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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)

CONTINUING CONNECTED TRANSACTIONS

SUBJECT TO RULE 14A.41 REQUIREMENTS

During the period from April 2010 to March 2013, certain subsidiaries of Paul Y. Engineering Group Limited (the “Company”, and together with its subsidiaries the “Group”) entered into various agreements with certain subsidiaries of ITC Properties Group Limited (“ITC Properties”, and together with its subsidiaries the “ITC Properties Group”) or entities jointly controlled by the ITC Properties Group for construction work relating to various projects being carried on by the ITC Properties Group.

On 13 March 2013, the shareholding interest of ITC Properties Group in the Company increased to 10.55%, meaning that ITC Properties became a substantial shareholder of the Company, and thus a connected person of the Company pursuant to Rule 14A.11(4) of the Listing Rules with effect from 13 March 2013. As a result, the transactions governed by the Agreements, which are carried out on a continuing basis and in the ordinary and usual course of business of the Group, began to constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules with effect from 13 March 2013.

Upon ITC Properties becoming a substantial shareholder of the Company, the Company took immediate steps to investigate whether there were any transactions between the Group and ITC Properties Group. Details of the Agreements entered into between the Group and ITC Properties Group and its affiliates are announced in this announcement under Rule 14A.41 of the Listing Rules, pursuant to which the Agreements are subject to the relevant reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and the relevant annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules.

* For identification purpose only

BACKGROUND INFORMATION

During the period from April 2010 to March 2013, the Group entered into various agreements with ITC Properties Group and/or entities jointly controlled by the ITC Properties Group for construction work relating to various projects being carried on by the ITC Properties Group. Details of the Agreements are set out as follows.

PRINCIPAL TERMS OF THE AGREEMENTS

1. 1st Agreement

Date: 29 April 2010

Parties

- (a) Archiplus, on behalf of Castle Win, an indirect wholly-owned subsidiary of ITC Properties, as the employer
- (b) PYCE, an indirect non wholly-owned subsidiary of the Company, as the contractor

Subject Matter

Contracting of design and build for pile foundation and pile cap works for a commercial redevelopment project at 703-705 Nathan Road, Kowloon, Hong Kong

Consideration payable to PYCE

HK\$18,580,000

Contract Period

330 calendar days from 31 May 2010, subject to actual completion and issue of the final accounts in respect of the contract

2. 2nd Agreement

Date: 28 October 2011

Parties

- (a) Archiplus, on behalf of Castle Win, an indirect wholly-owned subsidiary of ITC Properties, as the employer
- (b) PYBL, an indirect non wholly-owned subsidiary of the Company, as the contractor

Subject Matter

Contracting of main contract works for the above mentioned commercial redevelopment project at 703-705 Nathan Road, Kowloon, Hong Kong

Consideration payable to PYBL

HK\$83,400,000

Contract Period

390 calendar days from 28 October 2011, subject to actual completion and issue of the final accounts in respect of the contract

3. 3rd Agreement

Date: 16 January 2012

Parties

- (a) Keen Step, an indirect wholly-owned subsidiary of ITC Properties, as the employer
- (b) PYF, an indirect non wholly-owned subsidiary of the Company, as the contractor

Subject Matter

Contracting of excavation and lateral support, foundation and pile cap work for the hotel development project at 7 Moreton Terrace, Causeway Bay, Hong Kong

Consideration payable to PYF

HK\$47,990,000

Contract Period

600 calendar days from 28 March 2012, subject to actual completion and issue of the final accounts in respect of the contract

4. 4th Agreement

Date: 30 January 2012

Parties

- (a) Fortress Jet International Limited, Pine Cheer Limited and Sino Able Investments Limited, jointly controlled entities of ITC Properties, as the employer
- (b) PYF, an indirect non wholly-owned subsidiary of the Company, as the contractor

Subject Matter

Contracting of excavation and lateral support, foundation and pile cap works for the residential development project at 19-21 Shelter Street and 33-39 Tung Lo Wan Road, Causeway Bay, Hong Kong

Consideration payable to PYF

HK\$58,890,000

Contract Period

480 calendar days from 13 February 2012, subject to actual completion and issue of the final accounts in respect of the contract

5. 5th Agreement

Date: 20 December 2012

Parties

- (a) Fortress Jet International Limited, Pine Cheer Limited and Sino Able Investments Limited, jointly controlled entities of ITC Properties, as the employer
- (b) PY Building, an indirect non wholly-owned subsidiary of the Company, as the contractor

Subject Matter

Contracting of improvement works for the residential development project at 19-21 Shelter Street and 33-39 Tung Lo Wan Road, Causeway Bay, Hong Kong

Consideration payable to PY Building

HK\$5,820,000

Contract Period

Around four months from 5 October 2012, subject to actual completion and issue of the final accounts in respect of the contract

6. 6th Agreement

Date: 12 March 2013

Parties

- (a) Fortress Jet International Limited, Pine Cheer Limited and Sino Able Investments Limited, jointly controlled entities of ITC Properties, as the employer
- (b) PYBL, an indirect non wholly-owned subsidiary of the Company, as the contractor

Subject Matter

Contracting of main contract works for the residential development project at 19-21 Shelter Street and 33-39 Tung Lo Wan Road, Causeway Bay, Hong Kong

Consideration payable to PYBL

HK\$348,610,000

Contract Period

690 calendar days from 1 August 2013, subject to actual completion and issue of the final accounts in respect of the contract

The Agreements were entered into in the Group's ordinary and usual course of business.

The Directors (including the independent non-executive Directors) are satisfied that the Agreements were arrived at after arm's length negotiations, are on normal commercial terms, are fair and reasonable and are in the interests of the Company and Shareholders as a whole.

INFORMATION OF THE GROUP AND ITC PROPERTIES GROUP

The Company will develop a parcel of land situated on the Cotai Strip, Macau on which it proposes to build and manage an eminently exclusive hotel and entertainment destination called "Louis XIII". This project is the first of a series of ultra luxurious lifestyle experiences the Group is planning to offer the world's wealthiest. The Group is also engaged in international engineering services spanning Hong Kong, the PRC, Macau and the international market.

ITC Properties is an investment holding company and its subsidiaries are principally engaged in property development and investment in Macau, the PRC and Hong Kong. ITC Properties Group is also engaged in golf resort and leisure operations in the PRC, securities investments and the provision of loan financing services.

LISTING RULES IMPLICATIONS

On 13 March 2013, the shareholding interest of ITC Properties Group in the Company increased to 10.55%, meaning that ITC Properties became a substantial shareholder of the Company, and thus a connected person of the Company pursuant to Rule 14A.11(4) of the Listing Rules with effect from 13 March 2013. As a result, the transactions governed by the Agreements, which are carried out on a continuing basis and in the ordinary and usual course of business of the Group, began to constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules with effect from from 13 March 2013.

Upon ITC Properties becoming a substantial shareholder of the Company, the Company took immediate steps to investigate whether there were any transactions between the Group and ITC Properties Group. Details of the Agreements are announced in this announcement under Rule 14A.41 of the Listing Rules, pursuant to which the Agreements are subject to the relevant reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and the relevant annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules. The Company will comply in full with all applicable requirements under Chapter 14A of the Listing Rules upon any variation of renewal of the Agreements. In addition, the Company will consider the need for a new master business services agreement to govern all new continuing connected transactions to be entered into between members of the Group and the ITC Properties Group in the future. In this regard, the Company will, as applicable, make a further announcement and comply with other applicable requirements of Chapter 14A of the Listing Rules in due course.

DEFINITIONS

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

“Agreements”	:	The six agreements described in this announcement
“Archiplus”	:	Archiplus International (HK) Limited, the consultant appointed by Castle Win as the architect of its development project at 703-705 Nathan Road, Kowloon, Hong Kong
“Board”	:	board of Directors
“connected person(s)”	:	has the meaning ascribed to it in the Listing Rules
“Castle Win”	:	Castle Win International Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of ITC Properties
“Company”	:	Paul Y. Engineering Group Limited (HK stock code: 577), a company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange
“Directors”	:	Directors of the Company
“Group”	:	the Company and its subsidiaries
“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
“ITC Properties”	:	ITC Properties Group Limited (HK stock code: 199), a company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange
“ITC Properties Group”	:	ITC Properties and its subsidiaries
“Keen Step”	:	Keen Step Corporation Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of ITC Properties
“Listing Rules”	:	The Rules Governing the Listing of Securities on the Stock Exchange

“Macau”	:	the Macau Special Administrative Region of the PRC
“PRC”	:	the People’s Republic of China, and for the purpose of the announcement, excluding Hong Kong, Macau and Taiwan
“PYBL”	:	Paul Y. Builders Limited, a company incorporated in Hong Kong with limited liability and is an indirect non wholly-owned subsidiary of the Company
“PY Building”	:	Paul Y. Building Contractors Limited, a company incorporated in Hong Kong with limited liability and is an indirect non wholly-owned subsidiary of the Company
“PYCE”	:	Paul Y. Construction & Engineering Co. Limited, a company incorporated in Hong Kong with limited liability and is an indirect non wholly-owned subsidiary of the Company
“PYF”	:	Paul Y. Foundation Limited, a company incorporated in Hong Kong with limited liability and is an indirect non wholly-owned subsidiary of the Company
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	:	has the meaning ascribed thereto under the Listing Rules

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

Hong Kong, 2 April 2013

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

Mr Stephen Hung	:	Joint Chairman (Executive Director)
Mr Peter Lee Coker Jr.	:	Joint Chairman (Executive Director)
Mr Tom Ko Yuen Lau	:	Deputy Chairman (Executive Director)
Mr Walter Craig Power	:	Executive Director & Chief Executive Officer
Ir James Chiu, <i>OBE, JP</i>	:	Independent Non-Executive Director
Professor Lee Chack Fan, <i>SBS, JP</i>	:	Independent Non-Executive Director
Mr Iain Ferguson Bruce	:	Independent Non-Executive Director
Mr Francis Goutenmacher	:	Independent Non-Executive Director

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