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VXL CAPITAL LIMITED
卓越金融有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 727)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2012

The board of directors (the "Board") of VXL Capital Limited (the "Company") presents the consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2012 ("FY 2012") together with the comparative figures for the year ended 31 March 2011 ("FY 2011") as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2012

	Note	**2012** **HK$'000**	2011 *HK$'000*
Turnover	*2*	**6,436**	4,401
Other gain, net	*3*	**32,384**	4,274
Revaluation gain on investment property	*10*	**979**	–
Staff costs	*4*	**(8,033)**	6,365
Depreciation and amortization		**(7,291)**	(7,044)
Other operating expenses		**(28,348)**	(33,279)
Operating loss	*5*	**(3,873)**	(25,283)
Finance income		**383**	218
Finance costs		**(48,583)**	(41,349)
Loss before taxation		**(52,073)**	(66,414)
Taxation	*6*	**(345)**	(3)
Loss for the year		**(52,418)**	(66,417)
Other comprehensive income:			
Movement in available-for-sale financial assets		**(521)**	117
Currency translation differences		**14,404**	17,488
Deferred tax on revaluation increase		**(8,116)**	–
Property revaluation	*10*	**20,141**	–
Other comprehensive income for the year, net of tax		**25,908**	17,605
Total comprehensive loss for the year		**(26,510)**	(48,812)

	Note	**2012**	2011
		HK$'000	*HK$'000*
Loss for the year attributable to equity holders of the Company		**(52,418)**	(66,417)
Total comprehensive loss for the year attributable to equity holders of the Company		**(26,510)**	(48,812)
Basic and diluted loss per ordinary share for loss for the year attributable to equity holders of the Company	*7*	**HK(3.43) cents**	HK(4.34) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	8	**246,217**	255,302
Land use rights	9	**66,909**	82,762
Investment property	10	**93,758**	–
Construction in progress		**4,468**	8,549
Available-for-sale financial assets		**1,128**	33,339
Receivables, prepayments and deposits	11	**51,097**	106,912
		463,577	486,864
Current assets			
Receivables, prepayments and deposits	11	**21,409**	28,826
Bank balances and cash		**125,059**	96,350
		146,468	125,176
Assets held for sale	3(a)	**–**	19,463
		146,468	144,639
Current liabilities			
Payables and accruals	12	**64,364**	93,115
Liability component of compound financial instrument	13	**25,635**	18,850
Borrowings	14	**441,696**	416,980
		531,695	528,945
Net current liabilities		**(385,227)**	(384,306)
Total assets less current liabilities		**78,350**	102,558
Non-current liabilities			
Liability component of compound financial instrument	13	**–**	5,569
Borrowings	14	**–**	586
Deferred tax		**8,457**	–
		8,457	6,155
Net assets		**69,893**	96,403
EQUITY			
Share capital		**15,296**	15,296
Reserves		**(68,767)**	(42,257)
Total shareholders' deficit		**(53,471)**	(26,961)
Non-controlling interest	13	**123,364**	123,364
Total equity		**69,893**	96,403

NOTES:

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, except as modified by the revaluation of investment property, available-for-sale financial assets and the financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. These financial statements are presented in Hong Kong Dollar thousands, unless otherwise stated.

At 31 March 2012, the Group had net current liabilities of HK$385.2 million and a shareholders' deficit on equity of HK$53.5 million. The current liabilities mainly consist of the outstanding payments for acquisition of budget hotels and short-term borrowings. Subsequent to the year end, the management has extended by over one year the repayment of short-term borrowings totaling HK$441.1 million. During the year, the Group totally received HK$107.6 million from its disposal of certain hotel properties and available-for-sale financial assets. As a result, the Group maintained cash and bank balances of HK$125.1 million as at 31 March 2012. The management is confident that the Group is able to meet its obligations. Moreover, the ultimate holding company of the Company, VXL Capital Partners Corporation Limited ("VXLCPL"), has confirmed its intention to provide sufficient financial support to the Group so as to enable the Group to meet all its liabilities and obligations as and when they fall due and to enable the Group to continue its businesses for the foreseeable future.

(a) ***New and amended standards and interpretations adopted by the Group***

The following new and revised standards, amendments and interpretations are mandatory for the first time for the financial year beginning 1 April 2011.

HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirements
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to HKFRSs	Improvements to HKFRSs issued in 2010

(b) ***New and amended standards and interpretations, those are not yet effective and have not been early adopted by the Group***

		Effective for annual periods beginning on or after
HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First time Adopters	1 July 2011
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Transfer of Financial Assets	1 July 2011
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013
HKAS 1 (Amendments)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	1 July 2012
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
HKAS 19 (2011)	Employee Benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013
HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2015, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The issuance of HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements and HKFRS 12 Disclosure of Interests in Other Entities completes improvements to the accounting requirements for off balance sheet activities and joint arrangements and concludes an important element of the International Accounting Standards Board's comprehensive response to the financial crisis.

– HKFRS 10 Consolidated Financial Statements builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statement of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

- HKFRS 11 Joint Arrangements provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities.

- HKFRS 12 Disclosure of Interests in Other Entities is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

HKFRS 13 Fair Value Measurement improves consistency and reduces complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

The amendments to HKAS 1 (Amendments) Presentation of Items of Other Comprehensive Income require companies preparing financial statements in accordance with HKFRSs to group together items within other comprehensive income (OCI) that may be reclassified to the profit or loss section of the statement of comprehensive income. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements.

The issuance of HKAS 19 (2011) Employee Benefits completes improvements to the accounting requirements for pensions and other post-employment benefits and HKAS 19 (2011) makes important improvements by:

- Eliminating an option to defer the recognition of gains and losses, known as the "corridor method", improving comparability and faithfulness of presentation.

- Streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in OCI, thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations.

- Enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

HKAS 27 (2011) Separate Financial Statements contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The Standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with HKFRS 9 Financial Instruments.

HKAS 28 (2011) Investments in Associates and Joint Ventures prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify:

– The meaning of 'currently has a legally enforceable right of set-off'; and

– That some gross settlement systems may be considered equivalent to net settlement.

HK(IFRIC) – Int 20 Stripping Costs in the Production Phase of a Surface Mine clarifies the requirements for accounting for stripping costs in the production phase of a surface mine. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods.

The Group has already commenced an assessment of the related impact of adopting the above new standards, amendments and revisions to existing standards to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

2. TURNOVER AND SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision-maker, namely the executive directors, for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are principally engaged in (i) property investment and (ii) hotel investment and operations.

	2012	2011
	HK$'000	*HK$'000*
Hotel rental income and food & beverage revenue	**3,941**	4,401
Rental income	**2,495**	–
	6,436	4,401

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the services they provide. Each of the Group's business segment represents a strategic business unit which is subject to risks and returns that are different from those of other business segments. Summarized details of the business segments are as follows:

a) the hotel investment and operations segment is engaged in hotel investment and hotel operations;

b) the property investment segment is investment in properties and;

c) the unallocated segment comprises operations other than those specified in (a) to (b) above and includes that of the corporate office.

Capital expenditures comprise additions to investment property, property, plant and equipment, land use rights and construction in progress. Segment assets consist primarily of property, plant and equipment, land use rights, construction in progress, investments and receivables. Segment liabilities comprise borrowings and operating liabilities. Unallocated assets and liabilities mainly represent assets and liabilities used by the corporate office, which cannot be allocated on a reasonable basis to any segment. They include items such as corporate borrowings.

Segment results represents the profit/(loss) resulted by each segment, excluding allocation of corporate or central administration costs, finance income and finance costs arising from corporate treasury, gain on disposal of a subsidiary, release of available-for-sale financial assets upon disposal, impairment loss reclassified from available-for-sale financial reserve, and taxation.

The segment revenue, segment results and other segment information based on reportable segments for the years ended 31 March 2012 and 2011 are as follows:

	Property investment *HK$'000*	Hotel investment & operations *HK$'000*	Total for reportable segments *HK$'000*	Unallocated *HK$'000*	The Group *HK$'000*
For the year ended 31 March 2012					
Segment revenue:					
Sales to external customers	**2,495**	**3,941**	**6,436**	**–**	**6,436**
Segment results	**21,316**	**(15,985)**	**5,331**	**(9,204)**	**(3,873)**
Finance income	**3**	**126**	**129**	**254**	**383**
Finance costs	**(3,149)**	**(21,561)**	**(24,710)**	**(23,873)**	**(48,583)**
Loss before taxation	**18,170**	**(37,420)**	**(19,250)**	**(32,823)**	**(52,073)**
Taxation	**–**	**(345)**	**(345)**	**–**	**(345)**
Loss for the year	**18,170**	**(37,765)**	**(19,595)**	**(32,823)**	**(52,418)**
Other segment information					
Depreciation and amortization	**106**	**5,452**	**5,558**	**1,733**	**7,291**
Fair value gain on investment property	**979**	**–**	**979**	**–**	**979**
Gain on disposal of property, plant and equipment	**–**	**968**	**968**	**–**	**968**
Gain on transfer of interest in properties before completion of acquisition	**–**	**3,283**	**3,283**	**–**	**3,283**
Available-for-sale financial assets – release of reserve upon disposal	**–**	**–**	**–**	**844**	**844**
Impairment loss reclassified from available-for-sale financial assets reserve	**–**	**–**	**–**	**323**	**323**
Gain on disposal of a subsidiary	**–**	**–**	**–**	**100**	**100**
Gain on disposal of assets held for sale	**–**	**5,038**	**5,038**	**–**	**5,038**
Gain on disposal of available-for-sale financial assets	**21,892**	**–**	**21,892**	**–**	**21,892**
Capital expenditures					
– Property, plant and equipment	**3,365**	**36,666**	**40,031**	**106**	**40,137**
– Land use rights	**–**	**–**	**–**	**–**	**–**
– Construction in progress	**13,031**	**–**	**13,031**	**–**	**13,031**

	Property investment	Hotel investment & operations	Total for reportable segments	Unallocated	The Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 March 2011					
Segment revenue:					
Sales to external customers	–	4,401	4,401	–	4,401
Segment results	(4,473)	(18,525)	(22,998)	(2,285)	(25,283)
Finance income	–	108	108	110	218
Finance costs	–	(20,941)	(20,941)	(20,408)	(41,349)
Loss before taxation	(4,473)	(39,358)	(43,831)	(22,583)	(66,414)
Taxation	–	(3)	(3)	–	(3)
Loss for the year	(4,473)	(39,361)	(43,834)	(22,583)	(66,417)
Other segment information					
Depreciation and amortization	–	6,206	6,206	838	7,044
Gain on disposal of property, plant and equipment	–	4,250	4,250	–	4,250
Capital expenditures					
– Property, plant and equipment	–	45,395	45,395	422	45,817
– Land use rights	–	15,096	15,096	–	15,096
– Construction in progress	–	4,617	4,617	–	4,617

Information about major customers

Revenue of approximately HK$1,707,000 (FY2011: HK$Nil) was derived from a single customer in the property investment segment. No other single customer contributed 10% or more to the Group's revenue for both 2012 and 2011.

The segment assets and liabilities based on reportable segments as at 31 March 2012 and 2011 are as follows:

	Property investment	Hotel investment & operations	Total for reportable segments	Unallocated	The Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2012					
Segment assets	**111,636**	**369,616**	**481,252**	**3,734**	**484,986**
Bank balances and cash	**1,776**	**60,855**	**62,631**	**62,428**	**125,059**
Total assets	**113,412**	**430,471**	**543,883**	**66,162**	**610,045**
Segment liabilities	**26,147**	**65,470**	**91,617**	**7,425**	**99,042**
Other loans	**–**	**35,470**	**35,470**	**–**	**35,470**
Amount due to ultimate holding company	**7,917**	**142,172**	**150,089**	**255,551**	**405,640**
Total liabilities	**34,064**	**243,112**	**277,176**	**262,976**	**540,152**
At 31 March 2011					
Segment assets	48,547	473,867	522,414	12,739	535,153
Bank balances and cash	10	72,371	72,381	23,969	96,350
Total assets	48,557	546,238	594,795	36,708	631,503
Segment liabilities	9,243	93,405	102,648	16,079	118,727
Other loans	–	49,261	49,261	–	49,261
Amount due to ultimate holding company	4,009	131,489	135,498	231,614	367,112
Total liabilities	13,252	274,155	287,407	247,693	535,100

The Group's businesses operate in Hong Kong and the People's Republic of China (excluding Hong Kong) (the "PRC"). The Group's revenue from external customers for the years ended 31 March 2012 and 2011 and non-current assets as at 31 March 2012 and 2011 based on geographical area are as follows:

	2012	2011
	HK$'000	*HK$'000*
Revenue from external customers		
Hong Kong	**–**	–
PRC	**6,436**	4,401
	6,436	4,401
Non-current assets		
Hong Kong	**1,008**	13,030
PRC	**462,569**	473,834
	463,577	486,864

Revenue is categorized based on the jurisdiction in which the customers are located. Non-current assets are categorized based on where the assets are located.

3. OTHER GAIN, NET

	2012	2011
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment	**968**	4,250
Gain on disposal of assets held for sale *(note a)*	**5,038**	–
Gain on transfer of interest in properties before completion of acquisition	**3,283**	–
Other gain	**259**	24
Available-for-sale financial assets – release of reserve upon disposal *(note b)*	**844**	–
Gain on disposal of available-for-sale financial assets *(note c)*	**21,892**	–
Gain on disposal of a subsidiary *(note d)*	**100**	–
	32,384	4,274

Notes:

(a) Assets held for sale with a carrying value of HK$19.5 million at 31 March 2011 were disposed of at a consideration of RMB21.5 million (equivalent to HK$26.2 million). After netting off related cost, the gain was HK$5.0 million.

(b) It represented the reclassification adjustments for gains previously included in available-for-sale financial assets reserve.

(c) The Group sold 5% interest in Moral High Limited ("MHL"). Peak Moral High Commercial Development (Shanghai) Limited ("PMH") is a limited liability company established in the PRC and is a wholly-owned subsidiary of MHL. The principal asset of PMH is the property located in Shanghai, the PRC.

(d) The subsidiary, Hart Industries (Far East) Limited was acquired by the ultimate holding company of the Group, VXLCPL in April 2011 at a consideration of HK$1.5 million.

4. STAFF COSTS

The staff costs disclosed below are for all employees and include all Directors' emoluments.

	2012	2011
	HK$'000	*HK$'000*
Directors' fees	**900**	1,190
Salaries and other short-term employee benefits	**11,012**	15,319
Provision/(written back) of unutilized annual leave	**29**	(518)
Employee share option benefits	**–**	(258)
Pension costs – MPF *(note i)*	**96**	125
Social security costs *(note ii)*	**1,446**	1,377
Overprovision for bonus *(note iii)*	**(5,450)**	(23,600)
	8,033	(6,365)

Notes:

i. There were no forfeited contributions during the years ended 31 March 2012 and 2011.

ii: All employees of the subsidiaries of the Company in the PRC excluding Hong Kong who are PRC citizens participate in employee social security plans enacted in the PRC, including pension, medical and other welfare benefits, which are organized and administrated by the government authorities. According to the relevant regulations, the Group contributes on a monthly basis based on certain percentages of the salaries of the employees, subject to a certain ceiling, and are paid to the labor and social welfare authorities. Contributions to the plans are expensed as incurred.

iii: The Group had in the year ended 31 March 2009 made a bonus provision of HK$30.0 million on the basis of estimated net profits of certain projects. The management has been re-assessing the bonus provision and given the actualization of a substantial number of factors affecting the estimated net profits, the Group had in FY 2011 adjusted the bonus provision downwards from HK$30.0 million to HK$6.4 million, resulting in a reversal of bonus provision of HK$23.6 million.

The Group announced that a deed of settlement was signed on 18 May 2012, pursuant to which the Company shall pay for and on behalf of itself and VXL Management Services Limited ("VXLMS"), a wholly owned subsidiary of the Company, a sum of approximately HK$1.0 million to the former Chief Executive Officer for settlement, resulting in further reversal of bonus of HK$5.4 million.

5. OPERATING LOSS

	2012	2011
	HK$'000	*HK$'000*
Operating loss is arrived at after charging/(crediting):		
Legal and professional fee	**8,575**	2,886
Consultancy fee	**49**	127
Depreciation and amortization	**7,291**	7,044
Loss on dissolution of associates	**–**	5
Impairment loss reclassified from available-for-sale financial assets reserve	**323**	–
Auditors' remuneration		
– audit	**765**	638
– non-audit	**275**	264
Net exchange (gain)/loss	**(751)**	128
Operating leases – land and buildings	**2,968**	12,361

6. TAXATION

No provision for Hong Kong profits tax (FY 2011: Nil) has been made for the year as the Group has no assessable profit for the year. Taxation on PRC profits has been calculated on the estimated assessable profit for the year at the rates of taxation in the PRC.

The provision of Land Appreciation Tax is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. Land Appreciation Tax has been provided for a range of progressive rates on the appreciation value, after deduction of certain allowable expenses including land cost, borrowing cost and the relevant property development expenditure.

The amount of taxation charged to the consolidated statement of comprehensive income represents:

	2012	2011
	HK$'000	*HK$'000*
Current tax – PRC	**4**	3
Deferred tax – PRC (Land appreciation tax)	**341**	–
	345	3

7. BASIC AND DILUTED LOSS PER ORDINARY SHARE FOR LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(a) Basic loss per ordinary share is calculated by dividing the loss attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the years.

	2012	2011
Loss for the year attributable to equity holders of the Company, HK$'000	**(52,418)**	(66,417)
Weighted average number of ordinary shares in issue	**1,529,600,200**	1,529,600,200
Basic loss per share, HK cents	**(3.43)**	(4.34)

(b) The calculation of diluted loss per share is based on the loss for the year attributable to equity holders of the Company and the weighted average number of ordinary shares used as the same for calculating basic loss per share above, as the Company did not have any dilutive potential ordinary shares arising from share options during the two years ended 31 March 2012.

8. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties HK$'000	Furniture and fixtures HK$'000	Office equipment and machinery HK$'000	Computer and related equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 April 2011	**248,836**	**17,005**	**6,137**	**5,958**	**4,345**	**282,281**
Additions	**40,031**	**87**	**–**	**19**	**–**	**40,137**
Disposals	**(7,505)**	**(3,982)**	**(11)**	**(38)**	**(182)**	**(11,718)**
Reclassified as investment property *(note 10)*	**(46,635)**	**–**	**–**	**–**	**–**	**(46,635)**
Exchange difference	**9,715**	**296**	**223**	**201**	**35**	**10,470**
At 31 March 2012	**244,442**	**13,406**	**6,349**	**6,140**	**4,198**	**274,535**
Accumulated depreciation						
At 1 April 2011	**5,912**	**13,593**	**3,470**	**1,465**	**2,539**	**26,979**
Charge for the year	**1,447**	**1,006**	**1,154**	**664**	**802**	**5,073**
Disposals	**(147)**	**(3,982)**	**(52)**	**(4)**	**(157)**	**(4,342)**
Exchange difference	**138**	**177**	**236**	**34**	**23**	**608**
At 31 March 2012	**7,350**	**10,794**	**4,808**	**2,159**	**3,207**	**28,318**
Net book value						
At 31 March 2012	**237,092**	**2,612**	**1,541**	**3,981**	**991**	**246,217**
Cost						
At 1 April 2010	222,466	16,540	7,265	2,106	4,333	252,710
Additions	41,480	199	431	3,707	–	45,817
Disposals	(11,494)	(156)	(1,825)	–	(26)	(13,501)
Reclassified as held for sale	(14,067)	–	–	–	–	(14,067)
Exchange difference	10,451	422	266	145	38	11,322
At 31 March 2011	248,836	17,005	6,137	5,958	4,345	282,281
Accumulated depreciation						
At 1 April 2010	4,969	12,347	3,035	1,056	1,713	23,120
Charge for the year	1,608	1,128	1,088	380	828	5,032
Disposals	(410)	(62)	(839)	–	(25)	(1,336)
Reclassified as held for sale	(501)	–	–	–	–	(501)
Exchange difference	246	180	186	29	23	664
At 31 March 2011	5,912	13,593	3,470	1,465	2,539	26,979
Net book value						
At 31 March 2011	242,924	3,412	2,667	4,493	1,806	255,302

9. LAND USE RIGHTS

The Group's interests in land use rights, which represent prepaid operating lease payments and their net book values, are analysed as follows:

	2012	2011
	HK$'000	*HK$'000*
Cost:		
At 1 April	**87,979**	83,696
Additions	**–**	15,096
Disposals	**(8,899)**	(8,268)
Reclassification		
Assets held for sale	**–**	(6,363)
Investment property *(note 10)*	**(8,547)**	–
Exchange difference	**3,437**	3,818
At 31 March	**73,970**	87,979
Accumulated amortization:		
At 1 April	**5,217**	3,906
Charge for the year	**2,218**	2,012
Disposals	**(600)**	(555)
Reclassification		
Assets held for sale	**–**	(466)
Exchange difference	**226**	320
At 31 March	**7,061**	5,217
Net book value		
At 31 March	**66,909**	82,762

10. INVESTMENT PROPERTY

	2012	2011
	HK$'000	*HK$'000*
At 1 April	**–**	–
Reclassified from property, plant and equipment *(note 8)*	**46,635**	–
Reclassified from land use rights *(note 9)*	**8,547**	–
Reclassified from construction In progress	**17,446**	–
Increase in value credited to profit and loss	**979**	–
Increase in value credited to other comprehensive income	**20,141**	–
Exchange difference	**10**	–
At 31 March	**93,758**	–

The fair value of the completed investment property in the PRC at 31 March 2012 has been arrived on the basis of valuation carried out on the date by RHL Appraisal Limited, independent qualified professional valuers not connected to the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar property at similar location.

The Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment property.

11. RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2012	2011
	HK$'000	*HK$'000*
Non-current		
Deposits for acquisition of hotel properties	**51,097**	106,912
	51,097	106,912
Current		
Trade receivables	**42**	215
Other receivables	**19,522**	18,915
Other prepayments and deposits	**1,845**	9,696
	21,409	28,826
	72,506	135,738

A significant part of the Group's sales are by credit cards or against payment of deposits. The trade receivables are with general credit term of 0 to 90 days. As at 31 March 2012, the trade receivables aged within two months and are not past due. (FY2011: within two months and are not past due). Management is of the opinion that no impairment provision is made to other receivables as there is no indication of impairment noted for the year.

The carrying amounts of receivables, prepayments and deposits approximate their fair value due to the fact that the effect of discounting is not material. As at 31 March 2012, none of the receivables, prepayments and deposits was impaired (FY2011: Nil).

12. PAYABLES AND ACCRUALS

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**159**	222
Property acquisition cost payable	**1,119**	2,681
Accrued bonus	**950**	6,400
Accrued expenses in respect of acquisitions of hotel properties	**29,000**	37,315
Other payables and accruals	**33,136**	23,202
Temporary receipts for return of properties and sales of properties	**–**	23,295
	64,364	93,115

As at 31 March 2012, trade payables of HK$57,000 and HK$102,000 (FY2011: HK$210,000 and HK$12,000) were aged within one month and between one and three months respectively.

13. ISSUE OF PREFERRED SHARES BY A SUBSIDIARY

On 28 October 2009, "U" Inns & Hotels Holdings Limited ("UIHHL") entered into a subscription agreement where UIHHL agreed to issue and the subscriber, an independent third party, agreed to subscribe for 2,590 Series A preferred shares ("Preferred Shares") at a total subscription price of HK$145.0 million based on a subscription price of HK$55,984.55 per Preferred Share. The subscription price was partially set off against the loans by the subscriber to the Group of HK$70.0 million, and the remaining HK$75.0 million was settled in cash. Subscription was completed in 1 November 2009.

The Preferred Shares are convertible into 2,590 common shares ("Common Shares"), representing 25.9% of the issued common shares of UIHHL upon conversion of the Preferred Shares. Holders of the Preferred Shares are entitled to a preferred return of 6% per annum prior to the conversion of the Preferred Shares. Holders of the Preferred Shares shall convert the Preferred Shares into common shares at the ratio of one Preferred Share to one Common Share at the latest three years from the date of issue of the Preferred Shares.

Details of the issuance of Preferred Shares can be referred to the Company's announcements dated 27 October 2009 and 29 October 2009. No conversion has been made during the year.

The Preferred Shares are compound financial instrument which is separated into two components: a liability component and an equity component. The liability component was recognised as the discounted value of the preferred return payable during the three years period from the issuance of Preferred Shares until the last date of conversion into Common Shares. Interest expense was calculated using the effective interest method by applying the effective interest rate of 10% to the liability component. The equity component was residual value of the proceeds from the issuance of Preferred Shares less the liability component.

The liability component is presented as "Liability component of compound financial instrument" in the consolidated statement of financial position. The equity component is presented as "Non-controlling interest" in the consolidated statement of changes in equity.

	HK$'000
Proceeds of issue	145,000
Liability component	(21,636)
Equity component	123,364
Liability component at 1 April 2010	22,525
Interest expenses for the year ended 31 March 2011	1,894
Liability component at 31 March 2011	**24,419**
Interest expenses for the year ended 31 March 2012	**1,216**
Liability component at 31 March 2012	**25,635**

At 31 March 2012, the Group's liability component of compound financial instrument were repayable as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 1 year – current portion	**25,635**	18,850
Between 1 and 5 years – non-current portion	**–**	5,569
	25,635	24,419

14. BORROWINGS

	2012	2011
	HK$'000	*HK$'000*
Non-current		
Obligations under finance leases	**–**	586
	–	586
Current		
Other loans	**35,470**	49,261
Obligations under finance leases	**586**	607
Amount due to ultimate holding company	**405,640**	367,112
	441,696	416,980
	441,696	417,566

15. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties during the year:

(a) Interest expenses

During the year, the Group has interest expense payable to VXLCPL, the ultimate holding company, amounting to HK$40.2 million for the loan as disclosed in note 14 (FY2011: HK$32.3 million).

The loan from the ultimate holding company is interest bearing at fixed rate, unsecured and repayable in September 2012. However, based on the mutual agreement on 28 May 2012, the term of the payment was extended to September 2013.

(b) Key management compensation

	2012	2011
	HK$'000	*HK$'000*
Director's fee	**–**	290
Salaries and other short-term employee benefits	**1,936**	3,976
Employee share option benefits	**–**	45
Pension costs – MPF	**12**	5
	1,948	4,316

(c) Disposal of a subsidiary

On 13 April 2011, pursuant to a sale and purchase agreement entered into between the Group and VXLCPL, the ultimate holding company of the Group, the Group approved the disposal of its entire equity interest in a subsidiary, Hart Industries (Far East) Limited, which holds a corporate membership of the Shenzhen Xili Golf Club. The gain on disposal of the subsidiary amounted to HK$100,000. The transaction was completed on 18 April 2011.

Details of the disposal of the subsidiary are as follows:

	HK$'000
Consideration received:	
Set off loan payable to VXLCPL	1,500
Net assets disposed of:	
Available-for-sale financial assets	(1,100)
	400
Expenses directly attributable to disposal of subsidiary	(300)
	100
Gain on disposal	(100)
Cash consideration received	–

The gain on disposal is included in other gain, net for the year.

(d) Rental charges

The Group entered into a tenancy agreement with the landlord, Smart Forward Services Limited, a corporation owned by a Director, to lease a residential unit at a monthly rent of HK$55,000 effective from 15 May 2006 for a period of 2 years. The lease was renewed on 13 May 2008 for further two years commencing on 15 May 2008 at a monthly rent of HK$66,000. The lease expired on 14 May 2010 and was not renewed. The rental expense paid for the year is HK$Nil (year ended 31 March 2011: HK$99,000).

16. LITIGATION

(a) On 4 October 2011, the Company received notice that a claim (the "Former CEO Claim") has been filed in the Labour Tribunal against it by a former chief executive officer of the Company (the "Former CEO") for a total sum of HK$30.0 million, which was the alleged discretionary bonus owed by the Company to the Former CEO. The Labour Tribunal claim was subsequently transferred to the High Court.

During the year ended 31 March 2009, the Group made an accrual for a bonus of HK$30.0 million to be paid to the Former CEO of the Group to reward him for his contribution in completing the property projects. For the year ended 31 March 2011, management has been reassessing the amount of such bonus since subsequent information suggested the actual profits were of a lower amount than the original estimates and the provision was adjusted from HK$30 million to HK$6.4 million, resulting in a reversal of bonus provision of HK$23.6 million.

On 18 May 2012, VXL Management Services Limited ("VXLMS"), a wholly owned subsidiary of the Company, and the former Chief Executive Officer entered into a deed of settlement, pursuant to which both parties agreed to settle the claim filed in the Labour Tribunal on 4 October 2011 by paying approximately HK$1.0 million. The payment was made on 23 May 2012.

(b) On 17 May 2011, VXLMS as plaintiff issued a writ of summons (the "Writ") in Hong Kong against Shanghai Huayang Saili Enterprise Development Co., Ltd.（上海華揚賽利實業發展有限公司）("Huayang") in respect of a claim (the "Huayang Claim") for an overdue loan in the amount of RMB10.0 million and the interest accrued thereon owed by Huayang to VXLMS. Pursuant to an agreement dated 10 September 2008 between VXLMS as lender and Huayang as borrower, VXLMS advanced to Huayang a loan of RMB10.0 million. The repayment date of the loan was on or before 30 October 2008.

On 4 June 2012, VXLMS and the defendant, "Shanghai Huayang Saili Enterprise Development Co., Ltd.（上海華揚賽利實業發展有限公司）", as a result of a mediation, entered into a deed of settlement, pursuant to which the defendant agreed to pay VXLMS a settlement amount of RMB4.5 million (equivalent to HK$5.6 million) by 2 instalments; the first instalment of RMB0.5 million (equivalent to HK$0.6 million) to be paid on or before 18 June 2012 and the second instalment of RMB4.0 million (equivalent to HK$5.0 million) to be paid on or before 4 August 2012. The payment of the first instalment was made on 14 June 2012. Upon receipt of the second instalment, VXLMS will execute a consent order dismissing the proceedings, and reverse a provision in respect of this claim in the amount of HK$4.1 million, which has been made in the consolidated financial statements of the Group for the year ended 31 March 2012.

In the opinion of the directors of the Company, adequate provision has been made in the consolidated financial statements.

17. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation. The directors consider that such reclassifications will allow a more appropriate presentation of the Group's state of affairs and better reflect the nature of the transactions.

DIRECTORS' COMMENTARIES

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the year ended 31 March 2012 (FY2011: Nil)

FINANCIAL PERFORMANCE REVIEW

Turnover

The Group recorded a turnover for the year in the amount of HK$6.4 million (FY2011: HK$4.4 million). Current year turnover comprised rental income, hotel rental income and food and beverage (F&B) revenue of HK$2.5 million, HK$3.5 million and HK$0.4 million respectively. For the year ended 31 March 2011, where there was no office rental operation, hotel rental income and F&B revenue were HK$4.0 million and HK$0.4 million respectively.

Other gain

The Group recorded a net gain of HK$32.4 million, comprising mainly gain on (1) disposal of hotel properties and (2) disposal of available-for-sale financial assets. For FY2011, other gain of HK$4.3 million arose from disposal of fixed assets.

Staff costs

Excluding the provision for bonus, staff costs have actually decreased significantly from HK$17.2 million to HK$13.5 million during the year due to cost control measures undertaken by the management coupled with a decrease in operating activities in line with the Group's re-positioning of its strategies. In addition, in FY2011, there was a write back of a provision for bonus of HK$23.6 million. In FY2012, there was a further write back of HK$5.5 million.

Other operating expenses

Other operating expenses which are of recurring nature comprise mainly office rentals, and other corporate expenses related to on-going corporate activities. Other operating expenses have decreased significantly from HK$33.3 million last year to HK$28.3 million this year mainly due to reduction in recurring cost and offset by increase in legal and professional fees.

Finance costs

The Group has obtained further loans from its ultimate holding company in FY2011. This has resulted in a significant increase in finance costs from HK$41.3 million to HK$48.6 million in the current year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained total bank and cash balances of HK$125.1 million as at 31 March 2012 (FY2011: HK$96.4 million). Cash deposits have been placed with major banks in Hong Kong and the PRC in the form of United States dollar, Hong Kong dollar and Renminbi deposits.

As of 31 March 2012, the Group had amount due to ultimate holding company and other loans totaling HK$441.1 million (FY2011: HK$416.4 million) due within one year, and obligations under finance leases of HK$0.6 million (FY2011: HK$0.6 million) maturing within 1 year.

The Group's gearing ratio is measured on the basis of the Group's total interest-bearing debts net of cash reserves over the total equity (including minority interest). As at 31 March 2012, the gearing ratio was 453.0% (FY2011: 333.2%). The increase in the gearing ratio over the two financial years was mainly due to a smaller total equity coupled with additional loans from the ultimate holding company.

Subsequent to the year end, the management has obtained agreements by the lenders to extend be over one year the repayment of short-term borrowings totaling HK$441.1 million. During the year, the Group has received HK$107.6 million from its disposal of certain hotel properties and available-for-sale financial assets.

Together with the continuous financial support from the ultimate holding company, the management is confident that by executing its plans the Group is able to meet its obligations.

BUSINESS REVIEW AND CORPORATE DEVELOPMENT

The Group maintained its strategies of developing its properties into budget hotels or commercial offices for leasing or sale, or, when appropriate, outright sale. The Group also continued its efforts in seeking appropriate joint ventures or partnership with companies in the hospitality, tourism and property industries or companies with investment interests in these industries.

PROSPECTS

The economy of the PRC is projected to around 8% in 2012. Though China is slowing down in economic developments, its government has implemented a series of supporting policies for small and medium-sized enterprises, entrepreneurial and innovation enterprises, such as credit supports, tax breaks and lowering the threshold for investment access etc, and has encouraged individuals to set up small enterprises. The demand of medium sized offices buildings by small and medium-sized enterprises especially the entrepreneurial enterprises is increasing. According to the current 12th Five-Year-Plan, the China's government will actively develop the tourism industry. The Group believes that its investment in leasing and sale of budget hotels and commercial offices will avail itself of the economic developments in China.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 March 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance

Compliance with the Code on Corporate Governance Practices

The Group is committed to maintaining high standards of corporate governance and the Board considers that effective corporate governance is an essential factor to the corporate success and to enhance shareholders' value.

The Group has applied the principles and complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting period covered by the year ended 31 March 2012, with minor deviations as stated below.

Pursuant to Code A.2.1 of the CG Code, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The Board considers that the roles of both the chairman and the CEO currently performed by Datuk LIM Chee Wah are for a transitional arrangement to cater for a smooth handover. In this transitional period, the Board believes that vesting the roles of both chairman and CEO in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies. The Board shall nevertheless continue to identify a suitable candidate to assume the role of CEO from Datuk LIM Chee Wah.

Pursuant to Code A.4.1 of the CG Code, non-executive directors shall be appointed for a specific term, subject to re-election. All the Independent Non-executive Directors, except Mr. Alan Howard SMITH, *J.P.*, are appointed for a specific term. As one-third of all the Directors are subject to retirement by rotation at each Annual General Meeting pursuant to Article 133 of the Articles of Association, the Board considers that sufficient measures have been made to ensure that the Company's corporate governance practices are no less exacting than those stipulated in the CG Code.

In accordance with Article 133 of the Articles of Association, one-third of the directors shall retire from office by rotation whereas the Code A.4.2 states that each director shall retire by rotation at least once every three years. As the Board consists of five Directors and each of them retires at least once every three years, this effectively achieves the same objective as set out in the CG Code.

Model Code For Securities Transactions by Directors

The Board has adopted its own code of conduct regarding securities transactions by Directors (the "Model Code") on terms no less exacting than the required standard set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" of the Listing Rules. Having made specific enquiries with all Directors, the Directors have complied with the Model Code in their securities transactions during the year ended 31 March 2012.

Internal Control Review

The Company has engaged an independent firm of certified public accountants to conduct an independent review on internal control environment of the Group for the year ended 31 March 2012. Results of the independent review concluded that the internal control system of the Company and of the Group was adequate. The independent review also made certain recommendations in their support for the Company's consideration to improve its internal control and efficiency.

The Board has reviewed the results of the independent review and, after discussion with management, is satisfied that the Group's system of internal controls is adequate and effective. The Board will continue to review and improve the Group's internal control system, taking into account the recommendations of the independent review and the prevailing regulatory requirements.

Review of Preliminary Announcement

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2012 have been agreed by the Group's external auditors, Pan-China (H.K.) CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Pan-China (H.K.) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Pan-China (H.K.) CPA Limited on the preliminary announcement.

Audit Committee

The Audit Committee comprises all the Independent Non-executive Directors of the Company who possess appropriate business, legal, engineering and financial experience and skills to undertake review of financial statements in accordance with good practice of financial reporting. The Audit Committee is chaired by Mr. David YU Hon To and the other two members are Mr. Alan Howard SMITH, *J.P.* and Dr. Allen LEE Peng Fei, *J.P.*. The financial results for the year ended 31 March 2012 have been reviewed by the Audit Committee.

ANNUAL GENERAL MEETING

The date of Annual General Meeting will be announced later in accordance with the Listing Rules.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend our utmost gratitude to our valued clients, shareholders and business associates for their continued support for and confidence in the Group. I also wish to express our sincere appreciation to our management and employees for their positive efforts over the past year.

By Order of the Board
VXL Capital Limited
Datuk LIM Chee Wah
Chairman

24 June 2012

As at the date of this announcement, the Board comprises:

Executive Directors:
Datuk LIM Chee Wah
Mr. XIAO Huan Wei

Independent non-executive Directors:
Mr. Alan Howard SMITH, *J.P.*
Dr. Allen LEE Peng Fei, *J.P.*
Mr. David YU Hon To