

# Government responds to provisional liquidation of Paul Y Engineering Group Limited

In response to the application for provisional liquidation by Paul Y Engineering Group Limited (Paul Y), a Government spokesman today (February 21) gave the following response:

The Government noted that an application was made by Paul Y to the court recently to appoint a provisional liquidator for its five subsidiaries to handle debts and formulate a restructuring plan, and that the court held a hearing and approved the application today. Since it was a corporate decision of Paul Y to submit the application, and legal proceedings are underway, it is inappropriate for the Government to comment on the details.

The Government spokesman said that any enterprise encountering financial difficulties has its own reasons, and the enterprise has to find a suitable solution based on its actual circumstances. As there have been market rumours and media reports of financial difficulties and layoffs at Paul Y for some time, the Government has been paying close attention to the situation and making preparations to reduce the impact on relevant works projects and subcontractors and to assist affected employees.

Regarding public works projects, Paul Y's subsidiaries are undertaking the construction of 13 public works contracts, among which 12 contracts are undertaken by Paul Y and other construction companies by way of joint venture. These contracts are managed by various government departments separately, including the Civil Engineering and Development Department, the Architectural Services Department, the Electrical and Mechanical Services Department, the Highways Department, the Drainage Services Department, the Water Supplies Department and the Environmental Protection Department. As the majority of the contracts are undertaken by joint ventures, regardless of whether Paul Y is liquidated eventually, the other participants of the joint venture contracts must complete the remaining works in accordance with the contract requirements. The Development Bureau (DEVB) has assessed that the joint venture participants concerned are capable of undertaking the remaining works, and they have also expressed that they will continue to execute the contracts. The only project solely undertaken by Paul Y has largely entered the completion stage. Overall, the DEVB believes that the impact of the situation of Paul Y on relevant public works projects is manageable, and will closely monitor the situation.

On the other hand, Paul Y has also undertaken works projects of other public organisations, some of which are undertaken by joint ventures. As aforementioned, it is believed that the impact is manageable. For other projects solely undertaken by Paul Y, the public sector owners have replaced the main contractor of most of the projects in accordance with the

established mechanism to ensure the smooth completion of the projects. Owners of a few other projects are also carrying out such arrangements with a view to minimising the impact on the projects.

As the majority of the Government and public sector projects will be undertaken by other participants of the joint ventures or have the main contractor replaced in accordance with the mechanism, if Paul Y is liquidated by the court eventually, the succeeding contractor will follow the request made by the Government and public sector owners to try to accommodate the situation of existing subcontractors and workers so that they can continue to work on the relevant projects for the sake of maintaining continuity.

In respect of Paul Y's debt matters, the affected subcontractors or suppliers can apply for claims through legal means. The Government, including the Hong Kong Monetary Authority (HKMA), has been in contact with the construction industry and the banking sector. If subcontractors or suppliers face cash-flow pressure due to the Paul Y incident, the HKMA and the DEVB, together with the Construction Industry Council, will communicate with the Hong Kong Association of Banks so that banks can consider providing assistance on a case-by-case basis. Relevant enterprises can proactively contact lending banks and provide all relevant information so that the banks can understand the actual circumstances of the enterprises in a timely manner and provide flexible arrangements as far as feasible.

In respect of employment rights and benefits, the Labour Department (LD) has all along been requiring Paul Y to pay wages and provide statutory rights to its employees in accordance with the Employment Ordinance (EO) and fulfil its obligations under the EO as a main contractor to pay the first two months' unpaid wages of an employee who is employed by its subcontractors. The LD will continue to maintain contact with Paul Y, its subcontractors and relevant stakeholders to co-ordinate assistance for employees. Employees of Paul Y and its subcontractors who have enquiries on their employment rights and benefits may call the LD's dedicated hotline at 3580 8721 or visit 10 branch offices of the Labour Relations Division in the territory.