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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 2014

The board of directors (the “Board”) of VXL Capital Limited (the “Company”) presents the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2014 (“FY 2014”) together with the comparative figures for the year ended 31 March 2013 (“FY 2013”) as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2014

	<i>Note</i>	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Turnover	2	<b>5,981</b>	6,627
Other gains	3	<b>38,441</b>	1,619
Revaluation gain on investment properties	10	–	4,085
Staff costs	4	<b>(10,382)</b>	(11,860)
Depreciation and amortization		<b>(2,423)</b>	(7,548)
Other operating expenses, net		<b>(26,711)</b>	(14,100)
Operating profit/(loss)	5	<b>4,906</b>	(21,177)
Finance income		<b>364</b>	458
Finance costs		<b>(44,729)</b>	(46,636)
Loss before taxation		<b>(39,459)</b>	(67,355)
Taxation charge	6	<b>(1,292)</b>	(5,172)
Loss for the year		<b>(40,751)</b>	(72,527)
Other comprehensive income:			
Currency translation differences		<b>(4,085)</b>	809
Property revaluation gain		–	6,968
Other comprehensive income for the year, net of tax		<b>(4,085)</b>	7,777
Total comprehensive loss for the year		<b>(44,836)</b>	(64,750)

	<i>Note</i>	<b>2014</b> <b><i>HK\$'000</i></b>	2013 <i>HK\$'000</i>
(Loss)/profit for the year attributable to:			
Owner of the Company		<b>(45,288)</b>	(70,799)
Non-controlling interest		<u><b>4,537</b></u>	<u>(1,728)</u>
		<u><b>(40,751)</b></u>	<u>(72,527)</u>
Total comprehensive (loss)/profit for the year attributable to:			
Owner of the Company		<b>(48,315)</b>	(63,231)
Non-controlling interest		<u><b>3,479</b></u>	<u>(1,519)</u>
		<u><b>(44,836)</b></u>	<u>(64,750)</u>
Basic and diluted loss per ordinary share for loss for the year attributable to equity holders of the Company			
	7	<u><b>HK(2.96) cents</b></u>	<u>HK(4.63) cents</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 MARCH 2014*

	<i>Note</i>	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	<i>8</i>	<b>93,040</b>	203,842
Land use rights	<i>9</i>	<b>5,345</b>	51,322
Investment properties	<i>10</i>	<b>98,348</b>	128,405
Construction in progress		<b>174</b>	6,367
Available-for-sale financial assets		<b>1,128</b>	1,128
Receivables, prepayments and deposits	<i>11</i>	<b>–</b>	7,243
		<b>198,035</b>	398,307
<b>Current assets</b>			
Assets held for sale	<i>12</i>	<b>250,931</b>	87,901
Receivables, prepayments and deposits	<i>11</i>	<b>10,955</b>	4,411
Bank balances and cash		<b>41,277</b>	90,806
		<b>303,163</b>	183,118
<b>Current liabilities</b>			
Payables and accruals	<i>13</i>	<b>69,149</b>	107,347
Liabilities classified as held for sale	<i>12</i>	<b>51,199</b>	749
Borrowings	<i>14</i>	<b>407,429</b>	448,383
		<b>527,777</b>	556,479
<b>Net current liabilities</b>		<b>(224,614)</b>	(373,361)
<b>Total assets less current liabilities</b>		<b>(26,579)</b>	24,946
<b>Non-current liabilities</b>			
Deferred income tax liabilities	<i>16</i>	<b>13,114</b>	19,803
		<b>13,114</b>	19,803
<b>Net (liabilities)/assets</b>		<b>(39,693)</b>	5,143
<b>EQUITY</b>			
Share capital		<b>167,345</b>	15,296
Share premium		<b>–</b>	152,049
Share capital and other statutory capital reserves		<b>167,345</b>	167,345
Other Reserves		<b>(298,892)</b>	(250,577)
Total shareholders' deficit		<b>(131,547)</b>	(83,232)
Non-controlling interest		<b>91,854</b>	88,375
<b>Total equity</b>		<b>(39,693)</b>	5,143

*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”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property and available-for-sale financial assets. These financial statements are presented in Hong Kong Dollar thousands, unless otherwise stated.

At 31 March 2014, the Group had net current liabilities of HK\$224.6 million and a shareholders’ deficit of HK\$131.5 million. In addition, for the year ended 31 March 2014, the Group reported a loss of HK\$40.8 million and a net operating cash outflow of HK\$25.5 million. Included in current liabilities, there was a loan payable to VXL Capital Partners Corporation Limited (“VXLCPL”), the former ultimate holding company amounting to HK\$407,429,146, which is repayable on 1 October 2014. The above conditions indicate the existence of uncertainties which may cast doubt on the Group’s ability to continue as a going concern. Notwithstanding the above, the consolidated financial statements are prepared on a going concern basis.

In order to alleviate the Group’s liquidity risk, management is implementing various measures to improve its cash flows. The Group maintained its strategies of developing its properties into hotels or commercial offices for leasing or sales, or, when appropriate, outright sale to improve its liquidity. During the year, the Company entered into six Equity Transfer Agreements with independent third parties to sell 100% equity interest of six subsidiaries for a total consideration of RMB117.3 million (equivalent to approximately HK\$149.0 million). Further, Chong Qing “U” Inns & Hotels Management Co., Limited (重慶你的客棧酒店管理有限公司) (“Chongqing”) has terminated the acquisition agreement for a hotel property located in the cities of Chong Qing for a refund of RMB6.8 million (equivalent to approximately HK\$8.5 million). As at 31 March 2014, the Group has received a total sum of RMB50.1 million (equivalent to approximately HK\$63.2 million) from the aforesaid disposals and termination of acquisition. Remaining balances of RMB74 million (equivalent to approximately HK\$94.3 million) in connection with the disposals are expected to be received in the coming year when the disposals are completed. Subsequent to the year-end, the Group has received a total amount of RMB26.0 million (equivalent to approximately HK\$32.9 million) from the respective buyers upon completion of disposals of two subsidiaries.

On 6 March 2014, the then ultimate holding company of the Group, VXLCPL entered into a sale and purchase agreement to dispose of its approximate 69.91% equity interest in VXL Capital Limited (the “Company”) to Crown Landmark Corporation (“CLC”). After the completion of this transaction, CLC has become the ultimate holding company of the Group.

In addition, subsequent to the year end, the following activities were carried out by management of the Group under the direction of the current ultimate holding company to improve the Group's liquidity:

- (1) On 19 June 2014, the Company entered into a placing agreement with ChangJiang Securities Brokerage (HK) Limited ("ChangJiang Securities"), the placing agent, pursuant to which the placing agent has conditionally agreed to procure, on a best-effort basis, the placees to subscribe for a promissory note up to an aggregate principal amount of HK\$120,000,000. The transaction was completed on 25 June 2014 with net proceeds of HK\$119,316,000 raised. The promissory note bears interest at 3% per annum; and is of 3-years maturity period repayable in June 2017.
- (2) On 19 June 2014, the Company entered into another placing agreement with ChangJiang Securities, the placing agent, pursuant to which the placing agent conditionally agreed to place up to 300,000,000 placing shares to the placees at the placing price of HK\$0.36 on a best effort basis. On 26 June 2014, the Group has obtained the approval from the listing committee of the Stock Exchange of Hong Kong Limited, which has agreed to grant a listing of and permission to deal with the placing shares. As of the date of this report, ChangJiang Securities is in the process of completing this transaction with administrative procedures in progress. The estimated net proceeds to be raised from the placing shares will be approximately HK\$107,375,760 and the transaction is expected to be completed no later than 2 July 2014.
- (3) On 27 June 2014, VXCPL and the Company entered into an agreement, under which VXCPL has agreed to unconditionally and irrevocably waive part of the outstanding borrowing as at 31 March 2014 due to VXCPL amounting to HK\$138,124,765. As a result of such waiver, the loan payable to VXCPL amounted to HK\$269,304,381 with no further interest and other obligations.

For the repayment of the amount of HK\$269,304,381, the Company and VXCPL has entered into an escrow agreement under which the Company will transfer an amount of HK\$220,000,000 from the net proceeds of the placing arrangements as mentioned in (1) and (2) to the agreed escrow account on or before 4 July 2014. The remaining amount of HK\$49,304,381 will also transferred to that escrow account on or before 29 August 2014. All sums in the escrow account shall be released to VXCPL on 2 October 2014.

- (4) On 27 June 2014, CLC advanced an amount of HK\$10,000,000 to the Company which is unsecured and interest free. CLC has agreed not to demand the Company for repayment until after the Group has received the remaining disposal proceeds of HK\$61,400,000 from the disposals of subsidiaries mentioned above; and until the Group has sufficient fund for its working capital requirements.

The directors of the Company have reviewed the Group's cash flow projections prepared by management, which cover a period of twelve months from the date of the consolidated statement of financial position. Based on the cash flow projections, the directors are of the opinion that, taking into account the above measures, the Group will have sufficient working capital to meet its financial obligations within the next twelve months from the date of the consolidated statement of financial position as and when they fall due. Accordingly, the directors considered that it is appropriate to prepare the consolidated financial statement on a going concern basis.

- (a) The following new standards and amendments to standards are mandatory for the financial year beginning 1 April 2013:

HKAS 1 (Amendment)	Financial statements presentation
HKAS 27 (Revised)	Separate financial statements
HKAS 28 (Revised)	Investments in associates and joint ventures
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosures of interests in other entities
HKFRS 13	Fair value measurement
HKFRS 7 (Amendment)	Financial instruments: Disclosures on asset and liability offsetting
HKAS 36	Impairments of Assets
HKAS 19	Defined benefit plans

The adoption of the above new and revised HKASs or HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

- (b) The following relevant HKASs, HKFRSs, amendments to existing HKFRSs and interpretation of HKFRS have been published and are mandatory for accounting periods beginning on or after 1 January 2013 or later periods and have not been early adopted by the Group:

HKAS 19 (Amendment)	Defined benefit plans <sup>2</sup>
HKAS 32 (Amendment)	Financial instruments: Presentation – offsetting financial assets and financial liabilities <sup>1</sup>
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets <sup>1</sup>
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement – novation of derivatives and continuation of hedging accounting <sup>1</sup>
HKFRS 9	Financial instruments <sup>4</sup>
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment entities <sup>1</sup>
HKFRS 14	Regulatory deferral accounts <sup>3</sup>
HK(IFRIC) – Int 21	Levies <sup>1</sup>
Annual Improvement Projects	Annual improvement to 2010-2012 cycle and 2011-2013 cycle <sup>2</sup>

<sup>1</sup> *Effective for the Group for annual period beginning 1 January 2014*

<sup>2</sup> *Effective for the Group for annual period beginning 1 July 2014*

<sup>3</sup> *Effective for the Group for annual period beginning 1 January 2016*

<sup>4</sup> *Effective date to be determined*

The Group will apply the above HKFRSs, amendments to existing HKFRSs and interpretations of HKFRS when they become effective. The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on consolidated financial statements.

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 consolidated 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, (ii) hotel operations.

	<b>2014</b>	2013
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Revenue from hotel operations	<b>896</b>	3,147
Rental income	<b>5,085</b>	3,480
	<b><u>5,981</u></b>	<u>6,627</u>

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 segments 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 operations segment is engaged in hotel rental and food & beverage business;
- (b) the property investment segment is investment in properties; and
- (c) the unallocated segment comprises operations other than those specified in (a) and (b) above and includes that of the corporate office.

Capital expenditures comprise additions to investment properties, 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 result represents the profit/(loss) resulted by each segment without allocation of central administration costs, finance income, finance cost, fair value gain on investment properties, release of available-for-sale financial assets reserve upon disposal, impairment loss reclassified from available-for-sale financial assets reserve and taxation.



The segment results, depreciation and amortization, and capital expenditures based on reportable segment for the years ended 31 March 2014 and 2013 are as follows:

	Property investment <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Total for reportable segments <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	The Group <i>HK\$'000</i>
<b>For the year ended 31 March 2014</b>					
<b>Segment revenue:</b>					
Sales to external customers	<u>5,085</u>	<u>896</u>	<u>5,981</u>	<u>-</u>	<u>5,981</u>
<b>Segment results</b>	976	15,344	16,320	(11,414)	4,906
Finance income	18	325	343	21	364
Finance costs	<u>(2,081)</u>	<u>(15,364)</u>	<u>(17,445)</u>	<u>(27,284)</u>	<u>(44,729)</u>
(Loss)/profit taxation	(1,087)	305	782	(38,677)	(39,459)
Taxation	<u>(229)</u>	<u>(1,063)</u>	<u>(1,292)</u>	<u>-</u>	<u>(1,292)</u>
(Loss)/profit for the year	<u>(1,316)</u>	<u>758</u>	<u>2,074</u>	<u>(38,677)</u>	<u>(40,751)</u>
<b>Other segment information</b>					
Depreciation and amortization	157	2,120	2,277	146	2,423
Written back of other payables	-	1,814	1,814	-	1,814
Written off of property, plant and equipment	-	2,764	2,764	-	2,764
Additions to - Property, plant and Equipment	<u>-</u>	<u>1,924</u>	<u>1,924</u>	<u>9</u>	<u>1,933</u>

	Property investment <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Total for reportable segments <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	The Group <i>HK\$'000</i>
<b>For the year ended 31 March 2013</b>					
<b>Segment revenue:</b>					
Sales to external customers	<u>3,480</u>	<u>3,147</u>	<u>6,627</u>	<u>–</u>	<u>6,627</u>
<b>Segment results</b>	4,972	(22,749)	(17,777)	(3,400)	(21,177)
Finance income	12	184	196	262	458
Finance costs	<u>(1,888)</u>	<u>(17,790)</u>	<u>(19,678)</u>	<u>(26,958)</u>	<u>(46,636)</u>
Profit/(loss) before taxation	3,096	(40,355)	(37,259)	(30,096)	(67,355)
Taxation	<u>(5,083)</u>	<u>(4)</u>	<u>(5,087)</u>	<u>(85)</u>	<u>(5,172)</u>
Loss for the year	<u>(1,987)</u>	<u>(40,359)</u>	<u>(42,346)</u>	<u>(30,181)</u>	<u>(72,527)</u>
<b>Other segment information</b>					
Depreciation and amortization	277	6,646	6,923	625	7,548
Fair value gain on investment properties	4,085	–	4,085	–	4,085
Reversal of provision for receivable	–	–	–	4,100	4,100
Written back of other payables	–	1,427	1,427	–	1,427
Additions to					
– Property, plant and equipment	–	53,099	53,099	7	53,106
– Construction in progress	<u>1,899</u>	<u>–</u>	<u>1,899</u>	<u>–</u>	<u>1,899</u>

*Note:*

Hotel operations segment included hotels which have not been in operations as at 31 March 2014.

#### **Information about major customers**

Revenue of approximately HK\$2.4 million and HK\$2.0 million (FY2013: HK\$2.1 million and HK\$1.0 million) were derived from Customer A and Customer B in the property investment segment respectively. No other single customer contributed 10% or more to the Group's revenue for both FY2014 and FY2013.

The segment assets and liabilities based on reportable segments as at 31 March 2014 and 31 March 2013 are as follows:

	<b>Property investment <i>HK\$'000</i></b>	<b>Hotel operations <i>HK\$'000</i></b>	<b>Total for reportable segments <i>HK\$'000</i></b>	<b>Unallocated <i>HK\$'000</i></b>	<b>The Group <i>HK\$'000</i></b>
<b>At 31 March 2014</b>					
Segment assets	165,793	292,420	458,213	1,708	459,921
Bank balances and cash	<u>1,189</u>	<u>33,441</u>	<u>34,630</u>	<u>6,647</u>	<u>41,277</u>
<b>Total assets</b>	<b><u>166,982</u></b>	<b><u>325,861</u></b>	<b><u>492,843</u></b>	<b><u>8,355</u></b>	<b><u>501,198</u></b>
Segment liabilities	46,589	85,091	131,680	1,782	133,462
Borrowings	<u>21,754</u>	<u>160,627</u>	<u>182,381</u>	<u>225,048</u>	<u>407,429</u>
<b>Total liabilities</b>	<b><u>68,343</u></b>	<b><u>245,718</u></b>	<b><u>314,061</u></b>	<b><u>226,830</u></b>	<b><u>540,891</u></b>
<b>At 31 March 2013</b>					
Segment assets	151,713	336,577	488,290	2,329	490,619
Bank balances and cash	<u>6,363</u>	<u>61,791</u>	<u>68,154</u>	<u>22,652</u>	<u>90,806</u>
<b>Total assets</b>	<b><u>158,076</u></b>	<b><u>398,368</u></b>	<b><u>556,444</u></b>	<b><u>24,981</u></b>	<b><u>581,425</u></b>
Segment liabilities	29,457	91,293	120,750	7,149	127,899
Borrowings	<u>19,791</u>	<u>146,128</u>	<u>165,919</u>	<u>282,464</u>	<u>448,383</u>
<b>Total liabilities</b>	<b><u>49,248</u></b>	<b><u>237,421</u></b>	<b><u>286,669</u></b>	<b><u>289,613</u></b>	<b><u>576,282</u></b>

The Group's businesses operate in Hong Kong and the People's Republic of China (the "PRC"). The Group's revenue for the years ended 31 March 2014 and 2013 and non-current assets as at 31 March 2014 and 2013 based on geographical area are as follows:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Revenue</b>		
Hong Kong	–	–
PRC	<u>5,981</u>	<u>6,627</u>
	<u><b>5,981</b></u>	<u><b>6,627</b></u>
<b>Non-current assets</b>		
Hong Kong	8	1,503
PRC	<u>198,027</u>	<u>396,804</u>
	<u><b>198,035</b></u>	<u><b>398,307</b></u>

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 GAINS

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Gain on disposal of subsidiaries	<b>28,530</b>	–
Compensation received from termination of acquisition of property	<b>1,145</b>	–
Exchange gain on disposal and deregistration of foreign subsidiaries	<b>6,896</b>	–
Other gain	<b>56</b>	192
Written back of other payables	<u><b>1,814</b></u>	<u>1,427</u>
	<u><b>38,441</b></u>	<u><b>1,619</b></u>

#### 4 STAFF COSTS

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Directors' fees	900	862
Salaries and other short-term employee benefits	8,396	9,452
Provision/(Reversal) of unutilized annual leave	22	(15)
Pension costs –MPF ( <i>Note i</i> )	87	92
Social security costs ( <i>Note ii</i> )	977	1,469
	<u>10,382</u>	<u>11,860</u>

*Notes:*

- i There were no forfeited contributions during the years ended 31 March 2014 and 2013.
- 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.

#### 5 OPERATING PROFIT/(LOSS)

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Operating loss is arrived at after charging/(crediting):		
Legal and professional fee	384	479
Consultancy fee	2,274	475
Depreciation and amortization	2,423	7,548
Auditors' remuneration	900	833
Net exchange gain	(273)	(1,353)
Reversal of provision for receivable	–	(4,100)
Written off of property, plant and equipment	2,764	–
Office rental	1,908	1,863
Direct costs attributable to operating lease	<u>12</u>	<u>20</u>

## 6 TAXATION

No provision for Hong Kong profits tax (FY2013: 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 amount of taxation charged to the condensed consolidated statement of comprehensive income represents:

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Current tax – PRC	1,292	7
Deferred taxation	–	5,165
	<u>1,292</u>	<u>5,172</u>

## 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 equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	<b>2014</b>	2013
Loss for the year attributable to equity holders of the Company, HK\$'000	<b>(45,288)</b>	(70,799)
Weighted average number of ordinary shares in issue	<b>1,529,600,200</b>	1,529,600,200
Basic loss per ordinary share, HK cents	<u><b>(2.96)</b></u>	<u>(4.63)</u>

- (b) The calculation of diluted loss per ordinary 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, which is the same for calculating basic loss per ordinary share above, as the Company did not have any dilutive potential ordinary shares arising from share options for the two years ended 31 March 2014 and 31 March 2013.

## 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
<b>Cost</b>						
As 1 April 2013	201,909	8,495	6,371	6,188	4,202	227,165
Additions	15	–	1,111	26	781	1,933
Disposals	–	–	(205)	(5)	(1,650)	(1,860)
Reclassified as assets held for sale (Note 12)	(114,182)	(1,583)	(5,766)	(5)	(12)	(121,548)
Exchange difference	3,744	132	109	97	62	4,144
At 31 March 2014	91,486	7,044	1,620	6,301	3,383	109,834
<b>Accumulated depreciation</b>						
As 1 April 2013	2,552	8,087	6,018	2,841	3,825	23,323
Charge for the year	–	166	512	505	306	1,489
Written back on disposals	–	–	(205)	2,817	(1,430)	1,182
Reclassified as assets held for sale (Note 12)	(2,678)	(1,503)	(5,406)	(5)	(11)	(9,603)
Exchange difference	126	124	104	36	13	403
At 31 March 2014	–	6,874	1,023	6,194	2,703	16,794
<b>Net book value</b>						
At 31 March 2014	91,486	170	597	107	680	93,040
<b>Cost</b>						
As 1 April 2012	244,442	13,406	6,349	6,140	4,198	274,535
Additions	53,058	20	–	28	–	53,106
Reclassified as investment properties	(9,831)	–	–	–	–	(9,831)
Reclassified as assets held for sale	(86,659)	(4,977)	–	–	–	(91,636)
Exchange difference	899	46	22	20	4	991
At 31 March 2013	201,909	8,495	6,371	6,188	4,202	227,165
<b>Accumulated depreciation</b>						
As 1 April 2012	7,350	10,794	4,808	2,159	3,207	28,318
Charge for the year	1,526	980	1,185	673	617	4,981
Reclassified as investment properties	(195)	–	–	–	–	(195)
Reclassified as assets held for sale	(6,164)	(3,728)	–	–	–	(9,892)
Exchange difference	35	41	25	9	1	111
At 31 March 2013	2,552	8,087	6,018	2,841	3,825	23,323
<b>Net book value</b>						
At 31 March 2013	199,357	408	353	3,347	377	203,842

### Note:

During the year ended 31 March 2014, none of the property, plant and equipment (FY2013: HK\$9,636,000) was reclassified as investment properties.

**9 LAND USE RIGHTS**

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Cost:</b>		
At 1 April	59,092	73,970
Reclassification		
Assets held for sale ( <i>Note 12</i> )	(53,926)	(6,909)
Investment properties	–	(8,057)
Exchange difference	1,771	88
	<hr/>	<hr/>
At 31 March	6,937	59,092
	<hr/>	<hr/>
<b>Accumulated amortization</b>		
At 1 April	7,770	7,061
Charge for the year	934	2,567
Reclassification		
Assets held for sale ( <i>Note 12</i> )	(7,139)	(998)
Investment property	–	(890)
Exchange difference	27	30
	<hr/>	<hr/>
At 31 March	1,592	7,770
	<hr/>	<hr/>
<b>Net book value</b>		
At 31 March	5,345	51,322
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

During the year ended 31 March 2014, none of the land use rights (FY2013: HK\$7,167,000) was reclassified as investment properties.



## 10 INVESTMENT PROPERTY

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	<b>HK\$'000</b>
At 1 April	<b>128,405</b>	93,758
Reclassified from property, plant and equipment	–	10,636
Reclassified from land use rights	–	19,339
Reclassified to assets held for sale ( <i>Note 12</i> )	<b>(32,405)</b>	–
Increase in value charged to profit and loss	–	4,085
Exchange difference	<b>2,348</b>	587
	<hr/>	<hr/>
At 31 March	<b>98,348</b>	128,405
	<hr/> <hr/>	<hr/> <hr/>

During the year ended 31 March 2014, investment property of HK\$32,405,000 (FY2013: nil) was reclassified as assets held for sale.

The Group's property interest held under operating lease to earn rentals is measured using the fair value model.

### (a) Valuation basis

The fair value of the investment properties in the PRC at 31 March 2014 has been arrived on the basis of valuation carried out on that date by RHL Appraisal Limited, independent qualified professional valuers not connected to the Group (FY2013: same). The valuation was arrived at by reference to market evidence of transaction prices for similar properties at similar location.

### (b) Leasing arrangements

Investment properties are leased to tenants under long-term operating leases with rentals payable monthly.

## 11 RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Non-current</b>		
Deposits for acquisition of hotel properties	—	7,243
	—	7,243
<b>Current</b>		
Trade receivables	—	107
Other receivables	3,534	2,851
Other prepayments and deposits	7,421	1,453
	10,955	4,411
	<u>10,955</u>	<u>11,654</u>

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 2014, there was no trade receivables (FY2013: within two months and are not past due) and none of the receivables, prepayments and deposits was impaired (FY2013: Nil).

## 12 ASSETS HELD FOR SALE AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 17 October 2013, 19 December 2013 and 22 January 2014, UIHIL entered into Equity Transfer Agreements with three independent third parties to dispose the equity interest in Tonghua, Wuhan and Jinggangshan for a consideration of RMB19.0 million (equivalent approximately to HK\$23.9 million), RMB14.1 million (equivalent approximately to HK\$18.0 million), and RMB50.0 million (equivalent to approximately HK\$64.0 million) respectively, with approximately RMB74.0 million (equivalent to approximately HK\$94.3 million) of the total consideration was not received as at 31 March 2014.

On 4 July 2013, the Company, UIHIL and a substantial shareholder of “U” Inns and Hotels Holdings Limited (“UIHHL”) entered into an Asset Swap Agreement pursuant to which the Company agreed to acquire, and the substantial shareholder agreed to dispose of the UIHHL Shares. The consideration payable for the UIHHL Shares was satisfied by way of 100% equity transfer of the “U” Inns & Hotels (Xi’an) Hotel Management Co., Limited (你的客機(西安)酒店管理有限公司) (“Xian”) from the UIHIL to the substantial shareholder. There was no cash payment from UIHIL to the substantial shareholder or vice versa.

The carrying amounts of the hotel properties and land use right were reclassified as “Assets held for sale” in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discounted Operations”.

	<b>2014</b>	2013
	<b>HK\$’000</b>	<b>HK\$’000</b>
<b>Assets</b>		
At 1 April	<b>87,901</b>	–
Reclassified from property, plant and equipment ( <i>Note 8</i> )	<b>111,945</b>	81,744
Reclassified from land use right ( <i>Note 9</i> )	<b>46,787</b>	5,911
Reclassified from investment property ( <i>Note 10</i> )	<b>32,405</b>	–
Reclassified from other assets	<b>42,700</b>	–
Disposals of subsidiaries	<b>(71,640)</b>	–
Exchange difference	<b>833</b>	246
	<hr/>	<hr/>
At 31 March	<b>250,931</b>	<b>87,901</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities</b>		
At 1 April	<b>749</b>	–
Reclassified from payables and accruals	<b>85,910</b>	749
Reclassified from deferred income tax liabilities	<b>7,072</b>	–
Disposals of subsidiaries	<b>(42,149)</b>	–
Exchange difference	<b>(383)</b>	–
	<hr/>	<hr/>
At 31 March	<b>51,199</b>	<b>749</b>
	<hr/> <hr/>	<hr/> <hr/>

### 13 PAYABLES AND ACCRUALS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade payables	–	133
Property acquisition cost payable	1,640	1,604
Accrued expenses in respect of acquisitions of hotel properties	6,547	30,450
Other payables and accruals	15,262	17,850
Deposits received for disposal of equity interest in subsidiaries	<u>45,700</u>	<u>57,310</u>
	<u><b>69,149</b></u>	<u><b>107,347</b></u>

As at 31 March 2014, there was no trade payables (FY2013: HK\$77,000 within one month and HK\$56,000 between one and three months).

### 14 BORROWINGS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Loan from VXL Capital Partners Corporation ( <i>Note a</i> )	407,429	–
Amount due to ultimate holding company	<u>–</u>	<u>448,383</u>
	<u><b>407,429</b></u>	<u><b>448,383</b></u>

*Note a:* VXL CPL has entered into a sale and purchase agreement dated 6 March 2014 to sell approximately 69.91% of the total issued share capital of the Company to Crown Landmark Corporation, which become the ultimate holding company.

Pursuant to the written agreement with VXL CPL entered on 27 June 2014, VXL CPL agreed to unconditionally waive part of the outstanding loan balance from HK\$407.4 million as at 31 March 2014 to HK\$269.3 million.

## 15 RELATED PARTY TRANSACTIONS

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

### (a) Interest expense

During the year, the Group has interest expense payable to VXCPL, amounting to HK\$44.7 million for the loan as disclosed in Note 14 (FY2013: HK\$42.8 million).

Amount due to VXCPL, is interest bearing at fixed rate, unsecured and repayable on 1 October 2014.

### (b) Key management compensation

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Directors' fee	–	–
Salaries and other short-term employee benefits	2,729	2,318
Pension costs – MPF	15	15
	<u>2,744</u>	<u>2,333</u>

## 16 DEFERRED TAX ASSETS AND LIABILITIES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Deferred income tax assets	2	2
Deferred income tax liabilities	(13,116)	(19,805)
	<u>(13,114)</u>	<u>(19,803)</u>

## 17 DISPOSAL OF SUBSIDIARIES

- (a) On 31 May 2013, UIHIL entered into a disposal agreement to dispose 100% equity interest of Xiangfan, which was a hotel, to an independent third party, for a cash consideration of RMB24.9 million (equivalent to approximately HK\$31.3 million). The transaction was completed on 3 July 2013. The Group's share of net assets of Xiangfan at the date of disposal are as follows:

	<i>HK\$'000</i>
Nets assets disposed of:	
Property, plant and equipment	24,878
Land use right	3,013
Receivables, prepayments and deposits	38
Bank balances and cash	4
Payables and accruals	<u>(18,759)</u>
Total net assets	<u>9,174</u>
Gain on disposal of a subsidiary	
Consideration received and receivable	31,323
Net assets disposed of	(9,174)
Professional costs for the disposal of interests in subsidiaries	<u>(2,943)</u>
Gain on disposal before taxation	19,206
Less: taxation	<u>(432)</u>
Gain on disposal after taxation	<u>18,774</u>
Net cash inflow arising on disposal:	
Consideration received during the year	31,323
Professional costs associated with disposal of interests in subsidiaries during the year	(2,943)
Bank balances and cash disposed of during the year	<u>(4)</u>
	<u><u>28,376</u></u>

- (b) On 8 February 2013, UIHIL entered into a disposal agreement to dispose 100% equity interest of Tulufan, which was a hotel, to an independent third party, for a cash consideration of RMB15.1 million (equivalent to approximately HK\$19.1 million). The transaction was completed on 1 July 2013. The Group's share of net assets of Tulufan at the date of disposal are as follows:

*HK\$'000*

Nets assets disposed of:

Property, plant and equipment	13,579
Land use right	1,386
Receivables, prepayments and deposits	16,857
Construction in progress	97
Bank balances and cash	5
Payables and accruals	<u>(20,431)</u>
 Total net assets	 <u>11,493</u>
 Gain on disposal of a subsidiary:	
Consideration received and receivable	19,092
Net assets disposed of	(11,493)
Professional costs for the disposal of interests in subsidiaries	<u>(610)</u>
 Gain on disposal before taxation	 6,989
Less: taxation	<u>(267)</u>
 Gain on disposal after taxation	 <u>6,722</u>
 Net cash inflow arising on disposal:	
Consideration received in prior year	19,092
Professional costs associated with disposal of interests in subsidiaries in prior year	(610)
Bank balances and cash disposed of classified as “assets held for sale” in prior year	<u>(5)</u>
	 <u><u>18,477</u></u>

- (c) On 31 May 2013, UIHIL entered into a disposal agreement to dispose 100% equity interest of Buerjin, which was a hotel, to an independent third party, for a cash consideration of RMB9.3 million (equivalent to approximately HK\$11.7 million). The transaction was completed on 24 February 2014. The Group's share of net assets of Buerjin at the date of disposal are as follows:

	<i>HK\$'000</i>
Nets assets disposed of:	
Property, plant and equipment	10,215
Land use right	1,568
Payables and accruals	<u>(2,959)</u>
 Total net assets	 <u>8,824</u>
 Gain on disposal of a subsidiary	
Consideration received and receivable	11,801
Net assets disposed of	(8,824)
Professional costs for the disposal of interests in subsidiaries	<u>(642)</u>
 Gain on disposal before taxation	 2,335
Less: taxation	<u>—</u>
 Gain on disposal after taxation	 <u>2,335</u>
 Net cash inflow arising on disposal:	
Consideration received during the year	11,801
Professional costs associated with disposal of interests in subsidiaries during the year	<u>(642)</u>
	 <u><u>11,159</u></u>



## **DIRECTORS' COMMENTARIES**

### **FINAL DIVIDEND**

The Board has resolved not to declare any final dividend for the year ended 31 March 2014 (FY2013: Nil).

### **FINANCIAL PERFORMANCE REVIEW**

#### **Turnover**

The Group recorded a turnover for the year ended 31 March 2014 in the amount of HK\$6.0 million (FY 2013: HK\$6.6 million). Current year turnover comprised rental income, hotel rental income and F&B revenue of HK\$5.1 million, HK\$0.8 million and HK\$0.1 million respectively. For the last financial year, rental income, hotel rental income and F&B revenue were HK\$3.5 million, HK\$2.7 million and HK\$0.4 million, respectively. Hotel rental income and F&B revenue decreased significantly due to the hotel located in Xiangfan, Hubei province was disposed in May 2013.

#### **Staff costs**

Staff costs decreased from HK\$11.9 million to HK\$10.4 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.

#### **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 increased significantly from HK\$14.1 million last year to HK\$26.7 million this year mainly due to a reversal of a provision for bad debt of HK\$4.1 million in last year, a written off of property, plant and equipment of HK\$2.8 million and more corporate expenses incurred in this year.

#### **Finance costs**

Finance costs decreased from HK\$46.6 million to HK\$44.7 million mainly due to full repayment of a loan during the year.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group maintained total bank and cash balances of HK\$41.3 million as of 31 March 2014. 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 2014, the Group had an amount due to VXLCP totaling HK\$407.4 million due within one 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 non-controlling interest). As of 31 March 2014, the Group was in a deficit equity situation (gearing ratio in FY2013: 6,952.7%). During the year, the Group totally received HK\$93.4 million from its disposal of certain subsidiaries and debts collection.

Subsequent to the year end, the Group has received a total sum of RMB26.0 million (equivalent to approximately HK\$32.9 million) from the respective buyers on completion of the disposals of two subsidiaries.

The Company has entered into two Placing Agreements with ChangJiang Securities Brokerage (HK) Limited ("ChangJiang Securities") to raise fund of approximately HK\$226.7 million. Moreover, the Company has also entered into an agreement with VXLCP which agreed to unconditionally waive part of the outstanding loan balance from HK\$407.4 million as at 31 March 2014 to HK\$269.3 million. Based on the Group's cash flow projections and taking into account of the aforesaid measures, the directors believe that the Group will have sufficient cash flows to meet its liabilities and obligations as and when they fall due and to enable the Group to continue its businesses for the foreseeable future.

### **Business Model and Corporate Strategy**

The Group is engaged in hotel and property investment in the PRC. Our strategies are to develop its properties into budget hotels or commercial offices for leasing or sales, or, when appropriate, outright sales. The new management will overall review the business of the Group and may adopt new investment strategy as necessary to response to the ever changing dynamic market and grasp appropriate opportunities to diversify its investment portfolios.

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 31 March 2014, the Group had a total of 45 employees (FY2013: 85 employees) approximately, including Executive Directors. The Group's remuneration policy and packages for the Executive Directors and senior management are determined by the RQN Committee while those for other employees are reviewed and approved by the Chief Executive Officer. The Group remunerates its employees based on industry practice and the performance of each individual. The Group also offers discretionary bonuses, medical insurance and defined contribution retirement plans, and provides a share option scheme for its employees and Executive Directors.

## **CHANGE IN CONTROL AND MANDATORY CASH OFFER**

On 6 March 2014, VXL Capital Partners Corporation Limited ("VXLCPL") (the controlling shareholder of the Company and a company which is 100% held by Datuk Lim Chee Wah ("Datuk Lim"), the chairman of the Board and an executive Director) and Huge More Limited ("Huge More") (a wholly owned subsidiary of VXLCPL) that VXLCPL and Huge More as vendors have entered into a sale and purchase agreement with Crown Landmark Corporation ("CLC") as purchaser, pursuant to which VXLCPL and Huge More have agreed to sell, and CLC has agreed to purchase, an aggregate of 1,069,308,000 ordinary shares of the Company (the "Shares"), representing approximately 69.91% of the total issued share capital of the Company. Completion took place on the same date on which the Sale and Purchase Agreement was signed and CLC became the controlling shareholder. Under the Hong Kong Codes on Takeovers and Mergers, CLC has to make an unconditional mandatory cash offer to acquire all the issued shares in the Company (other than those shares already owned or agreed to be acquired by CLC and parties acting in concert with it) The Offer was closed on 26 May 2014. Having made all reasonable enquiries and to the best of the knowledge and belief of the Company, CLC held 1,069,318,000 shares of the Company as at 26 May 2014, representing approximately 69.91% of the entire issued share capital of the Company. Accordingly, the Company is in compliance with the public float requirement under the applicable Listing Rules.

## **PROPOSED CHANGE OF COMPANY NAME**

The Board proposed to change the name of the Company from “VXL Capital Limited 卓越金融有限公司” to “Crown International Corporation Limited 皇冠環球集團有限公司” which is subject to the approval by the Shareholders at an extraordinary general meeting of the Company and by the Registrar of Companies of Hong Kong.

## **OTHER INFORMATION**

### **Purchase, Sale or Redemption of the Company’s Listed Securities**

During the year ended 31 March 2014, the Company did not redeem any of its shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) nor did the Company or any of its subsidiaries purchase or sell any of such shares.

### **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 the enhancement of shareholders’ value.

The Group has applied the principles and complied with the all 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 (the “Listing Rules”) throughout the year ended 31 March 2014, with minor deviations as stated below.

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 of the Company (the “INEDs”), other than Mr. Alan Howard SMITH, *J.P.*, are appointed for a specific term. Pursuant to Code A.4.2 of the CG Code, each director shall retire by rotation at least once every three years. In accordance with the Company’s Articles of Association, one-third of the Directors are subject to retirement by rotation and subject to re-election at each annual general meeting. The Board therefore considers that as each of the Directors retires in every three years, this effectively achieves the same objective as set out in the CG Code.

Pursuant to Code E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. However, Datuk LIM Chee Wah, the Chairman of the Board, was unable to attend the Annual General Meeting held on 4 September 2013 due to overseas business engagement.

*Note:* Datuk LIM Chee Wah resigned as an Executive Director and Mr. Alan Howard SMITH, *J.P.*, resigned as an Independent Non-executive Director on 27 May 2014.

### **Model Code for Securities Transactions by Directors**

The Board has adopted its own code of conduct regarding securities transactions by Directors (the “Securities 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 by the Company with all Directors, the Directors have complied with the Securities Code in their securities transactions during the year ended 31 March 2014.

### **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 2014. 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 this preliminary announcement of the Group's results for the year ended 31 March 2014 have been agreed by the Group's external auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers on the preliminary announcement.

## **Audit Committee**

The Audit Committee comprises all the Independent Non-executive Directors of the Company who possess appropriate banking, commercial and financial experience and skills to undertake the review of financial statements in accordance with good practice of financial reporting. The Audit Committee is chaired by Mr. LONG Tao and the other two members are Mr. REN Guo Hua and Mr. CHEN Fang. The financial results for the year ended 31 March 2014 have been reviewed by the Audit Committee.

Mr. David YU Hon To, Mr. Alan Howard SMITH, *J.P.* and Mr. SOO Ying Pooi ceased to be members of the Audit Committee on 27 May 2014 following their resignations as INEDs with effect from the same date.

## **ANNUAL GENERAL MEETING**

The Annual General Meeting of the Company will be held on 17 September 2014 and the relevant Notice will be published and dispatched to the shareholders in the manner as required by the Listing Rules in due course.

## **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**  
**WONG Hoi Kin**  
*Chairman*

Hong Kong, 30 June 2014

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

*Executive Directors:* Mr. WONG Hoi Kin (*Chairman*) and Mr. LIAO Pin Tsung (*Group Chief Executive Officer and Group Chief Financial Officer*)

*Non-executive Directors:* Mr. LIU Hong Shen and Mr. MENG Jin Long

*Independent Non-executive Directors:* Mr. LONG Tao, Mr. REN Guo Hua and Mr. CHEN Fang