accountants to prepare the necessary report on the Falloncroft Group and for PYE to obtain an updated property valuation relating to the Land and the advice of an independent financial adviser as regards the Acquisition, the Exchange Right, the Distribution in Specie and the Cash Alternative.

A circular containing, amongst other things, further particulars on the Transactions in so far as they apply to PYI and notice of the PYI SGM will be despatched to PYI Shareholders as soon as practicable by not later than 31 December 2012. This is longer than the 15 business days envisaged by the Listing Rules and reflects the time which the parties believe will be necessary for preparation of the necessary report on the PYE Group and the fact that the content of the PYI circular may, in certain respects, be dependent on the time taken to generate content for the PYE circular and to co-ordinate consistent disclosures.

The PYI Directors anticipate that all PYI Shareholders other than ITC Corporation and its associates will be eligible to vote upon each of the resolutions to be proposed at the PYI SGM, as the interests of all PYI Shareholders (other than ITC Corporation and its associates) are aligned in all material respects as regards the Transactions.

ITC Corporation and its associates will be ineligible to vote at the PYI SGM because one of its associates, ITC Properties, holds an indirect attributable interest of approximately 35.5% in each of, Concordia, the entity that has contracted to sell Uni-Dragon to Falloncroft; and Empresa, the entity that will be granting an irrevocable and exclusive power of attorney to New Concordia in respect of the Land. Accordingly, ITC Corporation and its associates will abstain from voting on all resolutions put to the PYI SGM relating to the Transactions.

The PYE Directors anticipate that all PYE Shareholders will be eligible to vote upon each of the resolutions to be proposed at the PYE SGM, save as described below, as the interests of all PYE Shareholders are, save as described below, aligned in all material respects as regards the Transactions. Given that PYI has conditionally agreed to acquire an additional 18.66% of PYE BVI pursuant to PYE BVI Shares Deed of Undertaking, PYI's interest in any resolution proposed at the PYE SGM relating to the Distribution in Specie, is somewhat different from the interests of other PYE Shareholders (notwithstanding that they, too, have a right to acquire additional PYE BVI Shares by way of excess application). Accordingly, PYI and its associates will abstain from voting on any resolution relating to the Distribution in Specie. In addition, and for the avoidance of doubt, in light of the fact that the Acquisition (including the Exchange Right) constitutes a connected transaction for PYE, for the reasons described above, it is the case that were Mr. Hung, Pride Wisdom or any of their respective associates to hold Shares, they would be disenfranchised from voting on any resolution relating to the Acquisition.

Save for the resolution relating to the Distribution in Specie, PYI, which indirectly owns approximately 61.92% of PYE, has irrevocably undertaken to Pride Wisdom that conditional on the Distribution in Specie being approved by the PYE Shareholders at the PYE SGM, PYI will vote, or to procure that its subsidiaries holding shares in PYE will vote, insofar as it is not, or they are not, disenfranchised pursuant to the Listing Rules or otherwise, in favour of all

resolutions put to the PYE SGM relating to the Transactions on the condition that no material changes are made to the Transactions as described in this announcement.

PYE and PYI will make a further announcement in due course concerning the detailed timetable for the Transactions (and in PYE's case, details of the Record Date and related book close period). However, PYE and PYI's best current estimate is that the Transactions, including the Distribution in Specie, the Cash Dividend and Scrip Alternative, the Placing and, if pursued by PYE, the Contingent Placing, should be completed by not later than 30 June 2013.

As completion of the various Transactions is, in each case, subject to the fulfillment of a number of conditions precedent and effectively all inter-conditional, apart from the Distribution in Specie, the various Transactions may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the shares of PYE and, or, PYI.

An application will, in due course, be made to the Stock Exchange for the listing of, and permission to deal on the Stock Exchange in, the Placing Shares, the Shares to be allotted and issued pursuant to the Scrip Alternative, the Shares to be allotted and issued on exercise of the Exchange Right and the Shares to be allotted and issued on exercise of the conversion rights attaching to the Convertible Bonds.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Acquisition”	the acquisition of the entire issued share capital of Falloncroft
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong
“Cash Alternative”	the cash alternative to receiving PYE BVI Share(s) pursuant to the Distribution in Specie, in the amount of HK\$0.30 per PYE BVI Share, available to all Qualifying PYE Shareholders (other than PYI)

“Cash Alternative Election Form”	the form of election to be sent to PYE Shareholders after the Record Date pursuant to which each Eligible Qualifying PYE Shareholder will be able to elect to receive cash, pursuant to the Cash Alternative in lieu of his or her pro rata entitlement to PYE BVI Shares pursuant to the Distribution in Specie
“Cash Dividend”	the conditional cash dividend proposed to be declared and paid by PYE in the amount of HK\$0.26 per Share held by Qualifying PYE Shareholders on the Record Date
“Challenge Shore”	Challenge Shore Limited, a private company incorporated in the British Virgin Islands
“Chief Wise”	Chief Wise Limited, a private company incorporated in the British Virgin Islands
“Concordia”	Concordia Property Development Holdings Limited, a private company incorporated in the British Virgin Islands
“Connected Person(s)”	has the meaning ascribed to it in Chapter 1 of the Listing Rules
“Construction LOI”	a letter of intent dated 19 November 2012 between Paul Y. Construction and Falloncroft in relation to the development of the hotel to be constructed on the Land
“Contingent Placees”	the professional, institutional and other investor(s) selected and procured by or on behalf of the Contingent Placing Agents to subscribe for the Contingent Placing Convertible Bonds on the terms and subject to the conditions set out in the Contingent Placing Agreements
“Contingent Placing”	the proposed contingent placing of the Contingent Placing Convertible Bonds pursuant to the terms of the Contingent Placing Agreements
“Contingent Placing Agents”	Chrystal Capital Partners LLP, Kilometre Capital Management Cayman and TDR Investment Holdings Corporation collectively and “Contingent Placing Agent” means any of them

“Contingent Placing Agreements”	the three bilateral contingent placing agreements dated 19 November 2012 entered into between PYE and each of the Contingent Placing Agents in relation to the contingent placing of the Contingent Placing Convertible Bonds
“Contingent Placing Completion Date”	the fifth Business Day following receipt by any or all of the Contingent Placing Agents of the Contingent Placing Notice (and provided always that all of the conditions precedent of the relevant Contingent Placing Agreements, to the extent not waived, remain satisfied on the Contingent Placing Completion Date)
“Contingent Placing Convertible Bonds”	up to a maximum of HK\$1,600 million worth of Convertible Bonds as may be subscribed pursuant to the Contingent Placing
“Contingent Placing Notice”	the notice served by PYE, at its sole discretion, on any or all of the Contingent Placing Agents to complete the Contingent Placing pursuant to the Contingent Placing Agreements
“Contingent Placing Notice Period”	the period of four months commencing on or around the Placing Completion Date as agreed between PYE and the Contingent Placing Agents
“Convertible Bonds”	the zero coupon convertible bonds proposed to be issued by PYE pursuant to the Placing (and, if completed, the Contingent Placing): being Convertible Bonds in the aggregate amount of HK\$2,400 million, assuming no exercise of the Upsize Option and no completion of the Contingent Placing; in the aggregate amount of HK\$3,600 million assuming exercise in full of the Upsize Option but no completion of the Contingent Placing; in the aggregate amount of HK\$5,200 million assuming exercise in full of the Upsize Option and completion in full of the Contingent Placing
“Convertible Bondholder(s)”	the holder(s) of the Convertible Bonds
“Distribution in Specie”	the proposed Distribution in Specie by PYE of one PYE BVI Share for every one Share held by Qualifying PYE Shareholders on the Record Date

“Eligible Qualifying PYE Shareholder”	a Qualifying PYE Shareholder, other than any Overseas PYE Shareholder in respect of whom the PYE Directors, after making relevant enquiries, consider it necessary or expedient to exclude the transfer of Shares pursuant to the Distribution in Specie and, or, the allotment and issue of Shares pursuant to the Scrip Alternative, in either case, on account of any legal restrictions or the requirements of any relevant regulatory body applicable to the jurisdiction of the place of address of such Overseas PYE Shareholder
“Empresa”	Empresa De Fomento Industrial E Comercial Concórdia, S.A. (Concord Industrial and Commercial Development Enterprise Limited 聯生發展股份有限公司), a company registered in Macau
“Excess Application Form”	the excess application form to be sent to PYE Shareholders after the Record Date pursuant to which each Eligible Qualifying PYE Shareholder will be able to apply to purchase additional PYE BVI Shares as will be available should those PYE BVI Shares the subject of the Distribution in Specie not all be required to be distributed to PYE Shareholders on a strictly pro rata basis
“Exchange Right”	the right to exchange Falloncroft Shares subscribed by Falloncroft management for Shares in PYE, as further described in this announcement
“Existing Businesses”	the existing businesses of the PYE Group, as owned by PYE’s wholly-owned subsidiary, PYE BVI, comprising a management contracting division, a property development management division and a property investment division
“Falloncroft”	Falloncroft Investments Limited, a private company incorporated in the British Virgin Islands
“Falloncroft Group”	collectively, Falloncroft, Uni-Dragon, Manlink, Challenge Shore and New Concordia and “Falloncroft Group Company” means any one of them individually

“Falloncroft Shares”	ordinary shares of US\$1.00 each in the capital of Falloncroft
“Falloncroft SPA”	the sale and purchase agreement dated 19 November 2012 entered into between PYE and Pride Wisdom in relation to the entire issued share capital of Falloncroft
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ITC Corporation”	ITC Corporation Limited (HK Stock Code: 372), a company incorporated in Bermuda, the issued share capital of which is listed on the main board of the Stock Exchange
“ITC Properties”	ITC Properties Group Limited (HK Stock Code: 199), a company incorporated in Bermuda, the issued share capital of which is listed on the main board of the Stock Exchange
“Land”	the parcel of land known as Lot 1 situated in the Coloane Island of Macau, at the site of Concórdia, along the Road of Seac Pai Van on which it is proposed be developed a hotel and associated facilities as described in this announcement
“Listing Committee”	has the meaning ascribed to it in Chapter 1 of the Listing Rules
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	1 March 2013 or such other extended date to be mutually agreed between PYE and Pride Wisdom
“Macau”	the Macau Special Administrative Region of the PRC
“Manlink”	Manlink Limited, a private company incorporated in the British Virgin Islands

“MOU”	a memorandum of understanding dated 16 April 2008 between Falloncroft and an affiliate of one of the holders of a gaming concession or sub-concession in Macau, in relation to the management and operation of a casino proposed to be opened in the hotel to be constructed on the Land, which was supplemented by a confirmation letter dated 3 November 2010
“Mr. Coker”	Mr. Peter Coker
“Mr. Hung”	Mr. Stephen Hung
“Mr. Power”	Mr. Walt Power
“New Concordia”	Hotel Nova Concórdia, Limitada (New Concordia Hotel Limited新聯生酒店有限公司), a company limited by quotas registered in Macau
“Overseas PYE Shareholder(s)”	PYE Shareholder(s) whose address(es), as shown on the share register or branch share register of PYE on the Record Date, is/are outside Hong Kong
“Paul Y. Construction”	PY Construction (Macau) Limited, a private company incorporated in Macau and a wholly-owned subsidiary of PYE BVI
“Placees”	the professional, institutional and other investor(s) selected and procured by or on behalf of the Placing Agent to subscribe for the Placing Shares and the Placing Convertible Bonds on the terms and subject to the conditions set out in the Placing Agreement
“Placing”	the proposed placing of the Placing Shares and the Placing Convertible Bonds pursuant to the terms of the Placing Agreement
“Placing Agent”	CLSA Limited
“Placing Agreement”	the placing agreement dated 19 November 2012 entered into between PYE and the Placing Agent in relation to the conditional placing of the Placing Shares and the Placing Convertible Bonds

“Placing Completion Date”	the fifth Business Day after the satisfaction of all the relevant conditions precedent, the fulfillment of which has not been waived by the Placing Agent or such other date as may be agreed by and between PYE and the Placing Agent (and provided always that all of the conditions precedent, to the extent not waived, remain satisfied on the Placing Completion Date)
“Placing Convertible Bonds”	the HK\$2,400 million worth of Convertible Bonds provisionally proposed to be issued pursuant to the Placing assuming no exercise of the Upsize Option or HK\$3,600 million worth of Convertible Bonds assuming exercise in full of the Upsize Option
“Placing Parameters”	has the meaning as defined in the summary box of this announcement under the sub-heading “The Placing”
“Placing Period”	the period from the execution of the Placing Agreement up to and including 1 March 2013
“Placing Price”	the placing price per Placing Share being HK\$0.68
“Placing Shares”	the 1,176,470,588 new Shares provisionally proposed to be issued pursuant to the Placing assuming no exercise of the Upsize Option; or the 1,764,705,882 new Shares assuming full exercise of the Upsize Option
“Potential Additional PYE BVI Shares Acquisition”	the conditional obligation on the part of PYI to purchase distribution entitlements in respect of up to 231,128,005 PYE BVI Shares, equating to approximately 18.66% of the issued share capital of PYE BVI, from Eligible Qualifying PYE Shareholders obliged to receive, or electing to receive, the Cash Alternative
“PRC”	the People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

“Pride Wisdom”	Pride Wisdom Group Limited, a private company incorporated in the British Virgin Islands
“Project”	the proposed construction and operation of a 5 star hotel and ancillary retail and entertainment facilities (including but not limited to gaming) on the Land
“Proposed New Directors”	Mr. Hung, Mr. Coker and Mr. Power
“PYE”	Paul Y. Engineering Group Limited (HK Stock Code: 577), a company incorporated in Bermuda, the issued shares of which are listed on the main board of the Stock Exchange
“PYE Board”	the board of directors of PYE
“PYE BVI”	Paul Y. Engineering (BVI) Limited, a private company incorporated in the British Virgin Islands and a wholly-owned subsidiary of PYE
“PYE BVI Share(s)”	share(s) in the issued share capital of PYE BVI
“PYE BVI Shares Deed of Undertaking”	the deed poll dated 19 November 2012 executed by PYI pursuant to which PYI has undertaken, conditional on the Distribution in Specie being effected, to complete the Potential Additional PYE BVI Shares Acquisition
“PYE Directors”	the directors of PYE
“PYE Group”	PYE and its subsidiaries
“PYE SGM”	the special general meeting of PYE to be convened to consider and, if thought fit, to approve resolutions relevant to the implementation of the Transactions
“PYE Shareholder(s)”	shareholder(s) of PYE
“PYI”	PYI Corporation Limited (HK Stock Code: 498), a company incorporated in Bermuda, the issued shares of which are listed on the main board of Stock Exchange

“PVI Board”	the board of directors of PVI
“PVI Directors”	the directors of PVI
“PVI SGM”	the special general meeting of PVI to be convened and, if thought fit, to approve resolutions relevant to the implementation of the Transactions
“PVI Shareholder(s)”	shareholder(s) of PVI
“Qualifying PVE Shareholders”	all PVE Shareholders registered on PVE’s share register or branch share register on the Record Date
“Record Date”	the record date for the purposes of ascertaining entitlements of the PVE Shareholders to the Distribution in Specie or Cash Alternative and, or, the Cash Dividend or Scrip Alternative, being a date to be announced by PVE in due course and which will be a date that follows the PVE SGM
“Scrip Alternative”	the proposed scrip dividend arrangements of PVE pursuant to which Eligible Qualifying PVE Shareholders will have the option to elect to receive Shares in lieu of the Cash Dividend as further described in this announcement
“Scrip Dividend Election Form”	the form of election to be sent to PVE Shareholders, after the Record Date, pursuant to which each Eligible Qualifying PVE Shareholder will be able to elect to receive Shares pursuant to the Scrip Alternative
“Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of PVE
“Specific Mandate”	a specific mandate to be sought from the PVE Shareholders at the PVE SGM to allot and issue (i) the Placing Shares and the Placing Convertible Bonds; (ii) the Contingent Placing Convertible Bonds; (iii) the Shares upon exercise of the conversion rights attaching to the Placing Convertible Bonds and the Contingent Placing Convertible Bonds; and (iv) the Shares upon the exercise of the Exchange Right

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Transaction(s)”	the Acquisition; the Placing, the Contingent Placing, the Exchange Right; the Distribution in Specie and the Cash Alternative; the Cash Dividend and the Scrip Alternative; and all matters respectively relating thereto
“Uni-Dragon SPA”	the sale and purchase agreement dated 30 October 2012 between Concordia, Empresa and Falloncroft relating to the entire issued share capital of Uni-Dragon and related shareholder’s loans
“Uni-Dragon”	Uni-Dragon Limited, a private company incorporated in the British Virgin Islands
“Upsize Option”	the option granted by PYE to the Placing Agent pursuant to the Placing Agreement by virtue of which PYE may be required by the Placing Agent provisionally to allot and issue to Placees up to an additional 588,235,294 Placing Shares at the Placing Price (aggregate price, HK\$400 million) and HK\$1,200 million worth of Placing Convertible Bonds
“US\$”	United States dollars, the lawful currency of the United States of America

Note: For the purpose of this announcement, the exchange rate used is US\$1 = HK\$7.8.

Hong Kong, 19 November 2012

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

By Order of the Board
PYI Corporation Limited
Ko Hiu Fung
Company Secretary

As at the date of this announcement, the composition of PYE Board is 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

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

Mr. Lau Ko Yuen, Tom	: Chairman and Managing Director
Mr. Chan Yiu Lun, Alan	: Executive Director
Dr. Chan Kwok Keung, Charles	: Non-Executive Director
<i>(with Mr. Chan Yiu Lun, Alan as alternate)</i>	
Mr. Chan Shu Kin	: Independent Non-Executive Director
Mr. Leung Po Wing, Bowen Joseph <i>GBS, JP</i>	: Independent Non-Executive Director
Mr. Li Chang An	: Independent Non-Executive Director
Ms. Wong Lai Kin Elsa	: Independent Non-Executive Director

* *For identification purpose only*