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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)

DISCLOSEABLE TRANSACTION ENTRUSTED LOAN ARRANGEMENT

On 18 November 2011, Paul Y. Construction (China) Limited, an indirect wholly-owned subsidiary of the Company, had instructed China Construction Bank Corporation, Beijing Wang Fu Jing Sub-branch to act as a lending agent to, inter alia, release a loan in the principal amount of RMB25 million (equivalent to approximately HK\$30.8 million) to the Borrower.

The Group has 50% equity interest in the Borrower. Other than the equity interest through the Group, PYI Corporation Limited (“PYI”) indirectly owns the remaining 50% equity interest in the Borrower. PYI, being a substantial shareholder of the Company and owns or controls approximately 61.92% of the Company’s issued share capital, is a connected person of the Company within the meaning of the Listing Rules. The Borrower, being an associate of PYI, is also a connected person of the Company within the meaning of the Listing Rules. Accordingly, the Entrusted Loan Arrangement constitutes a connected transaction of the Company under Rule 14A of the Listing Rules. As the Entrusted Loan is provided in proportion to the Group’s equity interest in the Borrower, it is exempted from the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As one or more of the percentage ratios in respect of the amount of the Entrusted Loan Arrangement exceeds 5% but less than 25%, the Entrusted Loan Arrangement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

ENTRUSTED LOAN AGREEMENT

Date

18 November 2011

Name of the Parties

- (a) PYCC (an indirect wholly-owned subsidiary of the Company), as the lender
- (b) The Bank, as the lending agent
- (c) The Borrower, as the borrower

The Group has 50% equity interest in the Borrower. Other than the equity interest through the Group, PYI indirectly owns the remaining 50% equity interest in the Borrower. PYI, being a substantial shareholder of the Company and owns or controls approximately 61.92% of the Company's issued share capital, is a connected person of the Company within the meaning of the Listing Rules. The Borrower, being an associate of PYI, is also a connected person of the Company within the meaning of the Listing Rules.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquires, each of the Bank and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

Entrusted Loan Arrangement

PYCC has instructed the Bank to act as a lending agent to, inter alia, release a loan in the principal amount of RMB25 million (equivalent to approximately HK\$30.8 million), which is funded by internal resources of the Group, to the Borrower.

The Entrusted Loan is unsecured and carries floating-rate interest at the corresponding benchmark lending interest rate as announced by the People's Bank of China, which is currently 6.1% per annum. Interests for the Entrusted Loan shall be settled by the Borrower at the maturity date of the Entrusted Loan.

The Entrusted Loan will be for a tenor of three months from 18 November 2011 to 17 February 2012.

The principal amount of the Entrusted Loan will be repaid to PYCC in one lump sum upon the expiry of the term of the Entrusted Loan.

The Bank will receive 0.2% per annum of the principal amount of the Entrusted Loan as handling charges which shall be borne by the Borrower.

INFORMATION OF THE BORROWER

The principal activity of the Borrower is investment holding. Through its wholly-owned subsidiary, the Borrower indirectly owns 100% interest in a commercial building known as Pioneer Technology Building that is located at No. 298, Wei Ye Road, Binjiang District, Hangzhou City, Zhejiang Province, PRC.

INFORMATION OF THE GROUP AND PYCC

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

PYCC is principally engaged in construction business in the PRC.

REASONS FOR THE ENTRUSTED LOAN ARRANGEMENT

The Borrower needs a short term funding of RMB50 million for the business and operation of the Borrower and its subsidiary. The Board considers that the Entrusted Loan Arrangement, which is in proportion to the Group's 50% equity interest in the Borrower, is essential for the business and operation of the Borrower. The remaining RMB25 million was advanced by PYI Group at terms that are materially the same as that of the Entrusted Loan.

The Directors (including the Independent Non-Executive Directors) consider that the Entrusted Loan Arrangement is on normal commercial terms after arm's length negotiations between the parties, and the terms of the Entrusted Loan Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

Since the Borrower is a connected person of the Company, the Entrusted Loan Arrangement constitutes a connected transaction of the Company under Rule 14A of the Listing Rules. As the Entrusted Loan is provided in proportion to the Group's equity interest in the Borrower, it is exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the percentage ratios in respect of the amount of the Entrusted Loan Arrangement exceeds 5% but less than 25%, the Entrusted Loan Arrangement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“associate(s)”	:	has the meaning ascribed thereto under the Listing Rules
“Bank”	:	China Construction Bank Corporation, Beijing Wang Fu Jing Sub-branch, the lending agent of the Entrusted Loan
“Board”	:	the board of Directors
“Borrower”	:	Zhejiang Midland Property Co. Ltd., a company incorporated in the PRC with limited liability and is jointly owned by PYI and the Company in the proportion of 50:50
“Company”	:	Paul Y. Engineering Group Limited (HK stock code: 577), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“Directors”	:	Directors of the Company
“Group”	:	the Company and its subsidiaries
“Entrusted Loan”	:	the loan in the amount of RMB25 million to be made pursuant to the Entrusted Loan Agreement
“Entrusted Loan Agreement”	:	an agreement dated 18 November 2011 entered into between PYCC, the Bank and the Borrower in relation to the Entrusted Loan Arrangement
“Entrusted Loan Arrangement”	:	the provision of the Entrusted Loan by PYCC, through the Bank, to the Borrower
“HK\$”	:	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	:	the Hong Kong Special Administrative Region of the People Republic of China
“Listing Rules”	:	The Rules Governing the Listing of Securities on the Stock Exchange

“Macau”	:	the Macau Special Administrative Region of the People’s Republic of China
“PRC”	:	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“PYCC”	:	Paul Y. Construction (China) Limited, a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company
“PVI”	:	PVI Corporation Limited (HK stock code: 498), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“PVI Group”	:	PVI and its subsidiaries other than the Group
“RMB”	:	Renminbi, the lawful currency of the PRC
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.23. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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

Hong Kong, 18 November 2011

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

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

* *For identification purpose only*