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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

The board (the “**Board**”) of directors (the “**Directors**”) of Excel Development (Holdings) Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results and financial position of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2016 (the “**period**”) with comparative figures for the corresponding period in the previous year as follows and this condensed consolidated interim financial information has not been audited, but has been reviewed by the audit committee of the Company (the “**Audit Committee**”):

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 September 2016

		Unaudited	
		Six months ended	
		30 September	
		2016	2015
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	6	867,260	221,022
Cost of sales		(783,873)	(210,549)
Gross profit		83,387	10,473
Other income and gains	6	5,231	5,275
Administrative expenses		(27,762)	(17,501)
Finance costs		(30,946)	(12)
Change in fair value of a financial asset at fair value through profit or loss	11	1,066	–
Profit/(loss) before tax	7	30,976	(1,765)
Income tax expense	8	(10,910)	(420)
Profit/(loss) for the period		20,066	(2,185)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (Continued)**

Six months ended 30 September 2016

		Unaudited	
		Six months ended	
		30 September	
		2016	2015
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(9,113)</u>	—
OTHER COMPREHENSIVE LOSS FOR THE PERIOD			
		<u>(9,113)</u>	—
Total comprehensive income/(loss) attributable to owners of the parent		<u><u>10,953</u></u>	<u><u>(2,185)</u></u>
Earnings/(loss) per share attributable to owners of the parent			
Basic and diluted (HK cents)	<i>10</i>	<u><u>10.0</u></u>	<u><u>(1.09)</u></u>

Details of dividend for the period are disclosed in note 9 to this announcement.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 September 2016

		Unaudited 30 September 2016 <i>HK\$'000</i>	Audited 31 March 2016 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		46,660	48,327
Goodwill		490,948	490,948
Intangible assets		659,520	687,523
		<hr/>	<hr/>
Total non-current assets		1,197,128	1,226,798
		<hr/>	<hr/>
CURRENT ASSETS			
Financial asset at fair value through profit or loss	11	10,702	9,636
Inventories		282,468	1,622
Gross amount due from customers for contracts works		37,943	30,150
Accounts receivable	12	826,018	396,360
Tax recoverable		3,177	3,177
Prepayments, deposits and other receivables		19,435	18,308
Cash and cash equivalents		30,997	16,885
		<hr/>	<hr/>
Total current assets		1,210,740	476,138
		<hr/>	<hr/>
CURRENT LIABILITIES			
Accounts payable	13	845,772	225,796
Accruals of costs for contract works		70,601	38,688
Tax payable		10,254	2,926
Other payables and accruals		18,605	19,531
Interest-bearing other borrowings		22,814	13,013
		<hr/>	<hr/>
Total current liabilities		968,046	299,954
		<hr/>	<hr/>
NET CURRENT ASSETS		242,694	176,184
		<hr/>	<hr/>
Total assets less current liabilities		1,439,822	1,402,982
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Convertible bonds	14	353,317	340,316
Promissory notes	15	443,662	426,576
Deferred tax liabilities		98,939	103,139
		<hr/>	<hr/>
Total non-current liabilities		895,918	870,031
		<hr/>	<hr/>
Net assets		543,904	532,951
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

30 September 2016

		Unaudited	Audited
		30 September	31 March
		2016	2016
	<i>Notes</i>	HK\$'000	HK\$'000
EQUITY			
Equity attributable to owners of the parent			
Share capital		2,000	2,000
Equity component of convertible bonds	<i>14</i>	390,716	390,716
Reserves		151,188	140,235
		<hr/>	<hr/>
Total equity		543,904	532,951
		<hr/> <hr/>	<hr/> <hr/>

NOTES

1. CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 21st Floor, 1 Duddell Street, Central, Hong Kong.

During the six months ended 30 September 2016, the Group was principally engaged in the following principal activities:

- Civil engineering works and building construction and maintenance works (the “**Civil Engineering and Construction Business**”)
- Development, production and sales of automotive engines (the “**Automotive Engines Business**”)

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 September 2016 has been prepared in accordance with Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The accounting policies and the basis of preparation adopted in the preparation of this condensed consolidated interim financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2016.

This condensed consolidated interim financial information has been prepared under the historical cost convention, except for financial asset at fair value through profit or loss, which have been measured at fair value. This condensed consolidated interim financial information is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand unless otherwise indicated. Other than those subsidiaries established in the People’s Republic of China (the “**PRC**”) whose functional currency is Renminbi (“**RMB**”), the functional currency of the Group is HK\$.

This condensed consolidated interim financial information has not been audited or reviewed by the Company’s external auditors, but has been reviewed by the Audit Committee.

3. PRINCIPAL ACCOUNTING POLICIES

In the period, the Group has adopted the following new and revised Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the HKICPA that are relevant for the Group’s financial year beginning 1 April 2016:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendment to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The adoption of these new and revised HKFRSs has had no significant impact on the accounting policies of the Group and the methods of computation in the Group’s unaudited condensed consolidated interim financial information.

The Group has not early adopted any new and revised HKFRSs that have been issued but are not yet effective, in this condensed consolidated interim financial information. The Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application. So far, the Group considers that the new and revised HKFRSs that are not yet effective are unlikely to have a significant impact on the Group’s results of operations and financial position.

4. ESTIMATES

The preparation of this condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group as at and for the year ended 31 March 2016.

5. SEGMENT INFORMATION

During the six months ended 30 September 2015, the Group’s revenue, expenses and assets were generated solely from the Civil Engineering and Construction Business in Hong Kong. The management of the Group made decisions about resources allocation and assessed performance of the Group based on the operating results from the business activities of the Civil Engineering and Construction Business. Accordingly, the directors are of the opinion that the Civil Engineering and Construction Business in Hong Kong was a single reportable operating segment of the Group for the six months ended 30 September 2015.

5. SEGMENT INFORMATION (Continued)

On 12 October 2015, the Group entered into a sale and purchase agreement (the “**Engines SPA**”) with Power Expert Global Limited (“**Power Expert**”), an independent third party, to acquire the 100% equity interest in Well Surplus Enterprises Limited and its subsidiaries (the “**Automotive Engines Group**”) and the loans owed by the Automotive Engines Group to its then shareholder (the “**Engines Acquisition**”). The Automotive Engines Group is principally engaged in the development, manufacture and sales of automotive engines. The Engines Acquisition was completed on 4 February 2016 and the Group has commenced the Automotive Engines Business since then.

For management purposes, the Group is organised into business units based on their products and service and has two reportable operating segments as follows:

- Civil engineering and construction segment — civil engineering works and building construction and maintenance works.
- Automotive engines segment — development, production and sales of automotive engines.

Segment revenue and results

The following is an analysis of the Group’s revenue and results by reportable and operating segments:

For the six months ended 30 September

	Civil engineering and construction		Automotive engines		Total	
	2016 HK\$’000	2015 HK\$’000	2016 HK\$’000	2015 HK\$’000	2016 HK\$’000	2015 HK\$’000
Segment revenue	241,331	221,022	625,929	–	867,260	221,022
Segment results	(969)	2,272	69,250	–	68,281	2,272
Corporate and unallocated expenses					(6,359)	(4,025)
Finance costs					(30,946)	(12)
Profit/(loss) before tax					<u>30,976</u>	<u>(1,765)</u>

Management monitors the results of the Group’s operating segments separately for the purpose of making decision about resources allocations and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group’s profit or loss before tax except that finance costs as well as head office and corporate expenses are excluded from such measurement.

6. REVENUE, OTHER INCOME AND GAINS

	Unaudited	
	Six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE		
Contract revenue	241,331	221,022
Sales of goods	625,929	–
	<u>867,260</u>	<u>221,022</u>
Other income and gains		
Rental income	4,200	4,200
Interest income	1	22
Consultancy fee income	600	600
Government subsidies*	36	27
Gain on disposal of subsidiaries	–	104
Gain on disposal of investment properties	–	300
Sundry income	394	22
	<u>5,231</u>	<u>5,275</u>

- * Subsidies have been received from the Hong Kong Vocational Training Council, an institution established by the HKSAR Government (the “**Government**”), for providing on-the-job training to graduate engineers. There are no unfulfilled conditions or contingencies relating to these subsidies.

7. PROFIT/(LOSS) BEFORE TAX

	Unaudited	
	Six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group’s profit/(loss) before tax is arrived at after charging:		
Depreciation	2,719	390
Amortisation of intangible assets*	28,003	–
Employee benefits expenses (exclusive of directors’ remuneration)	23,525	12,613
Directors’ remuneration	1,596	4,956
	<u>35,843</u>	<u>18,059</u>

- * The amortisation of intangible assets for the period is included in “Cost of sales” in the condensed consolidated statement of profit or loss and other comprehensive income.

8. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI. No provision for Hong Kong profits tax has been made for the six months ended 30 September 2016 as there was no assessable profits generated (six months ended 30 September 2015: 16.5%) on the estimated assessable profits arising in Hong Kong for the period.

Chongqing Bisu Yunbo Motor Technology Limited (“Bisu Yunbo”), a wholly-owned subsidiary of the Group, is subject to a preferential corporate income tax (“CIT”) rate of 15%.

	Unaudited	
	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Current charge for the period		
— Hong Kong profits tax	—	420
— PRC CIT	15,110	—
— Deferred	(4,200)	—
	<u>10,910</u>	<u>420</u>

9. DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 September 2016. On 5 June 2015, the directors declared a special cash dividend of HK\$50,000,000, representing HK\$0.25 per ordinary share in the issued share capital of the Company, out of the share premium account of the Company. The special cash dividend was approved by the Company’s shareholders at the extraordinary general meeting on 4 August 2015 and was paid on 2 September 2015.

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic earnings/(loss) per share for the six months ended 30 September 2016 and 2015 are based on the consolidated profit/(loss) attributable to owners of the Company and the weighted average number of 200,000,000 ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 September 2016 in respect of a dilution as the impact of the convertible bonds had an anti-dilutive effect on the basic earnings per share amount presented.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 September 2016 and 2015 as the Company had no potentially dilutive ordinary share in issue during those periods.

11. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Opening	9,636	–
Acquisition of subsidiaries	–	10,052
Change in fair value	<u>1,066</u>	<u>(416)</u>
Closing	<u><u>10,702</u></u>	<u><u>9,636</u></u>

Pursuant to the Engines SPA, Power Expert has warranted and guaranteed to the Group that the audited consolidated profit after tax of the Automotive Engines Group (excluding any fair value adjustments arising from purchase price allocation upon the completion of the Engines Acquisition by the Group) as prepared in accordance with HKFRSs, for the two years ending 28 February 2017 and 2018 shall not be less than HK\$170,000,000 (“**1st Guaranteed Profit**”) and HK\$230,000,000 (“**2nd Guaranteed Profit**”) (collectively, the “**Guaranteed Profit**”), respectively.

In the event that the Guaranteed Profit has not been achieved, Power Expert shall compensate the Group. Details of the calculation of the compensation are set out in the Group’s circular dated 19 January 2016.

The fair value of the profit guarantee was HK\$10,702,000 as at 30 September 2016, which was determined by an independent professional valuer, based on the probabilistic flow method in which the cash flows for each year represent the difference between the guaranteed profit and the projected net profit. The directors of the Company estimated the projected net profits of the Automotive Engines Group under four different scenarios with respective scenario probabilities. The fair value of the profit guarantee was the probability-weighted average of the present values of the shortfalls between the guaranteed profits and the projected net profits under the four scenarios. A discount rate of ranging from 6.19% to 6.26% has been used to calculate the present value of cash flows of the profit guarantee.

12. ACCOUNTS RECEIVABLE

Accounts receivable represented receivables for contract works and sales of automotive engines. The payment terms of contract work receivables are stipulated in the relevant contracts. The credit period is generally one month. The payment terms for receivables arising from sale of automotive engines are mainly on credit and the credit period is generally one to three months. The carrying amounts of accounts receivable approximate to their fair values.

As at 30 September 2016, retentions receivable included in accounts receivable amounted to HK\$148,906,000 (31 March 2016: HK\$128,806,000), which are repayable on terms ranging from two to three years.

12. ACCOUNTS RECEIVABLE (Continued)

The ageing analysis of the accounts receivable that are not individually nor collectively considered to be impaired is as follows:

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Past due but not impaired:		
One to three months past due	2,870	2,926
Four to six months past due	225	225
Over six months past due	209	209
	3,304	3,360
Neither past due nor impaired	822,714	393,000
	826,018	396,360

Accounts receivable that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancement over these balances.

Accounts receivable that are neither past due nor impaired relate to a number of independent customers for whom there was no recent history of default.

13. ACCOUNTS PAYABLE

An ageing analysis of accounts payable at the end of each reporting period, based on the invoice date, is as follows:

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Current to three months	840,085	223,123
Four to six months	4,807	2,304
Over six months	880	369
	845,772	225,796

As at 30 September 2016, retentions payable included in accounts payable amounted to HK\$6,599,000 (31 March 2016: HK\$5,749,000), which are normally settled on terms ranging from two to three years. The carrying amounts of accounts payable approximate to their fair values.

Accounts payable are non-interest bearing and are normally settled on terms ranging from 7 to 120 days. The payment terms are stipulated in the relevant contracts.

14. CONVERTIBLE BONDS

The convertible bonds recognised in the consolidated statement of financial position are bifurcated into two components for accounting purpose, namely the liability component and the equity component, and the movements of these components during the reporting period are as follows:

	Unaudited		
	30 September 2016		
	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
Opening	340,316	390,716	731,032
Interest expense	13,001	–	13,001
Closing	<u>353,317</u>	<u>390,716</u>	<u>744,033</u>
	Audited		
	31 March 2016		
	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
Issue of convertible bonds for a business combination	335,982	390,716	726,698
Interest expense	4,334	–	4,334
Closing	<u>340,316</u>	<u>390,716</u>	<u>731,032</u>

On 4 February 2016, the Company issued zero coupon convertible bonds with an aggregate principal amount of HK\$390,000,000 to Power Expert as part of the consideration for the Engines Acquisition. The maturity date of the convertible bonds is on the second anniversary of the date of issuance (i.e. 3 February 2018). The convertible bonds bear no interest on the principal amount. No security or guarantee is granted in respect of the convertible bonds. The convertible bonds can be converted into 195,000,000 ordinary shares in the Company at the initial conversion price of HK\$2.00 per conversion share (subject to adjustment pursuant to the terms of the convertible bonds). The Company may at any time before the maturity date by written notice redeem the convertible bonds at 100% of the principal amount. Any amount of the convertible bonds which is redeemed by the Company will forthwith be cancelled. At 30 September 2016, no convertible bonds were converted and the outstanding principal amount of the convertible bonds was HK\$390,000,000.

14. CONVERTIBLE BONDS (Continued)

As at 30 September 2016, the convertible bonds with an aggregate principal amount of HK\$390,000,000 were deposited with an escrow agent in favour of the Company as security for the 1st Guaranteed Profit and the 2nd Guaranteed Profit. The convertible bonds in the principal amounts of HK\$165,750,000 and HK\$224,250,000 shall be released to Power Expert if the audited consolidated profits after tax of the Automotive Engines Group for the two years ending 28 February 2017 and 2018 are equal to or more than the 1st Guaranteed Profit and the 2nd Guaranteed Profit, respectively, after the issue of the auditors' certificate for each period.

15. PROMISSORY NOTES

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
First Note	187,188	179,979
Second Note	256,474	246,597
	<u>443,662</u>	<u>426,576</u>

Notes:

On 4 February 2016, the Company issued two promissory notes with face values of HK\$174,250,000 (the “**First Note**”) and HK\$235,750,000 (the “**Second Note**”) in favour of Power Expert as part of the consideration for the Engines Acquisition. Both the First Note and Second Note carry interest at a rate of 10% per annum. The outstanding principal amounts plus any accrued interest will be repayable on the maturity date falling on the second anniversary of the date of the First Note and Second Note, i.e. 3 February 2018. The carrying amounts of the First Note and Second Note at period end were computed by discounting the face values of the notes by the effective interest rate.

As at 30 September 2016, the promissory notes with an aggregate face value of HK\$410,000,000 were deposited with an escrow agent in favour of the Company as security for the 1st Guaranteed Profit and the 2nd Guaranteed Profit. The promissory notes in the face values of HK\$174,250,000 and HK\$235,750,000 shall be released to Power Expert if the audited consolidated profits after tax of the Automotive Engines Group for the two years ending 28 February 2017 and 2018 are equal to or more than the 1st Guaranteed Profit and the 2nd Guaranteed Profit, respectively, after the issue of the auditors' certificate for each period.

16. CONTINGENT LIABILITIES

As of 30 September 2016, the Group had the following contingent liabilities:

- (a) The guarantees given by the Group to certain banks in respect of performance bonds in favour of certain contract customers amounted to HK\$25,446,000 (31 March 2016: HK\$23,435,000).

At 30 September 2016 and 31 March 2016, the Company had given unlimited performance guarantees in favour of a customer for contract works (the “**Contract Customer**”) in respect of losses, claims, damages, costs and expenses caused by non-compliance with the terms and conditions of the construction contract entered into between the Group and the Contract Customer.

- (b) In the ordinary course of the Group’s construction business, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or the Group’s sub-contractors in accidents arising out of and in the course of their employment. The directors are of the opinion that such claims are well covered by insurance and would not result in any material adverse impact on the financial position or results and operations of the Group.

17. EVENTS AFTER THE REPORTING PERIOD

- (a) **Acquisition of Keenmount Limited (“Keenmount”)**

On 24 May 2016, the Company, through its wholly-owned subsidiary, Global Harvest Inc., entered into an agreement (the “**Agreement**”) with a limited liability company incorporated in BVI for the acquisition of entire interest in Keenmount and its subsidiaries and the loan from the Vendor of HK\$885,880 at a total consideration of HK\$390,000,000 (the “**Acquisition**”).

As certain conditions precedent to the Agreement have not been fulfilled and the Acquisition was terminated on 14 October 2016. Further details of which are set out in the Company’s announcement dated 24 May 2016, 22 June 2016, 15 July 2016, 20 July 2016, 28 July 2016, 19 August 2016 and 14 October 2016.

- (b) **Strategic Cooperation Agreement**

On 20 October 2016, ChongQing Xunli Commercial Management Limited (“**ChongQing Xunli**”), a wholly-owned subsidiary of the Company, and ChongQing North Automobile Company Limited (“**ChongQing North Automobile**”) entered into an Strategic Cooperation Agreement (the “**Strategic Cooperation Agreement**”), in relation to the provision services and advices to ChongQing North Automobile by ChongQing Xunli including but not limited to business production and operation management, consultation of sales service and the support and expansion of sales channel.

Pursuant to the Strategic Cooperation Agreement, ChongQing North Automobile shall pay ChongQing Xunli an annual basic service fee of RMB2,000,000 and an additional service commission fee, which is calculated in accordance with the net profit of ChongQing North Automobile. Further details of which are set out in the Company’s announcement dated 20 October 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the reporting period, the Group was engaged in two business segments, (i) the Civil Engineering and Construction Business; and (ii) the Automotive Engines Business.

The Group has achieved encouraging growth both in terms of revenue and profit for the first half of 2016. Although the downward trend in revenue growth in the Civil Engineering and Construction Business that has been seen in recent years has been continued, the Group has beaten the industry slackening by injection of a new business field — the Automotive Engines Business. Compared to the corresponding period in the previous year consolidated revenue increased by approximately 292.4% to approximately HK\$867.3 million (six months ended 30 September 2015: approximately HK\$221.0 million), within which, revenue from the Automotive Engines Business accounted for approximately HK\$625.9 million, representing approximately 72.2% of the consolidated revenue. Success in introduction of new business — the Automotive Engines Business, the profit attributable to equity shareholders of approximately HK\$20.1 million was recorded, which represented a profit turnaround as compared to unaudited loss in the corresponding period in 2015.

Civil Engineering and Construction Business

All of the Group's contracts undertaken for both civil engineering construction business and building construction and maintenance business were for customers which are independent third parties including certain departments of the Government of the Hong Kong Special Administrative Region, public utilities companies and private organisations in Hong Kong.

During the six months ended 30 September 2016, the revenue of the Civil Engineering and Construction Business were approximately HK\$241.3 million (six months ended 30 September 2015: approximately HK\$221.0 million), represented an increase of approximately 9.2% when compared with that of corresponding period in the previous year. For the period under review, included in the revenue was: (i) revenue from civil engineering works of approximately HK\$225.4 million (six months ended 30 September 2015: approximately HK\$199.2 million); and (ii) revenue from building construction and maintenance works of approximately HK\$15.9 million (six months ended 30 September 2015: approximately HK\$21.8 million).

The overall gross profit of this segment decreased from approximately HK\$10.5 million for the period ended 30 September 2015 to approximately HK\$5.8 million for the period ended 30 September 2016. The decrease was mainly attributable to increasing costs of operation during the period.

As of 30 September 2016, the Group had 17 significant projects in progress. All such significant projects in progress, except for the building construction project in Tsuen Wan West, are civil engineering construction projects.

Civil Engineering and Construction Business (Continued)

As of 30 September 2016, the total contract sum and the total outstanding values of the Group's substantial projects in progress were approximately HK\$1,877.0 million and HK\$432.0 million respectively.

During the period ended 30 September 2016, the Group was awarded with the following new substantial contract:

- Advance Civil Engineering Works for Public Housing Development Projects Batch 6 (2016–2018)

Automotive Engines Business

On 4 February 2016, the Group acquired a new business engaged in development, production and sale of automotive engines. During the six months ended 30 September 2016, the Automotive Engines Business recorded a segment revenue of approximately HK\$625.9 million. The segment profit reached approximately HK\$93.1 million excluding the amortisation of 5 years' sales contracts and deferred tax credit amounting to approximately HK\$28.0 million and approximately HK\$4.2 million respectively, which merely represented an accounting treatment on the acquisition but no cash flow effect to the Group.

Pursuant to the terms of agreements dated 12 October 2015, 20 November 2015 and 15 January 2016 (collectively refer to as the “**Engines SPA**”) in relation to the acquisition of the Automotive Engines Business, the vendor has irrevocably warranted and guaranteed to the Company that the audited profit after tax of the Automotive Engines Business shall not be less than HK\$170.0 million and HK\$230.0 million for the first and second year upon completion respectively. Driven by the increasing demand and consumer spending on automobiles and greater results during the reporting period, the Board is confident of a good prospect with high and sustainable growth in the investment in the Automotive Engines Business and expect this business would further strengthen the revenue stream of the Group in near future.

PROSPECTS

Although the operating environment of the construction business is expected to remain tough in the coming years such as continuously rising wages and cost of construction materials and shortage of skilled labour, the Board is confident that the Group would be capable of securing promising business opportunities given its vast experience in handling a wide variety of construction works. The Group will continue to adopt a prudent approach when submitting new tenders.

In addition, the Group will make use of its competitive strengths by continuing to improve its quality of service and competitiveness to capitalise on the trend of increasing civil engineering construction works projects in Hong Kong in the coming years to further strengthen the Group's business growth.

PROSPECTS (Continued)

Meanwhile, the Automotive Engines Business will become a growth engine of the Group as the consumption market in the PRC is expected to have a steady growth in next few years, driven by the deduction of purchase tax on passenger vehicles and the international oil price. The Group remains optimistic on the demand of automotives and thus stimulating the Automotive Engines Business.

Looking ahead, the Board will closely monitor the market and seize other growth opportunities to adopt appropriate measures and strategies to strive for the best return to the shareholders of the Company.

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately HK\$646.3 million, approximately or 292.4%, from approximately HK\$221.0 million for the six months ended 30 September 2015 to approximately HK\$867.3 million for the six months ended 30 September 2016. The increase was primarily due to the fact that the Automotive Engines Business, which was a new business started from February 2016, generated revenue approximately HK\$625.9 million for the six months ended 30 September 2016, representing approximately 72.2% of the total revenue. Although the revenue from the Civil Engineering and Construction Business increased by approximately HK\$20.3 million, or approximately 9.2% to approximately HK\$241.3 million for the six months ended 30 September 2016, the operating environment remained tough for the first half of 2016.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately HK\$72.9 million or approximately 694.3%, from approximately HK\$10.5 million for the six months ended 30 September 2015 to approximately HK\$83.4 million for the six months ended 30 September 2016 while the gross profit margin increased from approximately 4.7% for the six months ended 30 September 2015 to approximately 9.6% for the six months ended 30 September 2016. The increase was primarily due to significant increase in revenue of the Automotive Engines Business, which was a new business started from February 2016, and generally provided a higher profit margin for the six months ended 30 September 2016.

Other Income and Gains

Other income and gains only slightly decreased by approximately HK\$0.1 million from approximately HK\$5.3 million for the six months ended 30 September 2015 to approximately HK\$5.2 million for the six months ended 30 September 2016. Other income mainly represented the rental income through leasing certain of its equipment for construction works at approximately HK\$4.2 million for the six months ended 30 September 2016 (six months ended 30 September 2015: approximately HK\$4.2 million).

Administrative Expenses

Administrative expenses increased by approximately HK\$10.3 million or approximately 58.9%, from approximately HK\$17.5 million for the six months ended 30 September 2015 to approximately HK\$27.8 million for the six months ended 30 September 2016. The increase was mainly attributable to the transaction costs for the acquisition of the Automotive Engines Business and its relevant operating cost.

Income Tax Expense

Income tax expense increased by approximately HK\$10.5 million from approximately HK\$0.4 million for the six months ended 30 September 2015 to approximately HK\$10.9 million for the six months ended 30 September 2016. The increase was mainly attributable to the Automotive Engines Business. The effective tax rate of the main operating subsidiary in PRC was 15.5% for the six months ended 30 September 2016. No provision for Hong Kong profits tax has been made for the six months ended 30 September 2016 as there was no assessable profits generated on the estimated assessable profits arising in Hong Kong for the period.

Profit/(Loss) Attributable to Owners of the Parent

As a result of the foregoing, the Group recorded a profit attributable to owners of the parent of approximately HK\$20.1 million for the six months ended 30 September 2016 as compared with the loss attributable to owners of the parent of approximately HK\$2.2 million for the six months ended 30 September 2015.

Liquidity and Financial Resources

As of 30 September 2016, the Group had cash and cash equivalents of approximately HK\$31.0 million, representing an increase of approximately 83.4% from approximately HK\$16.9 million as of 31 March 2016. The Group did not have pledged deposits as at 30 September 2016. The increase in cash and cash equivalents during the period was mainly attributable to the operating cash inflow generated from the Automotive Engines Business. The Group's cash and cash equivalents were denominated in Hong Kong dollars and Renminbi.

Liquidity and Financial Resources (Continued)

When compared with the Group's financial position as at 31 March 2016, net current assets increased by approximately 37.7% to approximately HK\$242.7 million (31 March 2016: approximately HK\$176.2 million) and net assets increased by approximately 2.0% to approximately HK\$543.9 million (31 March 2016: approximately HK\$533.0 million) as at 30 September 2016.

Current ratio is calculated by dividing current assets by current liabilities. Current ratio of the Group was maintained at a healthy level at 1.3 times as at 30 September 2016 (31 March 2016: 1.6 times).

Gearing ratio is calculated based on the amount of net cash and bank balance (interest-bearing borrowings, liability component of the convertible bonds and promissory notes less cash and cash equivalents) divided by the total equity. As at 30 September 2016, the Group's gearing ratio was therefore approximately 145.0% (31 March 2016: approximately 143.2%).

As at 30 September 2016, the Group had aggregate banking facilities of HK\$30.0 million (31 March 2016: HK\$60.0 million) which was not utilised. As at 30 September 2016, the banking facilities were secured by corporate guarantees from the Company amounted to HK\$40.0 million (31 March 2016: HK\$60.0 million).

Accounts Receivable

As at 30 September 2016, the Group's accounts receivable were approximately HK\$826.0 million, representing an increase of 108.4% from approximately HK\$396.4 million as of 31 March 2016. Such increase was in line with our increase in revenue during the same period. As at 30 September 2016, retentions receivable included in accounts receivable amounted to approximately HK\$148.9 million (31 March 2016: approximately HK\$128.8 million). The payment terms of contract work receivables arising from the Civil Engineering and Construction Business are stipulated in the relevant contracts ranging from two to three years while the payment terms for receivable arising from the Automotive Engines Business are mainly on credit and the credit period is generally one to three months.

Contingent Liabilities

Details of the Group's and the Company's contingent liabilities are set out in note 16 to the condensed consolidated interim financial information.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 17 to the condensed consolidated interim financial information and mentioned elsewhere in this announcement, there was no other significant event after the reporting period and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2016, the Group had approximately 669 employees (31 March 2016: 750) in Hong Kong and the PRC. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Other staff benefits include bonuses awarded on a discretionary basis, mandatory provident fund scheme for Hong Kong employees, state-sponsored retirement plans for PRC employees.

NO MATERIAL CHANGE

Save as disclosed above, during the six months ended 30 September 2016, there has been no material change in the Group's financial position or business since the publication of the latest annual report of the Company for the year ended 31 March 2016.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: HK\$50,000,000).

REVIEWED BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, Mr. Chan Kai Wing (Chairman), Ms. Chu Yin Yin Georgiana and Mr. Yip Tai Him, with written terms of reference in accordance with the requirements of the Listing Rules, and reports to the Board. The Audit Committee has reviewed with management the principal accounting policies adopted by the Group and discussed internal controls and financial reporting matters including a review of the Group's unaudited condensed consolidated interim financial information for the six months ended 30 September 2016.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

CORPORATE GOVERNANCE

None of the Directors is aware of any information which would reasonably indicate that the Company had not, throughout the six months ended 30 September 2016, fully complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules, except as disclosed below:

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Currently, the Company does not have any officer with the title of Chief Executive Officer. The overall responsibility of supervising and ensuring that the Group functions in line with the order of the Board in terms of day-to-day operations and execution is vested in the Board itself.

The Company regularly reviews its corporate governance practices to ensure they comply with the CG Code and align with the latest developments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as its own code of conduct regarding Directors’ dealings in the Company’s securities. Following specific enquiry made to the Directors, each of them has confirmed their compliance with the required standard set out in the Model Code throughout the period from 1 April 2016 to 30 September 2016.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed minimum public float under the Listing Rules.

PUBLICATION OF THE INTERIM RESULTS AND 2016/17 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.excel-dev.com). The 2016/17 interim report of the Company, containing all the information required by the Listing Rules, will be despatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to express my heartfelt gratitude to all of our staff for their hard work and dedication. I would also like to thank our business partners and associates, bankers and auditors for their continued trust, as well as you, our shareholders, for your constant support.

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

Hong Kong, 25 November 2016

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.