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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 EXTENSION OF MATURITY DATE OF ENTRUSTED LOAN

On 16 February 2012, Paul Y. Construction (China) Limited, an indirect wholly-owned subsidiary of the Company, entered into an extension agreement with China Construction Bank Corporation, Beijing Wang Fu Jing Sub-branch and the Borrower, pursuant to which Paul Y. Construction (China) Limited agreed to extend the maturity date of a loan in the principal amount of RMB25 million (equivalent to approximately HK\$30.8 million) for three months from 17 February 2012 to 17 May 2012.

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 entering into of the Extension Agreement constitutes a connected transaction of the Company under Rule 14A of the Listing Rules. As the Entrusted Loan provided is in proportion to the Group’s equity interest in the Borrower, the entering into of the Extension Agreement 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 exceeds 5% but less than 25%, the entering into of the Extension Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

EXTENSION AGREEMENT

Reference is made to the announcement of the Company dated 18 November 2011 (the “Entrusted Loan Announcement”) in relation to the provision of a loan in the principal amount of RMB25 million (equivalent to approximately HK\$30.8 million) by PYCC, through the Bank, to the Borrower. The maturity date of the Entrusted Loan is 17 February 2012.

The Directors announce that on 16 February 2012, PYCC entered into the Extension Agreement with the Bank and the Borrower, pursuant to which PYCC agreed to extend the maturity date of the Entrusted Loan for three months from 17 February 2012 to 17 May 2012.

Summarised below are the principal terms of the Extension Agreement:

Date

16 February 2012

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.

Maturity Date

Maturity date of the Entrusted Loan is extended for three months from 17 February 2012 to 17 May 2012.

Save for the extension of the maturity date, all other terms of the Entrusted Loan Agreement remain unchanged and shall continue in full force and effect and summarised below:

Loan

RMB25 million (equivalent to approximately HK\$30.8 million) which had been advanced by PYCC, through the Bank, to the Borrower on 18 November 2011 and had been funded by internal resources of the Group.

Interest rate

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.

Repayment

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.

Handling charges

The Bank receives 0.2% per annum of the principal amount of the Entrusted Loan as handling charges which is 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 EXTENSION AGREEMENT

As disclosed in the Entrusted Loan Announcement, the Borrower needs a short term funding of RMB50 million for the business and operation of the Borrower and its subsidiary. The Directors consider that the extension of the maturity date of the Entrusted Loan, which is in proportion to the Group's 50% equity interest in the Borrower, for three months from 17 February 2012 to 17 May 2012 is essential for the business and operation of the Borrower. PYI Group also agreed to extend the maturity date of its advance of RMB25 million to the Borrower to 17 May 2012.

The Directors (including the Independent Non-Executive Directors) consider that the Extension Agreement is on normal commercial terms after arm's length negotiations between the parties, and the terms of the Extension 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 entering into of the Extension Agreement constitutes a connected transaction of the Company under Rule 14A of the Listing Rules. As the Entrusted Loan provided is in proportion to the Group's equity interest in the Borrower, the entering into of the Extension Agreement 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 exceeds 5% but less than 25%, the entering into of the Extension Agreement 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
“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
“Entrusted Loan”	:	the loan in the amount of RMB25 million (equivalent to approximately HK\$30.8 million) made by PYCC, through the Bank, to the Borrower 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
“Extension Agreement”	:	an agreement dated 16 February 2012 entered into between PYCC, the Bank and the Borrower in relation to the extension of the maturity date of the Entrusted Loan
“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
“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, 16 February 2012

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*