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EXCEL DEVELOPMENT (HOLDINGS) LIMITED

怡益控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1372)

MAJOR TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY

THE ACQUISITION

The Board announces that on 12 October 2015 (after trading hours), the Purchaser, the Guarantor and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Share and the Sale Loan for the Consideration of HK\$800,000,000. The Consideration shall be satisfied (i) as to HK\$410,000,000 by way of issue of the Promissory Notes to the Vendor (or its nominee(s)) upon Completion; and (ii) as to HK\$390,000,000 by way of issue of the Convertible Bonds with the Conversion Price (being HK\$2.0 per Conversion Share) to the Vendor (or its nominee(s)) upon Completion. Details of the payment terms are set out in the paragraph headed “Consideration” under the section headed “The Acquisition” below.

As at the date of this announcement, the Vendor is wholly owned by the Guarantor and the Vendor owns the entire equity interest in the Target Company, a company incorporated in BVI with limited liability, with its principal activities being investment holding. The Target Company owns the entire equity interest in the HK Company, a company incorporated in Hong Kong with limited liability. The HK Company owns the entire equity interest in the WFOE Company, a wholly foreign-owned enterprise established in the PRC with limited liability.

Upon entering into the Sale and Purchase Agreement between the Purchaser, the Guarantor and Vendor, the Target Company shall undergo the Business Restructuring (being one of the conditions precedent to the Sale and Purchase Agreement), in which the Target Company shall procure the WFOE Company to establish a PRC Company in Chongqing Province, PRC with its principal business activities being the development, production and sales of automotive engines. Further details of the Business Restructuring are set out in the paragraph headed “Business Restructuring” under the section headed “The Acquisition” below.

Upon Completion, the Target Group will principally be engaged in the development, production and sales of automotive engines and the Target Company and its subsidiaries will become subsidiaries of the Company and their results, assets and liabilities will be consolidated into the consolidated financial statements of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios of the Acquisition exceed 25% but are lower than 100%, the Acquisition constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules. Therefore, the Acquisition will be subject to the reporting, announcement and the Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Youth Force, a company wholly-owned by Mr. Jiang Jianhui, is a controlling Shareholder and directly owns 150,000,000 Shares, representing 75% of the issued share capital of the Company. As no Shareholder has any material interest in the Acquisition, no Shareholder (including Youth Force) would be required to abstain from voting if the Company were to convene an extraordinary general meeting to approve the Acquisition and the transactions contemplated thereunder. The Company has obtained a written approval from Youth Force for the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder. As such, no extraordinary general meeting of the Company will be convened by the Company to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

A Circular containing, among other things, further details of the Acquisition and the transactions contemplated thereunder, is expected to be despatched to Shareholders on or before 3 November 2015.

Shareholders and investors should note that completion of the Acquisition is subject to various conditions as stated in the section headed “Conditions precedent” below. Investors and Shareholders are therefore urged to exercise caution when dealing in the Shares.

The Board announces that on 12 October 2015 (after trading hours), the Purchaser, the Guarantor and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Share and the Sale Loan for the Consideration of HK\$800,000,000 which will be satisfied by the issue of the Promissory Notes and Convertible Bonds by the Company to the Vendor.

THE ACQUISITION

The Sale and Purchase Agreement

- Date : 12 October 2015 (after trading hours)
- Parties : (1) Future Marvel Limited, a wholly-owned subsidiary of the Company, as the Purchaser;
- (2) Power Expert Global Limited, as the Vendor; and
- (3) Ms. Weng Guangmin, as the Guarantor.

The Vendor is principally engaged in investment holding. As at the date of this announcement, the Vendor is wholly-owned by the Guarantor and the Vendor owns the entire equity interest in the Target Company, a company incorporated in BVI with limited liability, with its principal activities being investment holding. The Target Company owns the entire equity interest in the HK Company, a company incorporated in Hong Kong with limited liability. The HK Company owns the entire equity interest in the WFOE Company, a wholly foreign-owned enterprise established in the PRC with limited liability.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Guarantor and the Vendor are Independent Third Parties.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Share and the Sale Loan. The Sale Share, representing the entire issued share capital of the Target Company, will be sold free from all encumbrances together with all rights to any dividend or other distribution declared, made or paid after the date of the Sale and Purchase Agreement. The Sale Loan, representing the shareholder's loan owing by the Target Company to the Vendor at Completion, will be sold free from all encumbrances together with all rights attaching thereto as at the Completion Date.

The Purchaser shall not be obliged to purchase any of the Sale Share and the Sale Loan unless the sale and purchase of the Sale Share and the Sale Loan are completed simultaneously.

As at 8 October 2015, the Sale Loan amounted to approximately HK\$49,696,000.

Consideration

The Consideration of HK\$800,000,000 is to be satisfied in the following manner:

- (i) as to HK\$410,000,000 by way of issue of the Promissory Notes to the Vendor (or its nominee(s)) upon Completion; and
- (ii) as to HK\$390,000,000 by way of issue of the Convertible Bonds with the Conversion Price (being HK\$2.0 per Conversion Share) to the Vendor (or its nominee(s)) upon Completion.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser after taking into account (i) the Profit Guarantee provided by the Vendor; and (ii) the future prospects of the Target Company.

The Valuation Report will adopt the discounted cash flow method under the income approach. Under Rule 14.61 of the Listing Rules, any valuation based on discounted cash flows will be regarded as a profit forecast. The Company will comply with the requirements of Rule 14.62 of the Listing Rules in the Circular.

Adjustment to Consideration

Profit Guarantee

Pursuant to the Sale and Purchase Agreement, the Guarantor and the Vendor have warranted and guaranteed to the Purchaser that (i) the audited consolidated profit after tax (the "**Audited CPAT**") of the Target Group as shown in the audited consolidated accounts of the Group for the twelve (12) full calendar months period commencing from the 1st calendar day of the month following Completion (the "**1st Profit Guarantee Period**") shall not be less than HK\$170,000,000 (the "**1st Guaranteed Profit**"); and (ii) the Audited CPAT of the Target Group as shown in the audited consolidated accounts of the Group for the twelve (12) full calendar months period immediately following the 1st Profit Guarantee Period (the "**2nd Profit Guarantee Period**") (together with the 1st Profit Guarantee Period, collectively being the "**Relevant Periods**") shall not be less than HK\$230,000,000 (the "**2nd Guaranteed Profit**").

Immediately upon the issue of the Promissory Notes and the Convertible Bonds, the Promissory Notes and the Convertible Bonds shall be deposited with the Escrow Agent until the Payment Date as security for the 1st Guaranteed Profit and the 2nd Guaranteed Profit.

In the event that (i) the actual Audited CPAT of the Target Group for the 1st Profit Guarantee Period (the "**1st Period Actual Profit**"); and/or (ii) the actual Audited CPAT of the Target Group for the 2nd Profit Guarantee Period (the "**2nd Period Actual Profit**") (collectively the "**Actual Profits**") as shown in the Auditors' certificate (as defined below) is/are less than the 1st Guaranteed Profit or the 2nd Guaranteed Profit (as the case may be), the Vendor shall compensate (the "**Compensation**") the Purchaser by 3 times of the aggregate amount of shortfall of the Relevant Periods, as calculated according to the following formulae:

$$\text{Compensation for the 1st Profit Guarantee Period} = \text{1st Guaranteed Profit} \times \frac{(\text{1st Guaranteed Profit} - \text{1st Period Actual Profit})}{\text{HK\$400,000,000}} \times 3$$

$$\text{Compensation for the 2nd Profit Guarantee Period} = \text{2nd Guaranteed Profit} \times \frac{(\text{2nd Guaranteed Profit} - \text{2nd Period Actual Profit})}{\text{HK\$400,000,000}} \times 3$$

The maximum amounts of the Compensation for the 1st Profit Guarantee Period and the Compensation for the 2nd Profit Guarantee Period are limited to HK\$340,000,000 and HK\$460,000,000 respectively.

The multiple of 3 was arrived at after arm's length negotiations between the Purchaser and the Vendor.

In the event that payment of the Compensations be required, the Vendor shall be obliged to compensate the Purchaser upon the receipt of the auditors' certificate(s) for the Audited CPAT of the Target Group (the "**Auditors' Certificate(s)**") for the 1st Profit Guarantee Period (the "**1st Auditors' Certificate**") and/or the 2nd Profit Guarantee Period (the "**2nd Auditors' Certificate**") (as the case may be) an amount equivalent to (i) Compensation for the 1st Profit Guarantee Period; and/or (ii) the Compensation for the 2nd Profit Guarantee Period respectively by (a) first cancelling the corresponding outstanding principal amount of the Promissory Notes; and (b) if all the outstanding amount of the Promissory Notes has been cancelled, cancelling the corresponding outstanding principal amount of the Convertible Bonds.

If the cancellation of all the principal amount of the Promissory Notes and the Convertible Bonds is not sufficient to set off the amount of the Compensation, the Vendor shall pay the shortfall in cash to the Purchaser within 14 days after receipt of the relevant Auditors' Certificate.

If the 1st Period Actual Profit is equal to or more than the 1st Guaranteed Profit, the Vendor and the Purchaser shall procure the Escrow Agent to release to the Vendor the Promissory Notes in the principal amount of HK\$174,250,000 and the Convertible Bonds in the principal amount of HK\$165,750,000 within 10 Business Days after the issue of the 1st Auditors' Certificate (or such other day as the Vendor and the Purchaser may agree).

If the 2nd Period Actual Profit is equal to or more than the 2nd Guaranteed Profit, the Vendor and the Purchaser shall procure the Escrow Agent to release to the Vendor the Promissory Notes in the principal amount of HK\$235,750,000 and the Convertible Bonds in the principal amount of HK\$224,250,000 within 10 Business Days after the issue of the 2nd Auditors' Certificate (or such other day as the Vendor and the Purchaser may agree).

The Vendor and the Purchaser shall procure that the respective audited consolidated financial statements of the Target Group (the "**Consolidated AFS**") for each of the 1st Profit Guarantee Period and the 2nd Profit Guarantee Period be prepared, issued and reported on by the auditors in accordance with Hong Kong Financial Reporting Standards before the date falling three (3) months after the expiry of each of the Relevant Periods. The respective Auditors' Certificate for each of the Relevant Periods shall be delivered together with the relevant Consolidated AFS.

For the avoidance of doubt, should the Target Group record a loss in its Consolidated AFS during the Relevant Periods, the Actual Profits for the corresponding Relevant Periods shall be deemed as zero.

Business Restructuring

Upon entering into the Sale and Purchase Agreement between the Purchaser, the Guarantor and the Vendor, the Target Company shall undergo the Business Restructuring (being one of the conditions precedent to the Sale and Purchase Agreement) prior to Completion which

includes the establishment of the PRC Company by the WFOE Company. Upon the establishment of the PRC Company, the PRC Company will become a wholly-owned subsidiary of the WFOE Company.

Conditions precedent

Completion is conditional upon the satisfaction or waiver (as the case may be) of the following conditions:

- (i) the Purchaser being satisfied with the results of the due diligence review;
- (ii) all necessary consents and approvals in relation to the sale and purchase of the Sale Share and Sale Loan contemplated under the Sale and Purchase Agreement having been obtained by the Vendor and the Guarantor;
- (iii) all necessary consents and approvals in relation to the sale and purchase of the Sale Share and Sale Loan contemplated under the Sale and Purchase Agreement having been obtained by the Purchaser;
- (iv) (if necessary) the Shareholders having passed the resolution(s) at an extraordinary general meeting of the Company to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of the Promissory Notes and the Convertible Bonds and the allotment and issue of the Conversion Shares);
- (v) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares;
- (vi) all guarantees, representations and warranties given by the Vendor under the Sale and Purchase Agreement remaining valid, true and correct in all respects as at Completion;
- (vii) the obtaining of a PRC legal opinion (in the form and substance satisfactory to the Purchaser) issued by a PRC legal adviser appointed by the Purchaser on the Target Company, the Business Restructuring and transactions contemplated under the Sale and Purchase Agreement;
- (viii) the due and proper completion of the Business Restructuring and if necessary, all necessary registration procedures in relation to the Business Restructuring having completed by the Vendor;
- (ix) the obtaining of a valuation report (in the form and substance satisfactory to the Purchaser) issued by the Independent Valuer appointed by the Purchaser showing that the valuation of the Target Group to be not less than HK\$800,000,000 as at the reference date to be agreed by the Vendor and the Purchaser based on the discounted cash flow model;
- (x) signing of the Service Agreement;
- (xi) signing of the Automotive Engine Sales Framework Agreements;
- (xii) the completion of the purchase of the Engine Production Line by the PRC Company.

The Vendor shall use its best endeavours to procure the fulfilment of the conditions (i), (ii), (vi) to (xii) above. The Purchaser shall use its best endeavours to procure the fulfilment of the conditions (iii) to (v) above by the Long Stop Date (as defined below). Save for conditions set out in (i) and (vi) above which can be waived by the Purchaser by notice in writing, no other

conditions precedent can be waived. If any of the conditions set out above shall not have been fulfilled (or waived, as the case may be) on or before 31 March 2016 or such other date as the Vendor, the Guarantor and the Purchaser may agree in writing (the “**Long Stop Date**”), the Sale and Purchase Agreement shall cease and determine and no parties shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place on the Completion Date, being the third Business Day after the fulfilment (or waiver, as the case may be) of the conditions set out above, or such other date as the Vendor and the Purchaser may agree in writing.

Upon Completion, the Target Company and its subsidiaries will become subsidiaries of the Company and their results, assets and liabilities will be consolidated into the consolidated financial statements of the Company.

THE PROMISSORY NOTES

The Company will issue the Promissory Notes in the aggregate principal amount of HK\$410,000,000 to the Vendor as part of the Consideration upon Completion. The Promissory Notes are unsecured and at an interest rate of 10% per annum. The interest is payable at maturity. The Promissory Notes are transferrable (except to the connected person(s) of the Company) and will mature at the 2nd anniversary from the date of issue.

The Promissory Notes are redeemable early by the Company for any principal amount of not less than HK\$10,000,000 (or all the outstanding principal amount if such amount is less than HK\$10,000,000) together with the outstanding interest accrued on the redemption amount by not less than 10 Business Days’ written notice to the holder of the Promissory Notes.

For the fulfilment of the Vendor’s obligations under the Profit Guarantee, the Vendor and the Purchaser agree that the Promissory Notes in an aggregate face value of HK\$410,000,000 shall be deposited with the Escrow Agent by the Vendor in favour of the Company after the Completion. For further details of the deposit, please refer to information as set out in the section headed “Adjustment to Consideration” above.

THE CONVERTIBLE BONDS

Pursuant to the terms of the Sale and Purchase Agreement, the Company will issue the Convertible Bonds in the principal amount of HK\$390,000,000 to the Vendor as part payment of the Consideration upon Completion.

For the fulfilment of the Vendor’s obligations under the Profit Guarantee, the Vendor and the Purchaser agree that the Convertible Bonds in the principal amount of HK\$390,000,000 shall be deposited with the Escrow Agent by the Vendor in favour of the Company after the Completion. For further details of the deposit, please refer to information as set out in the section headed “Adjustment to Consideration” above.

The terms of the Convertible Bonds have been negotiated on an arm’s length basis, principal terms of which are summarised as follows:

Issuer : the Company

Maturity Date : the 2nd anniversary of the issue date of the Convertible Bonds

- Interest : The Convertible Bonds shall not bear any interest
- Conversion period : The period commencing on the date of issue of the Convertible Bonds and ending on the Maturity Date
- Conversion Price : HK\$2.00 per Conversion Share (subject to adjustments)
- Aggregate principal amount : HK\$390,000,000
- Transferability : the Convertible Bonds cannot be transferred without the prior written consent of the Company, save where transfer is made to a wholly-owned subsidiary of the holder of the Convertible Bonds (“**Bondholder**”), or the holding company of such Bondholder owning the entire issued share capital of such Bondholder, provided that the Convertible Bonds will be re-transferred to such Bondholder immediately upon the transferee ceasing to be a wholly-owned subsidiary of such Bondholder or a holding company of the Bondholder who owns the entire issued share capital of such Bondholder, in which case no prior written consent from the Company shall be required.
- Conversion : holder(s) of the Convertible Bonds shall have the right at any time from date of issue of the Convertible Bonds up to 4:00 p.m. on the Maturity Date to convert in whole or in part the outstanding principal amount of the Convertible Bonds in whole multiples of HK\$1,000,000 into Conversion Shares, save that if at any time the outstanding principal amount of the Convertible Bonds is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted, provided that any conversion of the Convertible Bonds (i) does not trigger any mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholder which exercised the conversion rights, representing more than 30% or more (or such other percentage as stated in Rule 26 of the Takeovers Code in effect from time to time) of the then issued share capital of the Company or otherwise pursuant to other provisions of the Takeovers Code; and (ii) does not result in the public float of the Shares being less than 25% (or any given percentage as required by the Listing Rules.) of the issued Shares of the Company
- Adjustments to Conversion Price : the Conversion Price is subject to adjustments upon the occurrence of subdivision or consolidation of Shares, capitalisation issues, capital distribution, rights issues, issue of securities wholly for cash, alteration of conversion or exchange price of convertible or exchangeable securities, such adjustments shall be determined by approved merchant bank or the auditors of the Company in such manner as they consider appropriate in accordance with the terms and conditions of the Convertible Bonds.

- Early redemption : the Company may at any time before the maturity date by serving at least ten (10) days' prior written notice on the Bondholder with the total amount proposed to be redeemed from the Bondholder specified therein, redeem the Convertible Bonds (in whole or in part) at 100% of the principal amount of such Convertible Bonds.
- Voting rights : holder(s) of the Convertible Bonds shall not be entitled to attend or vote at any general meeting of the Company.
- Listing : the Convertible Bonds will not be listed on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Assuming there will be no issue or repurchase of Shares from the date of this announcement, upon the exercise in full of the conversion rights attaching to the Convertible Bonds at the Conversion Price, the Company will allot and issue an aggregate of 195,000,000 Conversion Shares, representing (i) approximately 97.50% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 49.37% of the issued share capital of the Company as enlarged by allotment and issue of the Conversion Shares.

The Conversion Shares will be allotted and issued under the specific mandate. The Conversion Shares shall rank equally among themselves and pari passu in all respects with the Shares in issue on the date of allotment and issue of the Conversion Shares.

THE CONVERSION PRICE

The Conversion Price, being HK\$2.0 per Share, was determined after arm's length negotiations between the Company and the Vendor, which represents:

- (a) a discount of approximately 60.78% to the closing price of HK\$5.10 per Share as quoted on the Stock Exchange on 12 October 2015, being the Last Trading Day;
- (b) a discount of approximately 58.76% to the average closing price of HK\$4.85 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including Last Trading Day;
- (c) a discount of approximately 56.99% to the average closing price of HK\$4.65 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including Last Trading Day;
- (d) a premium of approximately 76.99% over the consolidated net assets attributable to equity holders of the Company of approximately HK\$1.13 per Share as at 31 March 2015, based on the consolidated net assets according to the Company's annual report and the number of issued Shares as at the date of this announcement; and
- (e) a premium of approximately 127.27% over the adjusted consolidated net assets attributable to equity holders of the Company upon reducing the total amount of special cash dividend i.e. HK\$50,000,000 declared by the Company on 4 August 2015 of approximately HK\$0.88 per Share as at 31 March 2015, based on the consolidated net assets according to the Company's annual report and the number of issued Shares as at the date of this announcement.

APPLICATION FOR LISTING

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the conversion rights attached to the Convertible Bonds.

EFFECT ON THE SHAREHOLDING STRUCTURE

The following chart depicts the effects of the issue of the Conversion Shares on the shareholding structure of the Company based on the issued share capital and shareholding structure of the Company as at the date of this announcement and assuming Completion has taken place and the exercise in full of conversion rights attaching to the Convertible Bonds at the Conversion Price, without taking into account issue of new Shares, if any, after the date of this announcement and prior to Completion:

	As at the date of this announcement		Immediately after the allotment and issue of the Conversion Shares upon the exercise in full of the conversion rights attaching to the Convertible Bonds	
	No. of shares	%	No. of shares	%
Youth Force (<i>Note</i>)	150,000,000	75.00	150,000,000	37.97
Public Shareholders	50,000,000	25.00	50,000,000	12.66
Vendor	—	—	195,000,000	49.37
Total	<u>200,000,000</u>	<u>100.00</u>	<u>395,000,000</u>	<u>100.00</u>

Note:

As at the date of this announcement, Youth Force is wholly-owned by Mr. Jiang Jianhui.

INFORMATION ON THE VENDOR AND THE TARGET COMPANY

The Vendor, a company incorporated in BVI with limited liability, is wholly owned by Ms. Weng Guangmin, being the Guarantor.

As at the date of this announcement, the Vendor owns the entire equity interest in the Target Company, a company incorporated in BVI with limited liability. The Target Company owns the entire equity interest in the HK Company, a company incorporated in Hong Kong with limited liability. The HK Company owns the entire equity interest in the WFOE Company, a company established in the PRC with limited liability.

Upon completion of the Business Restructuring, the WFOE Company will own the entire equity interest in the PRC Company.

Signing of the Service Agreement

Pursuant to the Sale and Purchase Agreement, prior to the Completion, the Guarantor shall enter into the Service Agreement with the PRC Company.

Pursuant to the Service Agreement, the Vendor shall appoint the Guarantor to be the PRC Company's director for a term of two years and responsible for the PRC Company's daily business operation.

Signing of the Automotive Engine Sales Framework Agreements

Pursuant to the Sale and Purchase Agreement, prior to the Completion, the PRC Company shall enter into the First Automotive Engine Sales Framework Agreement, Second Automotive Engine Sales Framework Agreement and Third Automotive Engine Sales Framework Agreement, with BAIC Yinxiang Automobile Co., Limited[#] (北汽銀翔汽車有限公司), ChongQing Mystery Speed Automobile Accessory Limited[#] (重慶幻速汽車配件有限公司) and ChongQing North Automobile Company Limited[#] (重慶比速汽車有限公司) (“**Chong Qing North Automobile**”) respectively, with terms that shall be satisfied by the Purchaser.

Signing of the Factory Leasing Agreement

Pursuant to the Sale and Purchase Agreement, the Vendor shall procure Chong Qing North Automobile to obtain the property ownership certificate for a factory (the “**Factory**”) located in Tuchang Village, Hechuan District, Chongqing City, PRC, with an total area of approximately 20,000 square meters within 6 months after the date of the Sale and Purchase Agreement. The Vendor shall also procure ChongQing North Automobile to enter into the Factory Leasing Agreement (in the form and substance satisfactory to the Purchaser) leasing the Factory to the PRC Company within 3 Business Days after the obtaining of the property ownership certificate of the Factory. The Vendor shall further procure Chongqing North Automobile to allow the PRC Company to use the Factory free of charge before the entering into the Factory Leasing Agreement.

Purchase of the Engine Production Line

On 8 October 2015, the PRC Company entered into the Production Line Agreement with Beijing Guangan Xinye Information Consultation Centre[#] (北京廣安信業信息諮詢中心) in relation to the purchase of the Engine Production Line by the PRC Company at the consideration of RMB40,000,000.

Financial information of the Target Group

The Target Company was incorporated in BVI on 22 September 2015 and the Target Company acquired the HK Company in early October 2015, therefore the Target Group has not incurred any turnover, profit or loss after tax yet.

Set out below is the summary of the net assets and total assets extracted from the consolidated financial statements of the Target Group for the period ended 8 October 2015:

	As at 8 October 2015 <i>HK\$</i>
Net assets	8
Total assets	<u>49,703,419</u>

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on Main Board of the Stock Exchange, is an investment holding company. The Group is principally engaged in civil engineering works as well as building construction and maintenance in Hong Kong.

Whilst the Group maintains its core business in these areas, the Board continuously explores different investment opportunities and is of the view that the Acquisition presents an excellent opportunity for the Group to expand its business portfolio into the automobile sector. The Target Group will contribute to the consolidated cash flow and income of the Group immediately following completion of the Acquisition.

The State Council of the PRC released an announcement on “No Restriction on New Energy Cars by the State Council the People’s Republic of China” (國務院:新能源車不得限行), which emphasised that from 1 October 2015 to 31 December 2016, the PRC government would implement a 50 percent reduction in the tax on buying vehicles for passenger vehicles which are under 1,600 cubic centimeters (the “cc”) displacement in mainland China. With a lower taxation on purchasing cars, this encourages residents to acquire their vehicles thus stimulating the demand on automobiles and hence will have a positive impact on the automotive engine business segment in general.

In consideration of the Profit Guarantee and the future prospects of the Target Company as mentioned above, the Board considers that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more the applicable percentage ratios of the Acquisition exceed 25% but are lower than 100%, the Acquisition constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules. Therefore, the Acquisition will be subject to the reporting, announcement and the Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Youth Force, a company wholly-owned by Mr. Jiang Jianhui, is a controlling Shareholder and directly owns 150,000,000 Shares, representing 75% of the issued share capital of the Company. As no Shareholder has any material interest in the Acquisition, no Shareholder (including Youth Force) would be required to abstain from voting if the Company were to convene an extraordinary general meeting to approve the Acquisition and the transactions contemplated thereunder. The Company has obtained a written approval from Youth Force for the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder. As such, no extraordinary general meeting of the Company will be convened by the Company to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

A Circular containing, among other things, further details of the Acquisition and the transactions contemplated thereunder, is expected to be despatched to Shareholders on or before 3 November 2015.

WARNING

Shareholders and investors should note that completion of the Acquisition is subject to various conditions as stated in the section headed “Conditions precedent” above. Investors and Shareholders are therefore urged to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Share and Sale Loan under the Sale and Purchase Agreement
“Automotive Engine Sales Framework Agreements”	The First Automotive Engine Sales Framework Agreement, Second Automotive Engine Sales Framework Agreement and Third Automotive Engine Sales Framework Agreement
“Board”	the board of Directors
“Business Days”	a day (excluding Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are generally open for business
“Business Restructuring”	the business restructuring undergone by the Target Company prior to the Completion including the establishment of the PRC Company by the WFOE Company and upon the establishment of the PRC Company, the PRC Company will become a wholly-owned subsidiary of the WFOE Company
“BVI”	the British Virgin Islands
“Circular”	the circular to be issued by the Company to the Shareholders as required under the Listing Rules in respect of the Acquisition
“Company”	Excel Development (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1372)
“Completion”	completion of the sale and purchase of the Sale Share and Sale Loan pursuant to the Sale and Purchase Agreement
“Completion Date”	the date which is the third (3rd) Business Day after the date on which the conditions precedent under the Sale and Purchase Agreement are satisfied or waived or such other date as the Purchaser and the Vendor may agree in writing
“Connected Person(s)”	as defined in the Listing Rules
“Consideration”	the aggregate consideration of HK\$800,000,000 payable in respect of the proposed Acquisition pursuant to the Sale and Purchase Agreement

“Conversion Price”	the initial conversion price of HK\$2.0 per Conversion Share upon the exercise of the conversion rights attaching to the Convertible Bonds
“Conversion Shares”	the new Shares to be allotted and issued to the holder of the Convertible Bonds by the Company upon exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the zero coupon convertible bonds to be issued by the Company upon Completion pursuant to the terms of the Sale and Purchase Agreement in partial settlement of the Consideration, details of which are set out in the paragraph headed “The Convertible Bonds” above
“Directors”	directors of the Company
“Engine Production Line”	the underlying engine production line pursuant to the Production Line Agreement
“Escrow Agent”	the escrow agent to be engaged by the Purchaser, the Company and the Vendor at Completion in respect of the escrow arrangement of the Promissory Notes and the Convertible Bonds
“Factory Leasing Agreement”	the factory leasing agreement to be entered into by the PRC Company and ChongQing North Automobile Company Limited (重慶比速汽車有限公司*) in relation to the leasing of the factory located in Tuchang Village, Hechuan District, Chongqing City, PRC
“First Automotive Engine Sales Framework Agreement”	the framework agreement to be entered into by the PRC Company and BAIC Yinxiang Automobile Co., Limited# (北汽銀翔汽車有限公司) in relation to the supply of automotive engines by the PRC Company to BAIC Yinxiang Automobile Co., Limited# (北汽銀翔汽車有限公司)
“Group”	the Company and its subsidiaries
“Guarantor”	Ms. Weng Guangmin
“HK Company”	Smart Source Corporation Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Target Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) are third parties independent of the Group and its connected persons in accordance with the Listing Rules
“Independent Valuer”	an independent professional valuer to be appointed by the Purchaser conduct the business valuation on the Target Company and its subsidiaries
“Last Trading Day”	12 October 2015, being the date of this announcement

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the second anniversary of the date of issue of the Convertible Bonds
“Payment Date”	the date on which the Promissory Notes and Convertible Bonds are released to the Vendor or its nominee(s) in accordance with the terms of the Sale and Purchase Agreement
“PRC”	the Peoples Republic of China, for the purposes of this announcement and for geographical reference only, excludes Taiwan, the Macao Special Administrative Region and Hong Kong
“PRC Company”	a company to be established by the WFOE Company in Chongqing City, PRC with limited liability pursuant to the Business Restructuring
“Production Line Agreement”	the agreement entered into by the WFOE Company and Beijing Guangan Xinye Information Consultation Centre [#] (北京廣安信業信息諮詢中心) on 8 October 2015 in relation to the purchase of the Engine Production Line by the WFOE Company
“Profit Guarantee”	the guarantee of the 1st Guaranteed Profit and the 2nd Guaranteed Profit given by the Vendor under the Sale and Purchase Agreement
“Promissory Notes”	10% interest bearing promissory notes in the aggregate principal amount of HK\$410,000,000 to be issued by the Company to the Vendor (or its nominee(s)) for part of the Consideration which shall be due on the 2nd anniversary from the date of its issue
“Purchaser”	Future Marvel Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the agreement dated 12 October 2015 entered into between the Purchaser, the Vendor and the Guarantor in relation to the sale and purchase of the Sale Share and Sale Loan
“Sale Loan”	the shareholder’s loan owing by the Target Company to the Vendor at Completion and all obligations, liabilities and debts owing or incurred by the Target Group to the Vendor on Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion. As at 8 October 2015, the Sale Loan amounted to approximately HK\$49,696,000
“Sale Share”	One (1) share in the Target Company, representing the entire issued share capital of the Target Company
“Second Automotive Engine Sales Framework Agreement”	the framework agreement to be entered into by the PRC Company and ChongQing Mystery Speed Automobile Accessory Limited [#] (重慶幻速汽車配件有限公司) in relation to the supply of automotive engines by the PRC Company to ChongQing Mystery Speed Automobile Accessory Limited [#] (重慶幻速汽車配件有限公司)

“Service Agreement”	the agreement entered into by the Guarantor and the PRC Company in relation to the appointment of Guarantor to be a director of the PRC Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each of the Company
“Shareholders”	Shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target Company”	Well Surplus Enterprises Limited, a company incorporated in BVI with limited liability and wholly owned by Power Expert Global Limited
“Target Group”	Target Company and its subsidiaries
“Third Automotive Engine Sales Framework Agreement”	the framework agreement to be entered into by the PRC Company and ChongQing North Automobile Company Limited [#] (重慶比速汽車有限公司) in relation to the supply of automotive engines by the PRC Company to ChongQing North Automobile Company Limited [#] (重慶比速汽車有限公司)
“Valuation Report”	the valuation report on the Target Group to be prepared by the Independent Valuer
“Vendor”	Power Expert Global Limited, a company incorporated in BVI with limited liability, which is wholly-owned by Ms. Weng Guangmin
“WFOE Company”	Lianyungang Signality and Information Consulting Services Co., Ltd [#] (連雲港訊利信息諮詢服務有限公司), a wholly foreign-owned enterprise established in the PRC with limited liability and wholly-owned by the HK Company
“Youth Force”	Youth Force Asia Limited, a company incorporated in BVI with limited liability and a controlling Shareholder
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

[#] *The Chinese names have been translated into English in this announcement for reference only*

By Order of the Board
Excel Development (Holdings) Limited
Wong Hin Shek
Chairman

Hong Kong, 12 October 2015

As at the date of this announcement, the executive Directors are Mr. Wong Hin Shek and Mr. Xing Bin; and the independent non-executive Directors are Ms. Chu Yin Yin, Georgiana, Mr. Yip Tai Him and Mr. Chan Kai Wing.