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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this Composite Document or the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in VXL Capital Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank or licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

The Stock Exchange of Hong Kong Limited and Hong Kong Exchanges and Clearing Limited take no responsibility for the contents of this Composite Document, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document.

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**CROWN LANDMARK CORPORATION**

皇冠置地集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**VXL CAPITAL LIMITED**

卓越金融有限公司

*(Incorporated in Hong Kong with limited liability)*

(Stock code: 727)

**COMPOSITE DOCUMENT RELATING TO THE  
UNCONDITIONAL MANDATORY CASH OFFER BY  
CHANGJIANG CORPORATE FINANCE (HK) LIMITED  
ON BEHALF OF CROWN LANDMARK CORPORATION  
TO ACQUIRE ALL THE ISSUED SHARES IN VXL CAPITAL LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE  
ACQUIRED BY CROWN LANDMARK CORPORATION AND  
PARTIES ACTING IN CONCERT WITH IT)**

**Financial adviser to**

**Crown Landmark Corporation**



**長江證券融資(香港)有限公司**  
CHANGJIANG CORPORATE FINANCE (HK) LIMITED

**Financial adviser to**

**VXL Capital Limited**



**Optima Capital Limited**

**Independent Financial Adviser  
to the Independent Board Committee and the Independent Shareholders**

**ALTUS CAPITAL LIMITED**

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Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Changjiang containing, among other things, details of the terms of the Offer is set out on pages 8 to 17 of this Composite Document.

A letter from the Board is set out on pages 18 to 23 of this Composite Document.

A letter from the Independent Board Committee containing its recommendation in respect of the Offer to the Independent Shareholders is set out on pages 24 to 26 of this Composite Document.

A letter from the Independent Financial Adviser containing its advice on the Offer to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 45 of this Composite Document.

The procedures for acceptance of the Offer and other related information are set out on pages I-1 to I-7 in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Registrar, Boardroom Share Registrars (HK) Limited, at 31st Floor, 148 Electric Road, North Point, Hong Kong by no later than 4:00 p.m. on Monday, 26 May 2014 or such later time and/or date as the Offeror may decide and announce in accordance with the Takeovers Code.

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## EXPECTED TIMETABLE

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*The expected timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be made as and when appropriate.*

Despatch date of this Composite Document and the Form of Acceptance and the commencement date of the Offer ( <i>Note 1</i> ) . . . . .	Monday, 5 May 2014
Latest time and date for acceptance of the Offer ( <i>Note 2</i> ) . . . . .	no later than 4:00 p.m. on Monday, 26 May 2014
Closing Date of the Offer ( <i>Note 2</i> ) . . . . .	Monday, 26 May 2014
Announcement of the results of the Offer and the level of acceptances as at the Closing Date to be posted onto the Stock Exchange's website ( <i>Note 2</i> ) . . . . .	no later than 7:00 p.m. on Monday, 26 May 2014
Latest date of posting of remittances in respect of valid acceptances received on or before the latest time for acceptance of the Offer ( <i>Note 3</i> ) . . . . .	Thursday, 5 June 2014

*Notes:*

1. The Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until the Closing Date. Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code as described in paragraph 4 headed "Right of Withdrawal" in Appendix I to this Composite Document.
2. In accordance with the Takeovers Code, the Offer must be open for acceptance for at least 21 days following the date on which the Composite Document is posted. The Offer, which is unconditional, will be closed on the Closing Date. The latest time for acceptance is at 4:00 p.m. on Monday, 26 May 2014 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror does not intend to revise the terms, or extend the period of, the Offer and does not reserve the right to do so.
3. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares under the Offer will be posted to the accepting Shareholders by ordinary post at their own risk as soon as possible, but in any event within 7 Business Days of the date of receipt by the Registrar of all the relevant documents of title to render the acceptance by such Shareholders under the Offer complete and valid.

**All times and dates in this Composite Document and the Form of Acceptance shall refer to Hong Kong times and dates.**

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## DEFINITIONS

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*Unless the context requires otherwise, the following expressions shall have the following meanings in this Composite Document:*

“acting in concert”	has the meaning defined in the Takeovers Code;
“Altus Capital” or “Independent Financial Adviser”	means Altus Capital Limited, a licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders;
“associate(s)”	has the meaning ascribed thereto under the Takeovers Code;
“Board”	means the board of Directors;
“Business Day(s)”	means a day on which the Stock Exchange is open for the transaction of business;
“BVI”	means the British Virgin Islands;
“CCASS”	means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;
“Changjiang”	means Changjiang Corporate Finance (HK) Limited, a corporation licensed by the SFC to conduct type 6 (advising on corporate finance) regulated activities under the SFO, the financial adviser to the Offeror
“Closing Date”	means Monday, 26 May 2014, being the 21st day after the date on which this Composite Document is posted or such later date as may be extended by the Offeror, with the consent of the Executive, in accordance with the Takeovers Code;
“Company”	means VXL Capital Limited, a company incorporated in Hong Kong, whose Shares are listed on the Main Board (stock code: 727);
“Completion”	means completion of the Sale and Purchase Agreement;
“Completion Date”	means the date on which completion of the Sale and Purchase Agreement occurred, being 6 March 2014;

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## DEFINITIONS

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“Composite Document”	means this composite offer and response document jointly issued by the Offeror and the Company to all Shareholders in accordance with the Takeovers Code containing, among other things, details of the Offer together with the Form of Acceptance;
“Consideration”	means HK\$230,008,150.80, being the aggregate consideration for the Sale Shares under the Sale and Purchase Agreement;
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules;
“Datuk Lim”	means Datuk Lim Chee Wah, the chairman of the Board and an executive Director;
“Delay Announcement”	means the announcement jointly issued by the Offeror and the Company on 17 April 2014 in relation to the delay in despatch of this Composite Document;
“Director(s)”	means the director(s) of the Company;
“Encumbrances”	means any claim, charge, mortgage, security, lien, option, equity, power of sale, hypothecation or other third party rights, retention of title, right of pre-emption, right of first refusal or security interest of any kind;
“Executive”	means the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
“Form of Acceptance”	means the accompanying form of acceptance in respect of the Offer;
“FSG”	means Fortune Sea Group Limited, a company incorporated in the BVI with limited liability;
“Further Delay Announcement”	means the announcement jointly issued by the Offeror and the Company on 28 April 2014 in relation to the further delay in despatch of this Composite Document;
“Group”	means the Company and its subsidiaries;

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## DEFINITIONS

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“HK\$”	means Hong Kong dollar, the lawful currency of Hong Kong;
“Holding Announcement”	means the announcement issued by the Company dated 13 March 2014 regarding the execution of the Sale and Purchase Agreement and the Offeror’s requirement to make the Offer;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Huge More”	means Huge More Limited, a company incorporated in Hong Kong which is a wholly-owned subsidiary of VXLCP;L;
“Independent Board Committee”	means an independent committee of the Board comprising all the independent non-executive Directors (being Mr. Alan Howard Smith, <i>J.P.</i> , Mr. David Yu Hon To and Mr. Soo Ying Pooi), who have no direct or indirect interest in the Offer, established for the purpose of advising the Independent Shareholders in respect of the Offer and in particular as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer;
“Independent Shareholders”	means the Shareholders other than the Offeror, parties acting in concert with it and those who are involved in or interested in the Offer;
“Joint Announcement”	means the announcement jointly issued by the Offeror and the Company on 28 March 2014 in relation to (i) the disposal of an aggregate of 69.91% interest in the Company by VXLCP;L and Huge More to the Offeror; and (ii) the unconditional mandatory cash offer by Changjiang on behalf of the Offeror for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it);
“Latest Practicable Date”	means 2 May 2014, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein;

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## DEFINITIONS

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“Last Trading Day”	means 6 March 2014, being the last full trading day on which the Shares were traded on the Stock Exchange prior to the suspension of trading in the Shares pending the release of the Joint Announcement;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Main Board”	means the main board maintained and operated by the Stock Exchange;
“Offer”	means the unconditional mandatory cash offer made by Changjiang on behalf of the Offeror to acquire all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it);
“Offer Period”	has the meaning ascribed thereto in the Takeovers Code, being the period from 13 March 2014, i.e. the date of the Holding Announcement, to 4:00 p.m. on the Closing Date, or such other time or date to which the Offeror may decide to extend or revise the Offer in accordance with the Takeovers Code;
“Offer Price”	means HK\$0.2151 per Share;
“Offeror”	means Crown Landmark Corporation, a company incorporated in the Cayman Islands;
“Outgoing Directors”	means Datuk Lim and Mr. Xiao Huan Wei, those existing executive Directors who intend to resign from their offices at the earliest time permitted under the Takeovers Code after Completion;
“PRC”	means the People’s Republic of China;
“Properties”	means 卓越大廈 (Zhouyue Building*), 濰坊市郵電賓館 (Weifang Post Hotel*) and 寧海沁園賓館 (Ninghai Qinyuan Hotel*);

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## DEFINITIONS

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“Registrar”	means Boardroom Share Registrars (HK) Limited, the Company’s share registrar in Hong Kong located at 31st Floor, 148 Electric Road, North Point, Hong Kong;
“Relevant Period”	means the period commencing on the date falling six months preceding 13 March 2014, being the commencement date of the Offer Period and ending on and including the Latest Practicable Date;
“Sale and Purchase Agreement”	means the agreement dated 6 March 2014 entered into among VXCPL and Huge More as vendors, the Offeror as purchaser and Datuk Lim as vendors’ guarantor for the sale and purchase of the Sale Shares;
“Sale Shares”	means 1,069,308,000 Shares, representing approximately 69.91% of the entire issued share capital of the Company (based on 1,529,600,200 Shares in issue at Completion);
“SFC”	means the Securities and Futures Commission of Hong Kong;
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	means ordinary share(s) in the capital of the Company;
“Shareholder(s)”	means holder(s) of Share(s);
“Shareholder’s Loan”	means the outstanding shareholder’s loan owed by the Company to VXCPL in the amount of approximately HK\$404.0 million as of 28 February 2014;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	means the Hong Kong Code on Takeovers and Mergers; and
“UIHHL”	means “U” Inns & Hotels Holdings Limited, a company incorporated under the laws of the BVI which is a wholly-owned subsidiary of the Company as at the Latest Practicable Date;



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## DEFINITIONS

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“UIHIL”	means “U” Inns & Hotels Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of UIHHL;
“VXLCPL”	means VXL Capital Partners Corporation Limited, a company incorporated in the BVI which is wholly-owned by Datuk Lim, the Controlling Shareholder prior to Completion; and
“%”	means per cent.

\* *For identification purposes only*

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## LETTER FROM CHANGJIANG

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Suite 1901, 19th Floor, Cosco Tower  
183 Queen's Road Central, Hong Kong

5 May 2014

*To the Shareholders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY  
CHANGJIANG CORPORATE FINANCE (HK) LIMITED  
ON BEHALF OF CROWN LANDMARK CORPORATION  
TO ACQUIRE ALL THE ISSUED SHARES IN VXL CAPITAL LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE  
ACQUIRED BY CROWN LANDMARK CORPORATION AND  
PARTIES ACTING IN CONCERT WITH IT)**

### INTRODUCTION

Reference is made to the Holding Announcement, Joint Announcement, the Delay Announcement and the Further Delay Announcement. Immediately following the Completion on 6 March 2014, the Offeror is interested in 1,069,308,000 Shares, representing approximately 69.91% of the issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it).

This letter, together with Appendix I to this Composite Document and the accompanying Form of Acceptance, sets out, among other things, the terms and other details of the Offer, information on the Offeror and the intention of the Offeror regarding the Group. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

The Shareholders are strongly advised to consider carefully the information contained in the letter from the Board, letter from the Independent Board Committee and letter from the Independent Financial Adviser as set out in this Composite Document.

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## LETTER FROM CHANGJIANG

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### THE OFFER

Changjiang hereby makes the Offer on behalf of the Offeror for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code at the following Offer Price:

**for each Share held . . . . . HK\$0.2151 in cash**

The Offer Price of HK\$0.2151 per Offer Share under the Offer is equal to the price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

The Offer is unconditional in all respects and is therefore not conditional upon any minimum level of acceptances being received nor subject to any other conditions and the Offer is required to be open for acceptance for at least 21 days following the date on which this Composite Document is posted.

The Offeror does not intend to revise the terms of the Offer, increase the Offer Price or extend the latest time for acceptance of the Offer, and does not reserve the right to do so. The Offeror will not be allowed to extend the Offer Period beyond the stated date and increase the Offer Price save in wholly exceptional circumstances as provided for in Rules 18.2 and 18.3 of the Takeovers Code and your attention is therefore drawn to the expected timetable set out in the section headed “Expected Timetable” of this Composite Document.

The Offer Price of HK\$0.2151 per Share represents:

- (i) a premium over the position of shareholder’s deficit of the Company of approximately HK\$0.054 per Share and HK\$0.062 per Share as at 31 March 2013 (being the date to which the latest audited consolidated annual financial statements of the Company were made up) and 30 September 2013 respectively;
- (ii) a discount of approximately 62.26% to the closing price of HK\$0.570 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 60.39% to the average of the closing price of HK\$0.543 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 55.28% to the average of the closing price of HK\$0.481 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day; and
- (v) a discount of approximately 46.89% to the closing price of HK\$0.405 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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## LETTER FROM CHANGJIANG

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### HIGHEST AND LOWEST SHARE PRICE

The highest closing price of the Shares as quoted on the Stock Exchange during the Relevant Period was HK\$0.600 per Share on 5 March 2014. The lowest closing price of the Shares as quoted on the Stock Exchange during the Relevant Period was HK\$0.146 on 23 October 2013.

### TOTAL CONSIDERATION FOR THE OFFER

On the basis of the Offer Price of HK\$0.2151 per Share and 1,529,600,200 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company is valued at approximately HK\$329,017,003.02. Excluding the 1,069,308,000 Shares acquired by the Offeror pursuant to the Sale and Purchase Agreement, 460,292,200 Shares will be subject to the Offer and are valued at approximately HK\$99,008,852.22 on the basis of the Offer Price per Share.

### FINANCIAL RESOURCES AVAILABLE FOR THE OFFER

The amount of the funds required for payment for the consideration in the aggregate sum of HK\$99,008,852.22 in respect of the full acceptance of the Offer by the Offeror will be financed from internal resources of the Offeror. Changjiang is satisfied that there are sufficient financial resources available to the Offeror to satisfy the amount of funds required for payment for the consideration in respect of the full acceptance of the Offer.

### EFFECT OF ACCEPTING THE OFFER

By accepting the Offer, Shareholders will sell their Shares to the Offeror free from all Encumbrances and with all rights attaching to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made, being the date of posting of this Composite Document.

The procedures for accepting and further terms of the Offer are set out in Appendix I to this Composite Document.

### STAMP DUTY

The ad valorem stamp duty payable by the accepting Shareholders in connection with the Offer amounting to 0.1% of the consideration or the then market price of the Shares (whichever is higher) will be payable by the accepting Shareholders and will be deducted by the Offeror from the consideration payable to them on acceptance of the Offer. The Offeror will then pay the seller's ad valorem stamp duty on behalf of the accepting Shareholders and the buyer's ad valorem stamp duty in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

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## LETTER FROM CHANGJIANG

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### TAX IMPLICATIONS

None of the Offeror or Changjiang or any of their respective directors or any other parties involved in the Offer is in a position to advise the Shareholders on their individual tax implications. The Shareholders are recommended to consult their own professional advisers as to the tax implications that may arise from accepting the Offer. None of the Offeror or Changjiang or their respective directors or any other parties involved in the Offer accepts any responsibility for any tax effect on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

### SETTLEMENT OF THE CONSIDERATION

The amounts due to the Shareholders who accept the Offer should be paid by the Offeror to the Shareholders as soon as possible but in any event within 7 Business Days of the date on which the duly completed acceptance of the Offer and the relevant documents of title of the Offer Shares in respect of such acceptance are received by or for the Offeror. Settlement of the amounts due to the Shareholders who accept the Offer will be implemented in full without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholders.

### COMPULSORY ACQUISITION

The Offeror does not intend to exercise any right which may be available to it to compulsorily acquire any outstanding Offer Shares not acquired under the Offer after the close of the Offer.

### DEALING IN SECURITIES OF THE COMPANY

None of the Offeror or parties acting in concert with it has dealt in the Shares, derivatives, warrants or other securities convertible into Shares during the Relevant Period. As at the Latest Practicable Date, save for the Sale Shares under the Sale and Purchase Agreement, the Offeror and parties acting in concert with it have not entered into any arrangements or contracts in relation to the outstanding derivatives in respect of the Shares of the Company nor have any of them borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company. As at the Latest Practicable Date, the Offeror and parties acting in concert with it do not hold, own or control any Shares (other than the Sale Shares), outstanding options, derivatives, warrants or other securities convertible into the Shares of the Company.

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## LETTER FROM CHANGJIANG

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### INFORMATION ON THE GROUP

Details of the information on the Group are set out in the letter from the Board of this Composite Document.

Financial information on the Group is set out in Appendix II to this Composite Document.

### INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the Cayman Islands and is 100% owned by Crown Landmark Fund L.P., a property fund which intends to engage in investments in mixed-use commercial property related businesses and aims to partner with quality property developers on mixed-used commercial property projects. As at the Latest Practicable Date, Crown Landmark Fund L.P. is still identifying such suitable projects for investments (save for its investments in the Company).

The general partner of Crown Landmark Fund L.P. is Crown International Fund Corporation which is ultimately owned and controlled by Ms. Hung Man. According to the limited partnership agreement of Crown Landmark Fund L.P. dated 13 March 2014, (i) Crown Land Corp. Limited, which is ultimately owned and controlled by Ms. Hung Man; and (ii) Ever Apex Group Limited which is ultimately owned and controlled by Mr. Liu Hong Shen, had committed to contribute funds to Crown Landmark Fund L.P. as limited partners.

As at the Latest Practicable Date, the directors of the Offeror are Mr. Wong Hoi Kin, Ms. Chau Wai Hung, Mr. Liao Pin Tsung and Mr. Meng Jinlong. The Offeror and its ultimate beneficial owners and Ms. Hung Man are third parties independent of, and not acting in concert with, the vendors of the Sale and Purchase Agreement. Immediately preceding to the Completion, none of the Offeror, its intermediate holding companies or its ultimate beneficial owners or Ms. Hung Man owns any Shares and/or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

### INTENTION OF THE OFFEROR IN RESPECT OF THE GROUP

It is the Offeror's intention to maintain the listing of the Shares on the Stock Exchange. The Offeror intends to continue hotel investment and operations and property investment as the principal activities of the Group. As at the Latest Practicable Date, the Offeror does not intend to introduce any major changes to the existing operations and business of the Company, including disposal/termination/scaling-down of the Group's existing business and disposal/restructuring/redeployment of the Group's fixed assets (save for the Disposals – please refer to “Letter from the Board – Information on the Group” in this Composite Document). The Offeror will conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the

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## LETTER FROM CHANGJIANG

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review, and should suitable investment or business opportunities arise, the Offeror may consider acquisition of assets and/or business by the Group and/or disposal of the Properties which would be in the best interest of the Group. The Offeror stresses that the business plans and strategies for the future business development of the Group are subject to such review results. As at the Latest Practicable Date, the Offeror and its associates have not entered into any agreements, arrangements, understandings, intentions or negotiations in relation to the above matters, including injecting new business and/or assets into the Group.

The Offeror considers the principal business of the Group to be a good strategic fit with the business of the Offeror and its affiliates and, therefore, considers the Offer to be in its long-term commercial interest. As at the Latest Practicable Date, the Offeror has no intention to discontinue employment of the employees (save for the Outgoing Directors) or to dispose of or deploy the assets of the Group.

The Offeror acknowledges that, as of 28 February 2014, there is an outstanding Shareholder's Loan owed by the Company to VXCPL in the amount of approximately HK\$404.0 million (comprising principal of approximately HK\$269.3 million and accrued interest of approximately HK\$134.7 million). The Shareholder's Loan was advanced by VXCPL to the Company pursuant to a loan agreement between the Company and VXCPL dated 2 December 2009 which was subsequently amended by an amendment loan agreement dated 22 March 2010. Pursuant to the terms of the aforesaid amended loan agreement, the Shareholder's Loan bears interest at the rate of 10% per annum. The maturity date of the Shareholder's Loan was originally fixed to be 9 September 2010 and subsequently extended to 1 October 2014 by written agreements between the Company and VXCPL. Under the terms of the amended loan agreement, the Company shall repay firstly the principal and secondly the accrued interest of the Shareholder's Loan when the Group has funds in excess of working capital needs or the financial ability. The Company is of the view that the terms of the Shareholder's Loan have been agreed between the Company and VXCPL long before the Offer, and the Company is under a contractual obligation to observe the terms of the amended loan agreement including repayment of the Shareholder's Loan.

The Offeror has indicated to the Company in a non-legally binding letter that, upon Completion, as the single largest Shareholder and Controlling Shareholder, the Offeror shall use its commercially reasonable endeavours to operate the Company in a prudent manner and assist the Company to be in a sound financial position to duly perform its repayment obligation under the Shareholder's Loan. There is no agreement or arrangement between the Company and VXCPL to alter the terms of the Shareholder's Loan including the repayment terms and final maturity date by reason of the Sale and Purchase Agreement and the Offer or to offer any favourable conditions to VXCPL which would otherwise constitute a special deal under Rule 25 of the Takeovers Code. The Shareholder's Loan is the only outstanding loan of the Company as at the date of the Sale and Purchase Agreement and as at the Latest Practicable Date. Apart from the Shareholder's Loan, accruals and payables arising from the daily operations of the Group, the Group does not have other loans or borrowings.

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## LETTER FROM CHANGJIANG

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In addition, subject to market conditions and the financing needs of the Company, the Offeror may consider various forms of fund-raising exercises (both equity and debt financing) to be conducted to increase capital of the Company, including (but not limited to) issue of bonds, issue of convertible notes, obtaining loans from banks or other sources and placing of new shares of the Company. As at the Latest Practicable Date, the form and timing of fund-raising exercise(s) have not yet been determined. In the event that the form, timing and other details of any fund-raising exercise(s) are determined, the Company will make further announcement(s) as and when required by the Listing Rules.

### **PROPOSED CHANGE OF THE BOARD COMPOSITION**

The Board is currently made up of five Directors, comprising two executive Directors and three independent non-executive Directors. Upon Completion, the Offeror intends to nominate not less than five new Directors (including at least three independent non-executive Directors) to the Board with effect from the Closing Date to replace the existing Directors, but as at the Latest Practicable Date, the Offeror has not reached any final decision as to who will be nominated as new Directors. Immediately after the first closing date of the Offer (or such other time as permitted by the Takeovers Code or consented by the Executive), the Outgoing Directors intend to resign. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and will be announced accordingly.

### **MAINTAINING THE LISTING STATUS OF THE COMPANY**

The Offeror intends to maintain the listing status of the Company and the directors of the Offeror and the new Directors to be appointed to the Board will jointly and severally undertake to maintain the 25% public float requirement upon closing of the Offer under Rule 8.08 of the Listing Rules.

**If, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:**

- **a false market exists or may exist in the trading of the Shares;**

**or**

- **there are insufficient Shares in public hands to maintain an orderly market,**

**the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.**



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## LETTER FROM CHANGJIANG

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As the Company and the Offeror are unable to ascertain at this stage the level of acceptances by the holders of Shares under the Offer, the aforesaid parties have not decided the exact steps/actions that will be taken by them after the close of the Offer to restore the public float of the Shares, if required. Notwithstanding this, the Company and the Offeror consider that the appropriate actions to be taken shall include placing down of sufficient number of accepted Shares by the Offeror and/or issue of new Shares by the Company for this purpose. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

### **DEALING DISCLOSURE**

In accordance with Rule 3.8 of the Takeovers Code, the associates (as defined under the Takeovers Code) of the Offeror and the Company are reminded to disclose their dealings in the relevant securities in the Company under Rule 22 of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

### **RESPONSIBILITIES OF STOCKBROKERS, BANKS AND OTHER INTERMEDIARIES**

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7-day period is less than HK\$1,000,000.

This dispensation does not alter the obligation of principals, associates and other person themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that the stockbrokers and other intermediaries will supply the Executive with the relevant information as to those dealings, including identities of clients, as part of that cooperation.

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## LETTER FROM CHANGJIANG

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### OVERSEAS SHAREHOLDERS

The making of the Offer to Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subject to the laws of the relevant jurisdictions. Such relevant Shareholders may be prohibited or affected by laws of the relevant jurisdictions and it is the responsibility of each relevant Shareholder who wishes to accept the Offer to satisfy himself/herself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required in compliance with all necessary formalities or legal requirements and the payment of any transfer or other taxes due in such relevant jurisdictions.

**Any acceptance by any Shareholder will be deemed to constitute a representation and warranty from such Shareholder that the local laws and requirements have been complied with. Shareholders should consult their professional advisors if in doubt.**

### FURTHER TERMS OF THE OFFER

Further terms and conditions of the Offer, including, among other things, procedures for acceptance and settlement, the acceptance period and taxation matters are set out in Appendix I to this Composite Document and the Form of Acceptance.

### GENERAL

To ensure equality of treatment of all Shareholders, those registered Shareholders who hold the Shares as nominees for more than one beneficial owner, should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

All documents and remittances sent to the Shareholders by ordinary post will be sent to them at their own risk. Such documents and remittances will be sent to the Shareholders at their respective addresses as they appear in the register of members of the Company or in the case of joint Shareholders, to the Shareholder whose name appears first in the register of members of the Company. None of the Offeror, Changjiang or any of their respective directors or professional advisers or other parties involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

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## LETTER FROM CHANGJIANG

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### ADDITIONAL INFORMATION

The Shareholders are strongly advised to consider carefully the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” set out in this Composite Document and to consult their professional advisers as they see fit and necessary. Your attention is further drawn to the additional information set out in the Appendices to this Composite Document, which form part of this Composite Document.

Yours faithfully,  
For and on behalf of  
**Changjiang Corporate Finance (HK) Limited**  
**Ivan Chan**  
*Managing Director*

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LETTER FROM THE BOARD

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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)

*Executive Directors:*

Datuk LIM Chee Wah

Mr. XIAO Huan Wei

*Independent Non-Executive Directors:*

Mr. Alan Howard SMITH, J.P.

Mr. David YU Hon To

Mr. SOO Ying Pooi

*Registered Office:*

Room 603A, 6th Floor

Empire Centre

No. 68 Mody Road

Tsim Sha Tsui East

Kowloon, Hong Kong

5 May 2014

*To the Shareholders,*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY  
CHANGJIANG CORPORATE FINANCE (HK) LIMITED  
ON BEHALF OF CROWN LANDMARK CORPORATION  
TO ACQUIRE ALL THE ISSUED SHARES IN VXL CAPITAL LIMITED  
(OTHER THAN THOSE ALREADY OWNED  
AND/OR AGREED TO BE ACQUIRED BY  
CROWN LANDMARK CORPORATION AND  
PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

It was announced in the Joint Announcement that after trading hours, on 6 March 2014, the Offeror, as purchaser, entered into the Sale and Purchase Agreement with VXL CPL and Huge More as vendors, and Datuk LIM as vendors' guarantor relating to the sale and purchase of the Sale Shares, representing an aggregate of approximately 69.91% interest in the Company. Completion took place on 6 March 2014.

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## LETTER FROM THE BOARD

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Immediately after Completion, the Offeror held 1,069,308,000 Shares, representing approximately 69.91% of the issued share capital of the Company as at the Latest Practicable Date. Changjiang is, on behalf of the Offeror and pursuant to Rule 26.1 of the Takeovers Code, making the Offer, which is an unconditional mandatory cash offer, to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

This letter forms part of this Composite Document and the purpose of this letter is to provide you with, among other things, information relating to the Offer and the Group.

### THE OFFER

As disclosed in the letter from Changjiang in this Composite Document, Changjiang is, on behalf of the Offeror and pursuant to Rule 26.1 of the Takeovers Code, making the Offer, which is an unconditional mandatory cash offer, to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) on the following basis:

**for each Share held ..... HK\$0.2151 in cash**

The Offer is unconditional in all respects and is therefore not conditional upon any minimum level of acceptances being received nor subject to any other conditions.

By accepting the Offer, Shareholders will sell their Shares to the Offeror free from all Encumbrances and with all rights attaching to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made, being the date of posting of this Composite Document.

Shareholders are advised to refer to the letter from Changjiang and Appendix I to this Composite Document for further details and the procedures for acceptance and settlement of the Offer.

### INFORMATION ON THE GROUP

The principal activities of the Group are hotel investment and property investment. As at the Latest Practicable Date, the Group owns a total of seven hotel properties located in Yingkou, Ninghai, Weifang, Jinggangshan, Wuhan, Tonghua and Wafangdian, the PRC through UIHHL. As disclosed in the announcements of the Company dated 24 October 2012, 17 October 2013, 19 December 2013 and 22 January 2014, respectively, the Group entered into equity transfer agreements with independent third parties to dispose of the entire equity interest in its subsidiaries

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## LETTER FROM THE BOARD

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holding the hotel properties in Wafangdian, Tonghua, Wuhan and Jinggangshan, respectively (the “Disposals”). As at the Latest Practicable Date, the Disposals had not been completed, either pending approvals of the relevant authorities or settlement of final payments by the relevant purchaser. The completion dates for the Disposals are uncertain. The Company will closely monitor the status aiming at completing the Disposals as soon as practicable.

Set out below are the audited consolidated turnover, loss before tax and loss attributable to the equity shareholders of the Company for each of the two years ended 31 March 2012 and 2013 as extracted from the annual report of the Company for the year ended 31 March 2013:

	For the year ended 31 March	
	2012	2013
	HK\$'000	HK\$'000
Turnover	6,436	6,627
Loss before tax	(52,073)	(67,355)
Loss attributable to equity shareholders of the Company	(52,418)	(70,799)

As at 30 September 2013, the unaudited total Shareholders' deficit amounts to approximately HK\$95.4 million. As at 28 February 2014, the outstanding Shareholder's Loan is in the amount of approximately HK\$404.0 million while the bank balance and cash of the Group is approximately HK\$45.5 million.

### SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company as at the Latest Practicable Date which has not taken into account the acceptances of the Offer:

	<i>Number of Shares</i>	<i>Approximate %</i>
Offeror	1,069,308,000	69.91
Public	460,292,200	30.09
Total	<u>1,529,600,200</u>	<u>100.00</u>

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## LETTER FROM THE BOARD

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### INFORMATION ON THE OFFEROR AND ITS INTENTION REGARDING THE GROUP

Your attention is drawn to the letter from Changjiang in this Composite Document for the information on the Offeror and its intention regarding the Group. In particular, as stated in the letter from Changjiang, the Offeror intends to maintain the listing status of the Company and the directors of the Offeror and the new Directors to be appointed to the Board will jointly and severally undertake to maintain the 25% public float requirement upon closing of the Offer under Rule 8.08 of the Listing Rules.

**If, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:**

- **a false market exists or may exist in the trading of the Shares;**

**or**

- **there are insufficient Shares in public hands to maintain an orderly market,**

**the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.**

### RECOMMENDATION

As the Company does not have any non-executive Directors (other than the independent non-executive Directors), an Independent Board Committee comprising all the independent non-executive Directors who have no direct or indirect interest in the Offer (namely Mr. Alan Howard Smith, *J.P.*, Mr. David Yu Hon To and Mr. Soo Ying Pooi) has been formed in order to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer.

The Company has appointed Altus Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Offer. Such appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on pages 24 to 26 of this Composite Document and the letter of advice from Altus Capital set out on pages 27 to 45 of this Composite Document, which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Offer and the principal factors considered by it in arriving at its advice.

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## LETTER FROM THE BOARD

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As stated in the letter from Altus Capital, having considered the principal factors set out in its letter, Altus Capital is of the view that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Altus Capital would therefore recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer. However, Altus Capital also advises Independent Shareholders should monitor the market price of the Shares and if it remains higher than the Offer Price during the Offer Period (which was the case as at the Latest Practicable Date but may not always be the case during the Offer Period as, in its view, the market price does not reflect the known fundamentals of the Company; speculative trading can result in rapid and significant changes in prices and liquidity and there is no certainty that current prices or levels of liquidity will be maintained), Independent Shareholders should consider, where possible during the Offer Period, selling their Shares in the open market so as to realise a price in excess of the Offer Price, taking into account any costs relating to such market sale, instead of accepting the Offer. Altus Capital also highlights the fact that the Offer enables Independent Shareholders to sell their Shares at the Offer Price with certainty, while there is no certainty they will be able at any given time to sell any given number of Shares in the market at any given price.

The Independent Board Committee, having considered the terms of the Offer and the advice of Altus Capital, believes that the Offer is fair and reasonable having regard to the fundamentals of the Company, but notes that (i) the Share price as at the Latest Practicable Date was HK\$0.405 which represents an approximately 88.28% premium over the Offer Price of HK\$0.2151; and (ii) the volume weighted average price of the Shares from 31 March 2014 (being the first trading day of the Shares after the publication of the Joint Announcement) to the Latest Practicable Date was approximately HK\$0.464 which represents an approximately 115.71% premium over the Offer Price, and therefore does not recommend acceptance of the Offer.

Independent Shareholders who wish to dispose of their Shares should do so by selling in the market, so long as a premium (after taking into account costs associated with such sale) can be obtained. If the volume of Shares traded or the market price of the Shares falls to the Offer Price and Independent Shareholders who wish to dispose of the Shares cannot do so in the market, in those circumstances, Independent Shareholders are recommended to accept the Offer at the Offer Price of HK\$0.2151.

Those Independent Shareholders who continue to believe in the prospects of the Company, having regard to the intentions of the Offeror set out in the paragraph headed “Intention of the Offeror in respect of the Group” in the letter from Changjiang contained in this Composite Document, should consider retaining some or all of their Shares.

**Independent Shareholders are strongly advised to read carefully the respective letters from Altus Capital and the Independent Board Committee before making decision as to acceptance of the Offer.**



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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Your attention is drawn to the letter from Changjiang set out in this Composite Document and the accompanying Form of Acceptance which contain further details of the Offer and the procedures for acceptance of the Offer.

Your attention is also drawn to the additional information set out in the appendices to this Composite Document.

Yours faithfully  
For and on behalf of the Board  
**XIAO Huan Wei**  
*Executive Director*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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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)

5 May 2014

*To the Independent Shareholders,*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY  
CHANGJIANG CORPORATE FINANCE (HK) LIMITED  
ON BEHALF OF CROWN LANDMARK CORPORATION  
TO ACQUIRE ALL THE ISSUED SHARES IN VXL CAPITAL LIMITED  
(OTHER THAN THOSE ALREADY OWNED  
AND/OR AGREED TO BE ACQUIRED BY  
CROWN LANDMARK CORPORATION AND  
PARTIES ACTING IN CONCERT WITH IT)**

We refer to the Composite Document dated 5 May 2014 jointly issued by the Company and the Offeror, of which this letter forms part. Terms defined in this Composite Document shall bear the same meanings when used herein unless the context requires otherwise.

We have been appointed as the Independent Board Committee to consider the terms of the Offer and to advise the Independent Shareholders as to whether, in our opinion, the terms of the Offer are fair and reasonable and as to acceptance of the Offer. Altus Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect. Details of their advice and the principal factors and reasons taken into consideration in arriving at their recommendation are set out in the letter from the Independent Financial Adviser set out on pages 27 to 45 of this Composite Document.

We also wish to draw your attention to the letter from the Board, the letter from Changjiang in this Composite Document and the additional information set out in the appendices to this Composite Document.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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The Independent Board Committee notes that Altus Capital is of the view that the terms of the Offer are fair and reasonable having taken into consideration the principal factors stated in its letter, in particular:

- (i) the Group's past financial performance, the current financial position of deficit of the Group and the uncertain future prospect of the Group's operation;
- (ii) the potential risk of investment in the Shares after the close of Offer due to the fact that no concrete business development plan has been determined by the Directors and management of the Company and/or the Offeror as at the Latest Practicable Date;
- (iii) the Offer Price represents a premium over the position of shareholder's deficit of the Company as at 31 March 2013 and 30 September 2013;
- (iv) the Offer Price represents a premium of approximately 5.16% over the simple average closing price of Shares during the period from 2 January 2013 up to the Last Trading Day (the "Review Period"), with the Shares having traded below the Offer Price for approximately 88.24% of the total number of trading days during the Review Period; and
- (v) while as at the Latest Practicable Date, the closing price of the Shares was at approximately 88.28% premium over the Offer Price, there is uncertainty as to whether the price of the Shares will remain at this level as it does not appear to be supported by any positive changes to the fundamentals of the Company in terms of its business activities, financial performance nor financial position, and can possibly be attributed to market expectation on the Offeror's intention for the Company.

The Independent Board Committee also notes that Altus Capital, having considered the principal factors as stated in its letter, recommends Independent Shareholders to accept the Offer. Altus Capital advises Independent Shareholders should monitor the market price of the Shares and if it remains higher than the Offer Price during the Offer Period (which was the case as at the Latest Practicable Date but may not always be the case during the Offer Period as, in its view, the market price does not reflect the known fundamentals of the Company; speculative trading can result in rapid and significant changes in prices and liquidity and there is no certainty that current prices or levels of liquidity will be maintained), Independent Shareholders should consider, where possible during the Offer Period, selling their Shares in the open market so as to realise a price in excess of the Offer Price, taking into account any costs relating to such market sale, instead of accepting the Offer. Altus Capital also highlights the fact that the Offer enables Independent Shareholders to sell their Shares at the Offer Price with certainty, while there is no certainty they will be able at any given time to sell any given number of Shares in the market at any given price.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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The Independent Board Committee, having considered the terms of the Offer and the advice of Altus Capital, believes that the Offer is fair and reasonable having regard to the fundamentals of the Company, but notes that (i) the Share price as at the Latest Practicable Date was HK\$0.405 which represents an approximately 88.28% premium over the Offer Price of HK\$0.2151; and (ii) the volume weighted average price of the Shares from 31 March 2014 (being the first trading day of the Shares after the publication of the Joint Announcement) up to the Latest Practicable Date was approximately HK\$0.464 which represents an approximately 115.71% premium over the Offer Price, and therefore does not recommend acceptance of the Offer.

Independent Shareholders who wish to dispose of their Shares should do so by selling in the market, so long as a premium (after taking into account costs associated with such sale) can be obtained. If the volume of Shares traded or the market price of the Shares falls to the Offer Price and Independent Shareholders who wish to dispose of the Shares cannot do so in the market, in those circumstances, Independent Shareholders are recommended to accept the Offer at the Offer Price of HK\$0.2151.

Those Independent Shareholders who continue to believe in the prospects of the Company, having regard to the intentions of the Offeror set out in the paragraph headed “Intention of the Offeror in respect of the Group” in the letter from Changjiang contained in this Composite Document, should consider retaining some or all of their Shares.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Mr. Alan Howard SMITH, J.P.**      **Mr. David YU Hon To**      **Mr. SOO Ying Pooi**  
*Independent Non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in respect of the Offer, which has been prepared for the purpose of incorporation in the Composite Document.*

### **ALTUS CAPITAL LIMITED**

21 Wing Wo Street  
Central, Hong Kong

5 May 2014

*To the Independent Board Committee and Independent Shareholders*

VXL Capital Limited  
Room 603A, 6th Floor  
Empire Centre  
No. 68 Mody Road  
Tsim Sha Tsui East  
Kowloon, Hong Kong

Dear Sirs,

**UNCONDITIONAL MANDATORY CASH OFFER  
TO ACQUIRE ALL THE ISSUED SHARES IN  
VXL CAPITAL LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO  
BE ACQUIRED BY CROWN LANDMARK CORPORATION AND  
PARTIES ACTING IN CONCERT WITH IT)**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in respect of the Offer. Details of the Offer are set out in the “Letter from the Board” contained in the Composite Document dated 5 May 2014, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context requires otherwise.

Reference is made to the Holding Announcement and the Joint Announcement. Immediately following the Completion on 6 March 2014, the Offeror is interested in 1,069,308,000 Shares, representing approximately 69.91% of the issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### THE INDEPENDENT BOARD COMMITTEE

As the Company does not have any non-executive Directors (other than the independent non-executive Directors), an Independent Board Committee comprising all the independent non-executive Directors who have no direct or indirect interest in the Offer, namely Mr. Alan Howard Smith, *J.P.*, Mr. David Yu Hon To and Mr. Soo Ying Pooi, has been established to consider the terms of the Offer, and to give advice and recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and whether the Independent Shareholders should accept the Offer.

As the independent financial adviser to the Independent Board Committee, our role is to give an independent opinion to the Independent Board Committee as to (i) whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) whether the Independent Board Committee should recommend the Independent Shareholders to accept the Offer.

We have been appointed as the independent financial adviser by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders. Apart from the normal advisory fee payable to us in connection with our appointment, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

### BASIS OF OUR ADVICE

In formulating our opinion, we have relied solely on the statements, information, opinions and representations contained or referred to in the Composite Document and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Composite Document and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the Latest Practicable Date. The Company will notify the Shareholders of any material changes during the Offer Period as soon as possible in accordance with Rule 9.1 of the Takeovers Code. The Shareholders will also be informed when there are any material changes to the information contained or referred to herein and our opinion as soon as possible after the Latest Practicable Date and throughout the Offer Period.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Composite Document and/or provided to us by the Company, the Directors and Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL TERMS OF THE OFFER

As disclosed in the “Letter from Changjiang” of the Composite Document, Changjiang is, on behalf of the Offeror and pursuant to Rule 26.1 of the Takeovers Code, making the Offer, which is an unconditional mandatory cash offer, to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) on the following basis:

**for each Share held . . . . . HK\$0.2151 in cash**

The Offer Price of HK\$0.2151 per Share under the Offer is equal to the price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

The Offer is unconditional in all respects and is therefore not conditional upon any minimum level of acceptance being received nor subject to any other conditions.

The Offeror has stated that it does not intend to revise the terms of the Offer, increase the Offer Price or extend the latest time for acceptance of the Offer, and does not reserve the right to do so. The Offeror will not be allowed to extend the Offer Period beyond the stated date and increase the Offer Price save in wholly exceptional circumstances as provided for in Rules 18.2 and 18.3 of the Takeovers Code and your attention is therefore drawn to the expected timetable set out in the section headed “Expected Timetable” of the Composite Document.

By accepting the Offer, Shareholders will sell their Shares to the Offeror free from all Encumbrances and with all rights attaching to them, including the rights to receive all dividends and distributions declared, made or paid after the date on which the Offer is made, being the date of posting of this Composite Document.

Shareholders are advised to refer to the “Letter from Changjiang” and Appendix I to the Composite Document for further details and the procedures for acceptance and settlement of the Offer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation as to whether the terms of the Offer are fair and reasonable, we have taken into consideration the following principal factors and reasons:

**1. Principal activities, historical financial performance and financial position of the Group**

**(a) *Principal activities***

The Group is principally engaged in the businesses of hotel investment and operations and property investment. As at the Latest Practicable Date, the Group owns a total of seven hotel properties located in Yingkou, Ninghai, Weifang, Jinggangshan, Wuhan, Tonghua and Wafangdian, the PRC through UIHHL. UIHHL is a wholly-owned subsidiary of the Company as at the Latest Practicable Date.

As disclosed in the announcements of the Company dated 24 October 2012, 17 October 2013, 19 December 2013 and 22 January 2014, respectively, the Group had entered into equity transfer agreements with certain independent third parties to dispose of the entire equity interest in its subsidiaries which hold the hotel properties in Wafangdian, Tonghua, Wuhan and Jinggangshan, respectively (the “**Disposals**”). As at the Latest Practicable Date, the Disposals had not been completed, either pending approvals of the relevant authorities or settlement of final payments by the relevant purchaser. We have discussed with the Management and understand that the completion dates for the Disposals are uncertain. As disclosed in the announcement and the circular of the Company dated 4 July 2013 and 13 August 2013 respectively, the Company has also entered into an asset swap agreement with FSG pursuant to which the Company agreed to acquire the 25.9% equity interest in UIHHL from FSG, the consideration for which will be satisfied by way of transfer of the entire equity interest in the Company’s subsidiary which hold the hotel property in Xian to FSG (the “**Asset Swap**”). The Asset Swap has been completed on 28 April 2014.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the announcements of the Company in relation to the Disposals, the Group has been restructuring its hotel property portfolio by disposing of its interests in certain hotel properties and developing its remaining properties into budget hotels or commercial offices for leasing, sales or outright sales when appropriate which is consistent with its business strategy.

Subject to the completions of the Disposals, the Group will retain three properties, being those in Yingkou, Weifang and Ninghai, in its property portfolio. We understand from the Management that the Disposals are part of the business rationalisation conducted by the Group where it aims to retain those properties that have better potential of generating promising contribution and returns to the Group. The business rationalisation will enable the Group to focus on enhancing the performance of the remaining property portfolio. We noted that it is however uncertain at the moment whether this will be effective, and that the operational risk of the Group may also increase given the smaller property portfolio.

**(b) Historical financial performance**

Set out below is a summary of the consolidated financial information of the Group for the two years ended 31 March 2012 and 2013 as extracted from the annual report of the Company for the year ended 31 March 2013 (“**2013 Annual Report**”) and for the six months ended 30 September 2012 and 30 September 2013 as extracted from the interim report of the Company for the six months ended 30 September 2013 (“**2014 Interim Report**”), respectively.

	For the six months ended		For the year ended	
	30 September		31 March	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3,123	3,096	6,627	6,436
Other gains, net	28,329	1,551	1,619	32,384
Loss before taxation	(8,155)	(36,873)	(67,355)	(52,073)
Loss for the year/period attributable to:				
– Equity holders of the Company	(14,558)	(36,959)	(70,799)	(52,418)

Source: 2013 Annual Report, 2014 Interim Report

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Revenue*

Set out below is a breakdown of revenue of the Group for the two years ended 31 March 2012 and 2013 and for the six months ended 30 September 2012 and 30 September 2013.

	For the six months ended		For the year ended	
	30 September		31 March	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property investment	2,495	1,520	3,480	2,495
Hotel operations	628	1,576	3,147	3,941
Total revenue	3,123	3,096	6,627	6,436

*Source: 2013 Annual Report, 2014 Interim Report*

According to the Management, the Group's business strategy is to develop its properties into budget hotels or commercial offices for leasing or sales, or outright sales when it is appropriate. Revenue generated from hotel operations include hotel rental income and food and beverage income, and revenue generated from property investment was mainly rental income from investment properties.

Revenue generated by the Group's hotel operations decreased by approximately 20.15% from approximately HK\$3.94 million for the year ended 31 March 2012 to approximately HK\$3.15 million for the year ended 31 March 2013. According to the 2013 Annual Report, it was mainly due to the decrease in hotel rental income contributed by the Group's hotels. We have discussed with the Management and noted that there was a decrease in the Group's hotel rental income, mainly due to the increase in market competition, resulting in decline in market demand of the Group's hotel and hence affected its utilisation rate. On the other hand, rental income generated by the Group's investment properties increased by approximately 39.48% from approximately HK\$2.50 million for the year ended 31 March 2012 to approximately HK\$3.48 million for the year ended 31 March 2013, mainly due to the contribution of rental income from the Group's new investment property located in Wuhan, Hubei Province, the PRC, after its commencement of operations in October 2012.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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For the six months ended 30 September 2013, revenue generated by the Group's hotel operations decreased by approximately 60.15% compared with the same period in 2012 from approximately HK\$1.58 million to approximately HK\$0.63 million. According to the Management, the decrease was due to the disposal of a hotel property located in Xiangfan, Hubei Province, the PRC by the Group on 31 May 2013. Meanwhile, rental income generated by the Group's investment properties increased by approximately 64.14% from approximately HK\$1.52 million for the six months ended 30 September 2012 to approximately HK\$2.50 million for the same period in 2013, as the Group's new investment properties located in Wuhan as mentioned above continued to enhance the Group's rental income.

### *Other income and net gains*

Other income and net gains mainly include (i) gain on disposal of assets; and (ii) gain on the revaluation of the Group's investment properties. The Group recorded a net gain of approximately HK\$32.4 million for the year ended 31 March 2012 which was mainly contributed by the disposal of two hotel properties located in Sichuan Province, the PRC and a shopping mall located in Shanghai, the PRC. The Group did not record any gain from disposal of its assets for the year ended 31 March 2013.

For the six months ended 30 September 2013, the Group recorded a net gain of approximately HK\$28.3 million, mainly due to the realisation of gain from the disposal of two hotels located in Tulufan, Xinjiang Uygur Autonomous Region and Xiangfan, Hubei Province, the PRC of approximately HK\$26.2 million.

### *Operating expenses, finance costs and loss attributable to owners of the Company*

Operating expenses of the Group comprise mainly staff costs, office rentals, and other corporate expenses related to on-going corporate activities. The Group's staff costs, other operating expenses and finance costs for the year ended 31 March 2013 were approximately HK\$11.86 million, HK\$14.10 million and HK\$46.64 million, respectively. In particular, high level of finance costs was mainly due to the interest payable to VXLCP (i.e. the Controlling Shareholder) under the Shareholder's Loan which has an interest rate of 10% per annum. These high levels of operating costs and finance costs and the relatively low revenue resulted in the Group recording a loss attributable to owners of the Company for year ended 31 March 2013 of approximately HK\$70.80 million. This amount of loss represents an increase of approximately 35.07% as compared to that for the year ended 31 March 2012 of approximately HK\$52.42 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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For the six months ended 30 September 2013, the Group's staff costs, other operating expenses and finance costs were approximately HK\$5.10 million, HK\$11.63 million and HK\$23.05 million, respectively. The loss attributable to owners of the Company during the period was approximately HK\$14.56 million and was mainly attributable to the continuous high level of operating costs and finance costs relative to its revenue as mentioned above.

We noted the Group's low revenue and the high operating costs and finance costs had resulted in the Group making losses for the two years ended 31 March 2012 and 2013, and the six months ended 30 September 2013. In particular, operating costs comprise mainly staff costs and office rental which may not be possible to be reduced substantially in the near future. Meanwhile, as disclosed in the "Letter from Changjiang" of the Composite Document, there is no agreement or arrangement between the Company and VXLCP to alter the terms of the Shareholder's Loan including the repayment terms and final maturity date, therefore, it is expected that the finance costs of the Group will remain high so long as the Shareholder's Loan remains outstanding. On the other hand, the source of income of the Group has been relatively narrow and it has resulted in a challenging business outlook for the operations of the Group in short term.

### *Financial position*

Set out below is the summary of the consolidated statement of financial position of the Group as at 31 March 2012, 31 March 2013 and 30 September 2013 as extracted from the 2013 Annual Report and 2014 Interim Report respectively.

	<b>As at 30 September 2013</b>	<b>As at 31 March</b>	
	(Unaudited)	2013 (Audited)	2012 (Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	337,970	183,118	146,468
Current liabilities	(561,065)	(556,479)	(531,695)
Net current (liabilities)	<u>(223,095)</u>	<u>(373,361)</u>	<u>(385,227)</u>
Total shareholders' deficit	<u><u>(95,420)</u></u>	<u><u>(83,232)</u></u>	<u><u>(53,471)</u></u>

Source: 2013 Annual Report, 2014 Interim Report

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at 31 March 2012, the current assets of the Group mainly consisted of bank balances and cash of approximately HK\$125.1 million. As at 31 March 2013, the current assets of the Group mainly consisted of assets held for sale (approximately HK\$87.9 million) and bank balances and cash (approximately HK\$90.8 million). As at 30 September 2013, the current assets of the Group mainly consisted of assets held for sale (approximately HK\$203.1 million) and bank balances and cash (approximately HK\$132.2 million).

As at 31 March 2012, 31 March 2013 and 30 September 2013, the current liabilities of the Group mainly consisted of borrowings of approximately HK\$441.7 million, HK\$448.4 million and HK\$471.0 million respectively. Of these amounts, approximately HK\$405.6 million, HK\$448.4 million and HK\$471.0 million were related to amount due to VXCPL, being the Shareholder's Loan.

The Shareholder's Loan was advanced by VXCPL to the Company pursuant to a loan agreement between the Company and VXCPL dated 2 December 2009 which was subsequently amended by an amendment loan agreement dated 22 March 2010. Under to the terms of the amended loan agreement, the loan bears interest at the rate of 10% per annum. The maturity date of the loan was originally fixed to be 9 September 2010 and was subsequent extended to 1 October 2014 by written agreements between the Company and VXCPL. Due to the Shareholder's Loan which is classified as current liabilities, the Group had recorded net current liabilities position as at 31 March 2012, 2013 and 30 September 2013.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Set out below is the breakdown of the Group's major non-current assets as at 31 March 2012, 31 March 2013 and 30 September 2013.

	<b>As at 30 September 2013</b>	<b>As at 31 March</b>	
	<b>2013</b>	<b>2013</b>	<b>2012</b>
	(Unaudited)	(Audited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hotel Properties	115,816*	199,357	237,092
Investment Properties	98,373	128,405	93,758
Land use rights	21,534	51,322	66,909
Construction in progress	172	6,367	4,468
Available-for-sale financial assets	1,128	1,128	1,128
Receivables, repayments and deposits	–	7,243	51,097
Equipment	5,039	4,485	9,125
	<hr/>	<hr/>	<hr/>
Total Non-current Assets	<u>242,062</u>	<u>398,307</u>	<u>463,577</u>

*Source: 2013 Annual Report, 2014 Interim Report, Company*

\* *Hotel properties were part of property, plant and equipment and breakdown of property, plant and equipment was not shown in the 2014 Interim Report. This figure is provided by the Management.*

Non-current assets held by the Group are mainly hotel properties and investment properties. We noted that the decrease in value of non-current assets as at 30 September 2013 compared with 31 March 2013 was mainly due to the reclassification of certain hotel properties into assets held for sale (which form part of the current assets of the Group) as a result of the Asset Swap.

As at 31 March 2012, 31 March 2013 and 30 September 2013, total liabilities of the Group mainly consisted of the Shareholder's Loan as aforementioned.

As at 31 March 2013, the shareholder's deficits of the Group was approximately HK\$83.23 million, representing an increase of approximately 55.66% as compared to that as at 31 March 2012 of approximately HK\$53.47 million, due to the losses from the operations of the Group during the year ended 31 March 2013.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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For the six months ended 30 September 2013, the Group continued to record losses from its operation and such losses were greater than the gain from disposal, resulting in an overall loss being recorded. Consequently, the shareholder's deficits further increased by approximately 14.64% to approximately HK\$95.42 million.

**(c) *Future prospects***

Notwithstanding the Group having realised gains on disposals of certain hotel properties for the two years ended 31 March 2012 and 2013 and for the six months ended 30 September 2013, the Group's low revenue and the high operating costs and finance costs had resulted in the Group making losses during these years/period. While the Group may recognise gains if and when the Disposals are completed, the Group is expected to remain in a financial position of shareholder's deficits even after such gains have been taken into account as such possible gains is expected to be substantially smaller than the outstanding liabilities, in particular the Shareholder's Loan. Please refer to the respective announcements and circular relating to the Disposals for details of the financial effects.

In addition, we understand from the Management that the business rationalisation will enable the Group to focus on enhancing the performance of the remaining property portfolio. However, the remaining three properties, namely Yingkou, Weifang and Ninghai, are not located in major or highly developed cities in the PRC. We are of the view that the development potential on this small property portfolio of the Group will be challenging.

In view of the abovementioned deteriorating financial performance and financial position of the Group and that there is no concrete business development plan going forward, we are of the view that future prospects of the Group's operation remains uncertain.

**2. Information on the Offeror and its intention regarding the Group**

**(a) *Information on the Offeror***

Information on the Offeror is set out in the paragraph headed "Information on the Offeror" in the "Letter from Changjiang" of the Composite Document.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(b) Intention of the Offeror in respect of the Group*

As described in the “Letter from Changjiang” of the Composite Document, it is the Offeror’s intention to maintain the listing of the Shares on the Stock Exchange and to continue hotel investment and operations and property investment as the principal activities of the Group. It is also noted that the Offeror will conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider acquisition of assets and/or business by the Group and/or disposal of the Properties, which would be in the best interest of the Group.

As described in paragraph 2 above, as at 30 September 2013, the Group has an amount of approximately HK\$471.0 million due to VXLCP. On 28 February 2014, such amount was approximately HK\$404.0 million (comprising principal of approximately HK\$269.3 million and accrued interest of approximately HK\$134.7 million as at 28 February 2014). The maturity date of the Shareholder’s Loan is extended to 1 October 2014. Under the terms of the amended loan agreement, the Company shall repay firstly the principal and secondly the accrued interest of the Shareholder’s Loan when the Group has funds in excess of working capital needs or the financial ability. As described in the “Letter from Changjiang” of the Composite Document, there is no agreement or arrangement between the Company and VXLCP to alter the terms of the aforesaid loan including the repayment terms and final maturity date by reason of the Sale and Purchase Agreement and the Offer or to offer any favourable conditions to VXLCP which would otherwise constitute a special deal under Rule 25 of the Takeovers Code. The aforesaid loan is the only outstanding loan of the Company as at the date of the Sale and Purchase Agreement and as at the date hereof. Apart from such loan, accruals and payables arising from the daily operations of the Group, the Group does not have other loans or borrowings.

The Offeror has also indicated its intention to use its commercially reasonable endeavours to operate the Company in a prudent manner and assist the Company to be in a sound financial position to duly perform its repayment obligation under the aforesaid loan.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In addition, subject to market conditions and the financing needs of the Company, the Offeror may consider various forms of fund-raising exercises (both equity and debt financing) to be conducted to increase capital of the Company, including (but not limited to) issue of bonds, issue of convertible notes, obtaining loans from banks or other sources and placing of new shares of the Company. As at the Latest Practicable Date, the form and timing of fund-raising exercise(s) have not yet been determined.

In summary, we noted that (i) there may be changes to and/or additional business activities to the Group depending on the Offeror's review; (ii) there may also be corporate actions relating to acquisitions and/or fund raising exercise after the close of the Offer; and (iii) it is also unclear how the Shareholder's Loan, which is the principal source of capital of the business of the Group currently, will be repaid or extended on or before maturity at 1 October 2014. The Independent Shareholders should take note of the factors above which may pose as a risk of their investments in the Company.

### 3. Evaluation of the Offer

#### *(a) Offer Price*

The Offer Price being HK\$0.2151 per Share, represents:

- a discount of approximately 62.26% to the closing price of HK\$0.570 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a discount of approximately 60.39% to the simple average closing price of HK\$0.543 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;
- a discount of approximately 55.28% to the simple average closing price of approximately HK\$0.481 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- a discount of approximately 47.66% to the simple average closing price of approximately HK\$0.411 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;

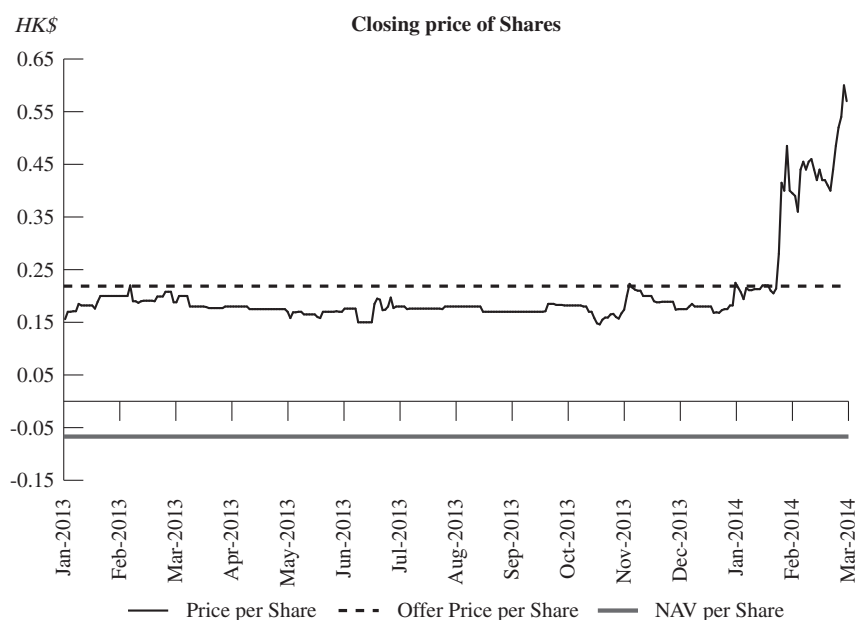
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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- a premium of approximately 5.16% over the simple average closing price of approximately HK\$0.205 per Share as quoted on the Stock Exchange for the period from 2 January 2013 up to and including the Last Trading Day (the “**Review Period**”);
- a discount of approximately 41.44% to the volume-weighted average closing price of approximately HK\$0.367 per Share as quoted on the Stock Exchange during the Review Period;
- a premium over the position of shareholder’s deficit of the Company of approximately HK\$0.054 per Share and HK\$0.062 per Share as at 31 March 2013 (being the date to which the latest audited consolidated annual financial statements of the Company were made up) and 30 September 2013 respectively; and
- a discount of approximately 46.89% to the closing price of HK\$0.405 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Set out below is a chart showing the daily closing price of the Shares and the daily trading volume of the Shares during the Review Period:

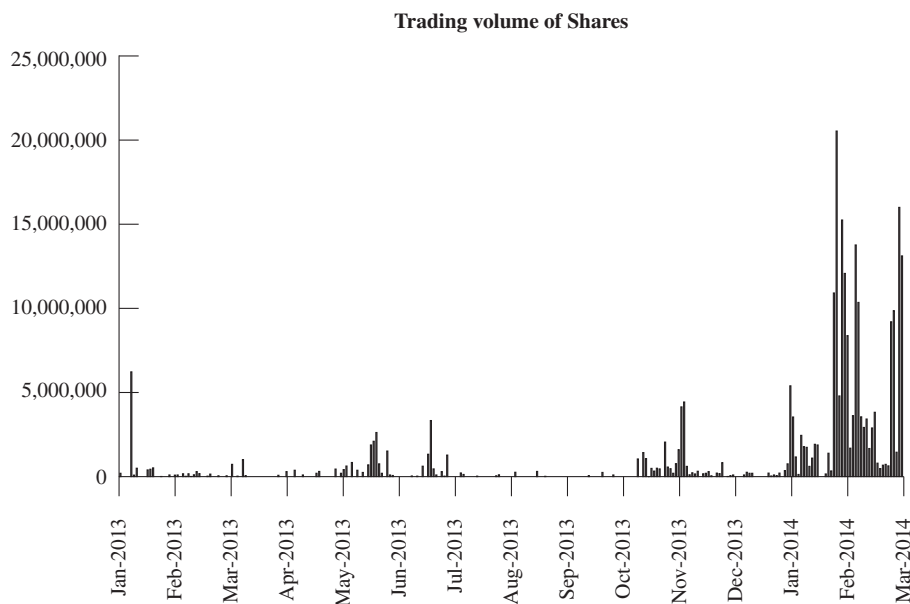


Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

At the beginning of the Review Period from 2 January 2013 to 27 January 2014, the closing price of Shares fluctuated within the range between HK\$0.146 per Share and HK\$0.225 per Share.

The closing price of Shares increased sharply from 28 January 2014 onwards, reaching a high of around HK\$0.60 per Share level and traded at a closing price of HK\$0.57 per Share as at the Last Trading Day. On 28 January 2014, the Company made an announcement in relation to the unusual price and trading volume movement of Shares and the Management confirmed that it was not aware of any reasons that may have caused the increase in price and trading volume of Shares.

While the reasons for the significant increase in price of Shares cannot be ascertained, we believe the rallies in the price of Shares during the period between 28 January 2014 and 6 March 2014 (i.e. the Last Trading Day) could be a result of market speculations on possible offers and change in control of the Company.

The trading of the Shares was suspended from 9:00 am on 7 March 2014 as requested by the Management pending the release of the Joint Announcement. On 31 March 2014, being the first trading day of the Shares after the publication of the Joint Announcement, the closing price of the Shares declined from HK\$0.570 per Share as at the Last Trading Day to HK\$0.485 per Share and had further declined to HK\$0.405 per Share as at the Latest Practicable Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We noted that the Shares had generally traded below the Offer Price during the Review Period save for the period from 28 January 2014 to the Last Trading Day. The Shares had traded below the Offer Price on 255 trading days out of the total 289 trading days, representing approximately 88.24% of total number of trading days during the Review Period. On a simple average basis, the Offer Price of HK\$0.2151 represents a premium of approximately 5.16% over the simple average closing price of Shares during the Review Period which is approximately HK\$0.205.

As further described below, the total trading volume of Shares for the period between 28 January 2014 and the Last Trading Day increased significantly and amounted to approximately 66.60% of the total trading volume of Shares during the Review Period. In view of this, we have also calculated and noted that the volume-weighted average closing price per Share was approximately HK\$0.367 during the Review Period and the Offer Price would have represented a discount of approximately 41.44% to such price.

We wish to point out that such volume-weighted average closing price is heavily skewed by the heavy trading activities during that approximate 6-week period. In addition, while the closing price of Shares had surged above the Offer Price since 28 January 2014, the increase does not appear to be supported by any positive changes to the fundamentals of the Company in terms of its business activities, financial performance nor financial position. Coupled with the Group's past financial performance and the position of Shareholder's deficit as described above, and if there is no concrete business development plan going forward, the reasons for such significant increase in price to the current level are unclear. In short, the market price does not reflect, in our view, the known fundamentals of the Company, and speculation appears to have affected both traded prices and volumes of trading.

Meanwhile, the Offer Price represents a premium over the shareholder's deficit of the Company as at 31 March 2013 and 30 September 2013.

Consequently, while the Offer Price represents a significant discount to the average closing price of the Shares over 30 consecutive trading days up to and including the Last Trading Day, we consider that the Offer Price is fair and reasonable on the basis of (i) the Group's loss-making record for the two years ended 31 March 2012 and 2013, and the six months ended 30 September 2013; (ii) the financial position of shareholder's deficit of the Company as at 31 March 2013 and 30 September 2013; and (iii) there is no concrete business development plan going forward, and future prospects of the Group's operation remains uncertain.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(b) Historical trading volume of the Shares**

The table below sets out the average daily trading volume of the Shares and the percentage of average daily trading volume to the total number of issued Shares and to the total number of Shares held by public Shareholders during the Review Period:

Month	Total trading volume	Number of trading days	Average daily trading volume	Percentage to the total number of issued Shares	Percentage to the total number of Shares held by public Shareholders
	<i>Number of shares</i>		<i>(Note 1) Number of shares</i>	<i>(Note 2) %</i>	<i>(Note 3) %</i>
				<i>(approximately)</i>	<i>(approximately)</i>
January 2013	8,569,960	22	389,544	0.025%	0.085%
February 2013	1,290,000	17	75,882	0.005%	0.016%
March 2013	1,880,000	20	94,000	0.006%	0.020%
April 2013	1,370,000	20	68,500	0.004%	0.015%
May 2013	12,950,000	21	616,667	0.040%	0.134%
June 2013	6,080,000	19	320,000	0.021%	0.070%
July 2013	2,150,000	22	97,727	0.006%	0.021%
August 2013	590,000	22	26,818	0.002%	0.006%
September 2013	410,000	20	20,500	0.001%	0.004%
October 2013	10,420,000	21	496,190	0.032%	0.108%
November 2013	14,520,000	21	691,429	0.045%	0.150%
December 2013	1,540,000	20	77,000	0.005%	0.017%
02 – 27 January 2014	24,720,000	18	1,373,333	0.090%	0.298%
28 – 31 January 2014	36,200,000	3	12,066,667	0.789%	2.622%
February 2014	95,850,000	19	5,044,737	0.330%	1.096%
March 2014 (Note 4)	40,380,000	4	10,095,000	0.660%	2.193%

*Source: The website of the Stock Exchange (www.hkex.com.hk)*

*Notes:*

1. Calculated by dividing the total trading volume for the month by the number of trading days during the corresponding month which excludes any trading day on which trading of the Shares on the Stock Exchange was suspended.
2. Calculated based on the entire issued share capital of the Company of 1,529,600,200 Shares as at the Latest Practicable Date.
3. Calculated based on 460,292,200 issued Shares held by public Shareholders as at the Latest Practicable Date.
4. Up to and including the Last Trading Day.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We noted from the above table that the average daily trading volume of Shares as a percentage of the total number of issued Shares for each month prior to 28 January 2014 was generally below 0.10%, ranging from approximately 0.001% to approximately 0.090%. Meanwhile, the average daily trading volume of Shares as a percentage of the total number of issued Shares from 28 January 2014 to the Last Trading Day increased to between 0.330% and 0.789%. The sharp increase in trading volume may have corresponded to the aforementioned market speculation activities.

Despite the increase in trading volume of Shares from late January 2014 to the Last Trading Day, the trading volume of the Shares during the Review Period was overall thin. The general low liquidity of the Shares implies that it may be difficult for Shareholders to dispose of a relative large number of Shares in the open market without exerting a downward pressure on the price of Shares. We are of the view that the Offer provides an alternative exit to the Shareholders to realise their investment in the Shares at the Offer Price without the potential negative impact on the price of Shares.

### RECOMMENDATIONS

Having considered the above principal factors, in particular:

- (i) the Group's past financial performance, the current financial position of deficit of the Group and the uncertain future prospect of the Group's operation;
- (ii) the potential risk of investment in the Shares after the close of the Offer due to the fact that no concrete business development plan has been determined by the Management and/or the Offeror as at the Latest Practicable Date;
- (iii) the Offer Price represents a premium over the position of shareholder's deficit of the Company as at 31 March 2013 and 30 September 2013;
- (iv) the Offer Price represents a premium of approximately 5.16% over the simple average closing price of Shares during the Review Period, with the Shares having traded below the Offer Price for approximately 88.24% of the total number of trading days during the Review Period; and
- (v) while as at the Latest Practicable Date, the closing price of the Shares was at approximately 88.28% premium over the Offer Price, there is uncertainty as to whether the price of the Shares will remain at this level as it does not appear to be supported by any positive changes to the fundamentals of the Company in terms of its business activities, financial performance nor financial position, and can possibly be attributed to market expectation on the Offeror's intention for the Company,

we are of the view that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We would therefore recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

However, Independent Shareholders should monitor the market price of the Shares and if it remains higher than the Offer Price during the Offer Period (which was the case as at the Latest Practicable Date but we are of the view that it may not always be the case during the Offer Period as, in our view, the market price does not reflect the known fundamentals of the Company; speculative trading can result in rapid and significant changes in prices and liquidity and there is no certainty that current prices or levels of liquidity will be maintained), Independent Shareholders should, where possible during the Offer Period, selling their Shares in the open market so as to realise a price in excess of the Offer Price, taking into account any costs relating to such market sale, instead of accepting the Offer. We wish to highlight the fact that the Offer enables Independent Shareholders to sell their Shares at the Offer Price with certainty; while there is no certainty they will be able at any given time to sell any given number of Shares in the market at any given price.

Yours faithfully,

For and on behalf of

Altus Capital Limited

**Arnold Ip**

**Chang Sean Pey**

*Executive Director*

*Executive Director*

**1. PROCEDURES FOR ACCEPTANCE**

To accept the Offer, you should complete and sign the Form of Acceptance in accordance with the instruction printed thereon, which instructions form part of the terms of the Offer.

- (a) If the share certificate(s) and/or transfer of receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of you Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which you intend to accept by post or by hand to the Registrar, Boardroom Share Registrars (HK) Limited, the Company's share registrar in Hong Kong located at 31st Floor, 148 Electric Road, North Point, Hong Kong marked "**Crown Landmark Corporation Offer**" on the envelope by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offer may determine and announce.
  
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer whether in full or in part of your Shares, you must either:
  - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorizing it to accept the Offer on your behalf and requesting it to deliver the completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, Boardroom Share Registrars (HK) Limited, the Company's share registrar in Hong Kong located at 31st Floor, 148 Electric Road, North Point, Hong Kong marked "**Crown Landmark Corporation Offer**" on the envelope by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce; or



- (ii) arrange the Shares to be registered in your name by the Company through the Registrar, and send the completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar at 31st Floor, 148 Electric Road, North Point, Hong Kong, by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce; or
  - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorize HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC nominee Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
  - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorize your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominee Limited.
- (c) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given therein, should be returned to the Registrar.

- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), any you wish to accept the Offer in respect of your Shares, you should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to Changjiang and/or the Offeror or their respective agent(s) to collect from the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the Form(s) of Acceptance.
- (e) Acceptance of the Offer will be treated as valid only if duly completed Form of Acceptance is received by the Registrar, Boardroom Share Registrars (HK) Limited, the Company's share registrar in Hong Kong located at 31st Floor, 148 Electric Road, North Point, Hong Kong, by not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine in compliance with the requirements of the Takeovers Code and announce, and is:–
- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered shareholder of Shares or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
  - (iii) certified by the Registrar or the Stock Exchange.

If the Form(s) of Acceptance is executed by a person other than the registered Shareholders, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

- (f) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (g) The address of the Registrar is at 31st Floor, 148 Electric Road, North Point, Hong Kong.

**2. ACCEPTANCE PERIOD AND REVISIONS**

Unless the Offer has previously been revised or extended with the consent of the Executive, all Forms of Acceptance must be received by the Registrar by 4:00 p.m. on the Closing date in accordance with the instructions printed thereon.

If the Offer is extended or revised, the announcement of such extension or revision will state the next Closing Date and the Offer will remain open for acceptance for a period of not less than 14 days from the posting of the written notification and/or announcement of the extension or revision to the Shareholders and, unless previously extended or revised, shall be closed on the subsequent Closing Date. If the Offeror revises the terms of the Offer, all Shareholders whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.

If the Closing Date is extended, any reference in the Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offer so extended.

The Offeror does not intend to revise the terms, or extend the period of, the Offer and does not reserve the right to do so.

**3. ANNOUNCEMENTS**

- (a) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. (or such later time and/or date as the Executive agrees) on the Closing Date, the Offeror must inform the Executive and the Stock Exchange of its intention in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement on the Stock Exchange's website no later than 7:00 p.m. on the Closing Date stating whether the Offer has been revised, extended or has expired.

The announcement must state the following:–

- (i) the total number of Shares and rights over Shares for which acceptances of the Offer have been received;
- (ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror or parties acting in concert with it before the offer period (as defined under the Takeovers Code); and
- (iii) the total number of Shares and rights over Shares acquired or agreed to be acquired during the offer period by the Offeror or parties acting in concert with it.

The announcement must include details of any relevant securities in the Company in which the Offeror or any person acting in concert with it has borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

The announcement must also specify the percentages of the relevant classes of share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (b) In computing the total number of Shares represented by acceptances, for announcement purposes, acceptances which are not in all respects in complete and good order or that are subject to verifications may only be included where they could be counted towards fulfilling the conditions under paragraph 1(e) of this Appendix.
- (c) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offer, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, will be published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.vxlcapital.com](http://www.vxlcapital.com)).

#### **4. RIGHT OF WITHDRAWAL**

- (a) Acceptance of the Offer tendered by the Shareholders or by their agent(s) on their behalf shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “Announcements” above, the Executive may require that the Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

#### **5. SETTLEMENT**

- (a) Provided that the Form of Acceptance and/or the relevant share certificate(s) and/or transfer of receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order in all respects and have been received by the Registrar by no later than 4:00 p.m. on the Closing Date for the acceptance of the Offer, a cheque for the amount representing the cash consideration due to each accepting Shareholder in respect of the Shares tendered by him/her or his/her agent(s) under the Offer, less seller’s ad valorem stamp duty payable by him/her in the case for tendered Shares, will be dispatched to each accepting Shareholder by ordinary post at his/her own risk as soon as possible but in any event within 7 Business Days from the date of receipt of duly completed acceptances by the Registrar.

- (b) Settlement of the consideration to which any Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder.

## **6. OVERSEAS SHAREHOLDERS**

The making of the Offer or the acceptance thereof by persons not being a resident of Hong Kong or with a registered address in jurisdictions outside Hong Kong may be affected by the laws of the relevant jurisdictions. Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should acquaint themselves with any applicable legal requirements in connection with the acceptance of the Offer in their own jurisdictions.

It is the responsibility of any such persons who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction. Any acceptance of the Offer by any person will be deemed to constitute a representation and warranty from such person to the Offeror that the local laws and requirements have been fully complied with. Shareholders should consult their professional adviser if in doubt.

## **7. GENERAL**

- (a) All communications, notices, Forms of Acceptance, share certificate(s), transfer receipts, other documents of title in respect of the Shares (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Shareholders will be delivered by or sent to or from them, or their designated agents through post at their own risk, and none of the Company, the Offeror, Changjiang, the Independent Financial Adviser, the Registrar nor any of their respective directors or agents or other parties involved in the Offer accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance form part of the terms of the Offer.
- (c) The accidental omission to dispatch this Composite Document and/or the Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.

- (d) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form of Acceptance will constitute an authority to any director of the Offeror, Changjiang or such person or persons as any of them may direct to complete and execute any document on behalf of the person accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares, in respect of which such person has accepted the Offer.
- (f) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares acquired under the Offer are sold by any such person or persons free from all liens, claims, and encumbrances and together with all rights attaching thereto including the right to receive all future dividends or other distributions, if any, declared, paid or made on the Shares on or after the date of this Composite Document.
- (g) The Offeror does not intend to exercise any right which may be available to it to acquire compulsorily any Shares not acquired under the Offer after the Offer has closed.
- (h) Reference to the Offer in this Composite Document and in the Form of Acceptance shall include any extension and/or revision thereof.
- (i) The English text of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.

## 1. FINANCIAL SUMMARY

The following is a summary of (i) the audited financial results of the Group for each of the three years ended 31 March 2011, 2012 and 2013, and the unaudited financial results of the Group for the six months ended 30 September 2013; and (ii) the audited assets and liabilities of the Group as at 31 March 2011, 2012 and 2013, and the unaudited assets and liabilities of the Group as at 30 September 2013, as extracted from the published annual reports of the Company for the years ended 31 March 2011, 2012 and 2013 dated 22 June 2011 (pages 39-126), 22 June 2012 (pages 40-142) and 6 June 2013 (pages 38-126), respectively and the published interim report for the six months ended 30 September 2013 dated 13 November 2013 (pages 7-43), which are available on both the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.vxlcapital.com](http://www.vxlcapital.com)):

## (a) Consolidated statement of comprehensive income

	For the year ended 31 March			For the six months ended
	2011	2012	2013	30 September
	HK\$'000	HK\$'000	HK\$'000	2013
	(audited)	(audited)	(audited)	(unaudited)
Turnover	4,401	6,436	6,627	3,123
Other gain, net	4,274	32,384	1,619	28,329
Revaluation gain on investment property	–	979	4,085	–
Staff costs	6,365	(8,033)	(11,860)	(5,099)
Depreciation and amortization	(7,044)	(7,291)	(7,548)	(2,486)
Other operating expenses	(33,279)	(28,348)	(14,100)	(9,146)
Operating (loss)/profit	(25,283)	(3,873)	(21,177)	14,721
Finance income	218	383	458	178
Finance costs	(41,349)	(48,583)	(46,636)	(23,054)
Loss before taxation	(66,414)	(52,073)	(67,355)	(8,155)
Taxation charge	(3)	(345)	(5,172)	(1,391)
Loss for the year	(66,417)	(52,418)	(72,527)	(9,546)
Other comprehensive income:				
Capital reserve	–	–	–	–
Movement in financial assets available for sale	117	(521)	–	–
Currency translation differences	17,488	14,404	809	3,200
Property revaluation	–	12,025	6,968	–

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

	For the year ended 31 March			For the six months ended
	2011	2012	2013	30 September
	HK\$'000	HK\$'000	HK\$'000	2013
	(audited)	(audited)	(audited)	(unaudited)
Other comprehensive income for the year, net of tax	17,605	25,908	7,777	3,200
Total comprehensive loss for the year	<u>(48,812)</u>	<u>(26,510)</u>	<u>(64,750)</u>	<u>(6,346)</u>
Loss for the year attributable to				
Owner of the Company	(66,417)	(52,418)	(70,799)	(14,558)
Non-controlling interests	<u>–</u>	<u>–</u>	<u>(1,728)</u>	<u>5,012</u>
	<u>(66,417)</u>	<u>(52,418)</u>	<u>(72,527)</u>	<u>(9,546)</u>
Total comprehensive loss for the year attributable to				
Owner of the Company	(48,812)	(26,510)	(63,231)	(12,188)
Non-controlling interests	<u>–</u>	<u>–</u>	<u>(1,519)</u>	<u>5,842</u>
	<u>(48,812)</u>	<u>(26,510)</u>	<u>(64,750)</u>	<u>(6,346)</u>
Basic and diluted loss per ordinary share for loss for the year attributable to equity holders of the Company	<u>HK (4.34) cents</u>	<u>HK (3.43) cents</u>	<u>HK (4.63) cents</u>	<u>HK (0.95) cents</u>
Dividend	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>



## (b) Consolidated statement of financial position

	As at 31 March			As at
	2011	2012	2013	30 September
	HK\$'000	HK\$'000	HK\$'000	2013
	(audited)	(audited)	(audited)	(unaudited)
<b>Non-current assets</b>				
Property, plant and equipment	255,302	246,217	203,842	120,855
Land use rights	82,762	66,909	51,322	21,534
Investment properties	–	93,758	128,405	98,373
Construction in progress	8,549	4,468	6,367	172
Available-for-sale financial assets	33,339	1,128	1,128	1,128
Receivables, prepayments and deposits	106,912	51,097	7,243	–
	<u>486,864</u>	<u>463,577</u>	<u>398,307</u>	<u>242,062</u>
<b>Current assets</b>				
Assets held for sale	19,463	–	87,901	203,068
Receivables, prepayments and deposits	28,826	21,409	4,411	2,720
Bank balances and cash	96,350	125,059	90,806	132,182
	<u>144,639</u>	<u>146,468</u>	<u>183,118</u>	<u>337,970</u>
<b>Current liabilities</b>				
Payables and accruals	93,115	64,364	107,347	63,414
Liability component of compound financial instrument	18,850	25,635	–	–
Liabilities classified as held for sale	–	–	749	26,603
Borrowings	416,980	441,696	448,383	471,048
	<u>528,945</u>	<u>531,695</u>	<u>556,479</u>	<u>561,065</u>
<b>Net current liabilities</b>	<u>(384,306)</u>	<u>(385,227)</u>	<u>(373,361)</u>	<u>(223,095)</u>

**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

	As at 31 March			As at 30 September
	2011	2012	2013	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)
<b>Total assets less current liabilities</b>	<u>102,558</u>	<u>78,350</u>	<u>24,946</u>	<u>18,967</u>
<b>Non-current liabilities</b>				
Liability component of compound financial instrument	5,569	–	–	–
Borrowings	586	–	–	–
Deferred income tax liabilities	–	8,457	19,803	20,170
	<u>6,155</u>	<u>8,457</u>	<u>19,803</u>	<u>20,170</u>
<b>Net assets/(liabilities)</b>	<u><u>96,403</u></u>	<u><u>69,893</u></u>	<u><u>5,143</u></u>	<u><u>(1,203)</u></u>
<b>EQUITY</b>				
Share capital	15,296	15,296	15,296	15,296
Reserves	<u>(42,257)</u>	<u>(68,767)</u>	<u>(98,528)</u>	<u>(110,716)</u>
Total shareholders' deficit	(26,961)	(53,471)	(83,232)	(95,420)
Non-controlling interest	<u>123,364</u>	<u>123,364</u>	<u>88,375</u>	<u>94,217</u>
<b>Total equity</b>	<u><u>96,403</u></u>	<u><u>69,893</u></u>	<u><u>5,143</u></u>	<u><u>(1,203)</u></u>

The Company's auditors did not issue any qualified audit opinion in respect of the financial statements of the Group for each of the three years ended 31 March 2011, 2012 and 2013. The Company had no items which are exceptional because of size, nature or incidence, and no dividend had been paid or declared by the Company and no amount has been absorbed by dividends for each of the three years ended 31 March 2011, 2012 and 2013 and the six months ended 30 September 2013.

## 2. AUDITED FINANCIAL STATEMENTS

The following is the full text of the audited financial statements of the Group for the year ended 31 March 2013 as extracted from the annual report of the Company for the year ended 31 March 2013:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
Turnover	<i>5</i>	6,627	6,436
Other gain	<i>6</i>	1,619	32,384
Revaluation gain on investment properties		4,085	979
Staff costs	<i>7</i>	(11,860)	(8,033)
Depreciation and amortization	<i>8</i>	(7,548)	(7,291)
Other operating expenses, net	<i>8</i>	(14,100)	(28,348)
Operating loss		(21,177)	(3,873)
Finance income	<i>9</i>	458	383
Finance costs	<i>10</i>	(46,636)	(48,583)
Loss before taxation		(67,355)	(52,073)
Taxation charge	<i>11</i>	(5,172)	(345)
Loss for the year		(72,527)	(52,418)
Other comprehensive income:			
Movement in financial assets available for sale		–	(521)
Currency translation differences		809	14,404
Property revaluation gain		6,968	12,025
Other comprehensive income for the year, net of tax		7,777	25,908
Total comprehensive loss for the year		(64,750)	(26,510)
Loss for the year attributable to			
Owners of the Company		(70,799)	(52,418)
Non-controlling interest		(1,728)	–
		(72,527)	(52,418)
Total comprehensive loss for the year attributable to			
Owners of the Company		(63,231)	(26,510)
Non-controlling interest		(1,519)	–
		(64,750)	(26,510)
<b>Basic and diluted loss per ordinary share for loss for the year attributable to equity holders of the Company</b>	<i>13</i>	HK(4.63) cents	HK(3.43) cents

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	<i>15(a)</i>	203,842	246,217
Land use rights	<i>16</i>	51,322	66,909
Investment properties	<i>17</i>	128,405	93,758
Construction in progress	<i>18</i>	6,367	4,468
Available-for-sale financial assets	<i>20</i>	1,128	1,128
Receivables, prepayments and deposits	<i>21</i>	7,243	51,097
		<u>398,307</u>	<u>463,577</u>
<b>Current assets</b>			
Assets held for sale	<i>22</i>	87,901	–
Receivables, prepayments and deposits	<i>21</i>	4,411	21,409
Bank balances and cash	<i>23</i>	90,806	125,059
		<u>183,118</u>	<u>146,468</u>
<b>Current liabilities</b>			
Payables and accruals	<i>24</i>	107,347	64,364
Liability component of compound financial instrument	<i>25</i>	–	25,635
Liabilities classified as held for sale	<i>22</i>	749	–
Borrowings	<i>26</i>	448,383	441,696
		<u>556,479</u>	<u>531,695</u>
<b>Net current liabilities</b>		<u>(373,361)</u>	<u>(385,227)</u>
<b>Total assets less current liabilities</b>		<u>24,946</u>	<u>78,350</u>
<b>Non-current liabilities</b>			
Deferred income tax liabilities	<i>27</i>	19,803	8,457
		<u>19,803</u>	<u>8,457</u>
<b>Net assets</b>		<u><u>5,143</u></u>	<u><u>69,893</u></u>
<b>EQUITY</b>			
Share capital	<i>28</i>	15,296	15,296
Reserves	<i>30(a)</i>	(98,528)	(68,767)
Total shareholders' deficit		(83,232)	(53,471)
Non-controlling interest	<i>25</i>	88,375	123,364
<b>Total equity</b>		<u><u>5,143</u></u>	<u><u>69,893</u></u>

## STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	<i>15(b)</i>	–	12
Interests in subsidiaries	<i>19</i>	330,000	330,000
		<u>330,000</u>	<u>330,012</u>
<b>Current assets</b>			
Receivables, prepayments and deposits	<i>21</i>	202	315
Amounts due from subsidiaries	<i>19</i>	56,794	51,687
Bank balances and cash	<i>23</i>	148	271
		<u>57,144</u>	<u>52,273</u>
<b>Current liabilities</b>			
Payables and accruals	<i>24</i>	1,815	1,741
Borrowings	<i>26</i>	448,383	405,640
Amounts due to subsidiaries	<i>19</i>	23,904	13,771
		<u>474,102</u>	<u>421,152</u>
<b>Net current liabilities</b>		<u>(416,958)</u>	<u>(368,879)</u>
<b>Total assets less current liabilities</b>		<u>(86,958)</u>	<u>(38,867)</u>
<b>Net liabilities</b>		<u><u>(86,958)</u></u>	<u><u>(38,867)</u></u>
<b>EQUITY</b>			
Share capital	<i>28</i>	15,296	15,296
Reserves	<i>30(b)</i>	(102,254)	(54,163)
<b>Total equity</b>		<u><u>(86,958)</u></u>	<u><u>(38,867)</u></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Available-for-sale financial assets reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Exchange reserve HK\$'000	Revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interest HK\$'000	Total equity HK\$'000
At 31 March 2011	15,296	152,049	-	521	3,431	35,924	-	(234,182)	(26,961)	123,364	96,403
Loss for the year	-	-	-	-	-	-	-	(52,418)	(52,418)	-	(52,418)
Other comprehensive income:											
Translation exchange difference	-	-	-	-	-	14,404	-	-	14,404	-	14,404
Available-for-sale financial assets – release of reserve upon disposal	-	-	-	(844)	-	-	-	-	(844)	-	(844)
Impairment loss reclassified from available-for-sale financial assets reserve	-	-	-	323	-	-	-	-	323	-	323
Deferred tax on revaluation increase	-	-	-	-	-	-	(8,116)	-	(8,116)	-	(8,116)
Property revaluation	-	-	-	-	-	-	20,141	-	20,141	-	20,141
Total comprehensive loss for the year	-	-	-	(521)	-	14,404	12,025	(52,418)	(26,510)	-	(26,510)
Transfer to accumulated losses upon lapse of share options	-	-	-	-	(844)	-	-	844	-	-	-
	-	-	-	-	(844)	-	-	844	-	-	-
At 31 March 2012	15,296	152,049	-	-	2,587	50,328	12,025	(285,756)	(53,471)	123,364	69,893
Loss for the year	-	-	-	-	-	-	-	(70,799)	(70,799)	(1,728)	(72,527)
Other comprehensive income:											
Translation exchange difference	-	-	-	-	-	600	-	-	600	209	809
Deferred tax on revaluation increase	-	-	-	-	-	-	(6,050)	-	(6,050)	-	(6,050)
Property revaluation	-	-	-	-	-	-	13,018	-	13,018	-	13,018
Total comprehensive loss for the year	-	-	-	-	-	600	6,968	(70,799)	(63,231)	(1,519)	(64,750)
	15,296	152,049	-	-	2,587	50,928	18,993	(356,555)	(116,702)	121,845	5,143
Conversion of preferred shares by a subsidiary (Note 25)	-	-	51,671	-	-	(13,282)	(4,919)	-	33,470	(33,470)	-
Transfer to accumulated losses upon lapse of share options	-	-	-	-	(2,587)	-	-	2,587	-	-	-
Total transactions with owners	-	-	51,671	-	(2,587)	(13,282)	(4,919)	2,587	33,470	(33,470)	-
At 31 March 2013	15,296	152,049	51,671	-	-	37,646	14,074	(353,968)	(83,232)	88,375	5,143

## CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Note</i>	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
<b>Operating activities</b>			
Loss before taxation		(67,355)	(52,073)
Adjustments for:			
Finance costs	<i>10</i>	46,636	48,583
Depreciation and amortization	<i>8</i>	7,548	7,291
Gain on disposal of property, plant and equipment and assets held for sale		–	(6,006)
Gain on transfer of interest in properties before completion of acquisition		–	(3,283)
Gain on disposal of available-for-sale financial assets	<i>6</i>	–	(21,892)
Available-for-sale financial assets – release of reserve upon disposal	<i>6</i>	–	(844)
Reversal of provision for receivable	<i>8</i>	(4,100)	–
Written back of other payable	<i>6</i>	(1,427)	–
Fair value gain on investment properties	<i>17</i>	(4,085)	(979)
Impairment loss reclassified from available-for-sale financial assets reserve	<i>8</i>	–	323
Changes in working capital			
Decrease in receivables, prepayments and deposits		20,799	6,597
Decrease in payables and accruals		(12,875)	(12,068)
Net cash outflow used in operations		(14,859)	(34,351)
Income tax paid		(7)	(4)
<b>Net cash outflow used in operating activities</b>		<u>(14,866)</u>	<u>(34,355)</u>

**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

	<i>Note</i>	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
<b>Investing activities</b>			
Purchase of property, plant and equipment and land use rights		(8,952)	(8,018)
Additions of construction in progress		(1,899)	(13,031)
Proceeds from disposal and refund from termination of acquisition contract for property, plant and equipment		–	107,574
Deposits received for disposal of equity interest in subsidiaries		56,782	–
		<u>56,782</u>	<u>–</u>
<b>Net cash inflow generated from investing activities</b>		<u>45,931</u>	<u>86,525</u>
<b>Financing activities</b>			
Repayment of loan		(35,470)	(15,845)
Capital element of finance lease rentals paid		(601)	(607)
Interest paid		(3,385)	(7,146)
Dividends paid to non-controlling interest		(26,100)	–
		<u>(26,100)</u>	<u>–</u>
<b>Net cash outflow used in financing activities</b>		<u>(65,556)</u>	<u>(23,598)</u>
(Decrease)/increase in cash and cash equivalents		(34,491)	28,572
Cash and cash equivalents at 1 April		125,059	96,350
Effect of foreign exchange rate changes		238	137
		<u>238</u>	<u>137</u>
Cash and cash equivalents at 31 March	23	<u>90,806</u>	<u>125,059</u>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****1. General information**

The principal activities of VXL Capital Limited (the “Company”) and its subsidiaries (together the “Group”) are (i) hotel investment and operations and (ii) property investment, whilst those of its principal subsidiaries are set out in Note 19 to the consolidated financial statements.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Room 603A, 6th Floor, Empire Centre, No. 68 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

The Company has its listing on The Stock Exchange of Hong Kong Limited. The Directors consider the immediate and ultimate holding company to be VXL Capital Partners Corporation Limited (“VXLCPL”), incorporated in the British Virgin Islands.

**2. Principal accounting policies**

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below and have been consistently applied to all the years presented, unless otherwise stated.

***2.1 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 properties and available-for-sale financial assets. These financial statements are presented in Hong Kong Dollar thousands, unless otherwise stated.

At 31 March 2013, the Group had net current liabilities of HK\$373.4 million and a shareholders’ deficit of HK\$83.2 million. In addition, during the year ended 31 March 2013, the Group reported a loss of HK\$72.5 million and a net operating cash outflow of HK\$14.9 million. 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 Group has entered into agreements for the disposals of hotel properties located in the cities of Wafangdian and Tu Lu Fan for a consideration of RMB38.1 million (equivalent to approximately HK\$47.2 million) and RMB16.2 million (equivalent to approximately HK\$19.9 million) respectively. As at 31 March 2013, deposits of RMB46.2 million (equivalent to approximately HK\$57.3 million) were received in connection with these disposals. Residual balance of RMB8.0 million (equivalent to approximately HK\$9.8 million) is expected to be received in the coming year when the disposals are completed. On 31 May 2013, "U" Inns & Hotels Investment Limited (你的客棧酒店有限公司) ("UIHIL"), a subsidiary of the Company, entered into two Equity Transfer Agreements with two independent third parties to sell 100% equity interest of "U" Inns & Hotels (Xiang Fan) Management Co., Limited (你的客棧(襄樊)酒店管理有限公司) ("Xiangfan") and "U" Inns & Hotels (Bu Er Jin) Management Co., Limited (你的客棧酒店管理(布爾津縣)有限公司) ("Bu Er Jin") for the consideration of RMB24.9 million (equivalent to approximately HK\$31.4 million) and RMB9.3 million (equivalent to approximately HK\$11.7 million) respectively. Deposits of RMB27.6 million (equivalent to approximately HK\$34.7 million) were received in connection with these disposals on the date of the Equity Transfer Agreements.

As at 31 March 2013, the Group had amounts due to VXLCP, the ultimate holding company, totaling HK\$448.4 million. In May 2013, management has obtained agreements from VXLCP, who agreed to extend the repayment of the above borrowings to 30 September 2014. Based on the Group's cash flow projection and taking into account the reasonably possible changes in the trading performance, the directors believe that the Group will have sufficient cash flows to meet its financial obligations as and when they fall due within the next twelve months from the date of the consolidated statement of financial position. Moreover, VXLCP has confirmed its intention to provide continuous 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. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The HKICPA has issued certain new and revised HKFRSs that are first effective for the current accounting period of the Group. The Group has adopted the new and revised HKFRSs below, which are relevant to its operations, in the preparation of the consolidated financial statements.

*(a) Change in accounting policy*

In December 2010, the HKICPA amended HKAS 12 "Income taxes" to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale.

The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted. The Group has adopted this amendment in current year and the directors consider the Group's investment properties are recovered entirely by sale. This amendment has no significant impact on the Group's consolidated financial statements.

There are no other amended standards or interpretations that are effective for the first time for the accounting period beginning on or after 1 April 2012 that would be expected to have a material impact on the Group.

- (b) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company*

The following standards and amendments to existing standards have been published which are mandatory for the Company's accounting periods beginning on or after 1 April 2013 or later periods, have not been early adopted by the Company:

HKFRS 1 (Amendment)	Government Loans (effective for annual period beginning on or after 1 January 2013)
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities (effective for annual period beginning on or after 1 January 2013)
HKFRS 9 (Amendments)	Financial Instruments (effective for annual period beginning on or after 1 January 2015)
HKFRS 10	Consolidated Financial Statements (effective for annual period beginning on or after 1 January 2013)
HKFRS 11	Joint Arrangements (effective for annual period beginning on or after 1 January 2013)
HKFRS 12	Disclosure of Interests in Other Entities (effective for annual period beginning on or after 1 January 2013)
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (effective for annual period beginning on or after 1 January 2013)
HKFRS 10, HKFRS 12 and HKAS 27 (Revised 2011) (Amendment)	Investment Entities (effective for annual period beginning on or after 1 January 2013)
HKFRS 13	Fair value measurement (effective for annual period beginning on or after 1 January 2013)
HKAS 1 (Amendment)	Presentation of items of other comprehensive income (effective for annual period beginning on or after 1 July 2012)
HKAS 19 (Amendment)	Employee Benefits (effective for annual period beginning on or after 1 January 2013)
HKAS 27 (Revised 2011)	Separate Financial Statements (effective for annual period beginning on or after 1 January 2013)

HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2013)
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities (effective for annual period beginning on or after 1 January 2014)
HK(IFRIC) -Int 20	Stripping Costs in the Production Phase of a Surface Mine (effective for annual period beginning on or after 1 January 2013)
Annual Improvements Project	Annual Improvements 2009-2011 Cycle (effective for annual period beginning on or after 1 January 2013)

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 standard, 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.

## **2.2 Consolidation**

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries for the year ended 31 March 2013.

### *(a) Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise from circumstances where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

- (a) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

- (b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated statement of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of comprehensive income.

### ***2.3 Separate financial statements***

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### ***2.4 Segment reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

### ***2.5 Foreign currency translation***

#### ***(a) Functional and presentation currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's functional and the Group's presentation currency.

#### ***(b) Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

*(c) Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet at statement of financial position presented are translated at the closing rate at the end of reporting period;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at exchange rates prevailing at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

*(d) Disposal of foreign operation*

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to the consolidated statement of comprehensive income.

**2.6 Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.



Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

– Hotel properties	20 years
– Furniture and fixtures	3 – 5 years
– Office equipment and machinery	3 – 5 years
– Computer and related equipment	3 – 5 years
– Motor vehicles	5 years

Improvements are capitalized and depreciated over their expected useful lives to the Group.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each of the end of reporting period.

An impairment loss is recognised immediately to write down an asset's carrying amount to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are netted off or recognised within "Other gain" in the consolidated statement of comprehensive income.

### ***2.7 Land use rights***

Land use rights which are prepayment of land leases stated at cost less accumulated amortization and accumulated impairment losses. Cost represents consideration and directly attributable transaction costs paid or payable for the rights to use the land for periods between 30 and 50 years. Amortization of land use rights is calculated on the straight-line method over the period of the land use rights.

***2.8 Investment properties***

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each of the end of reporting period by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in “Other gain”.

If the use of a property changes from owner-occupied to being held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, it is reclassified as an investment property, measured at fair value at the date of reclassification and the difference between the fair value and the net book value of the investment property is recognised in the other comprehensive income.

***2.9 Impairment of investments in subsidiaries***

Impairment testing of the investment in a subsidiary is made if the carrying amount of the subsidiary in the Company’s statement of financial position exceeds the carrying amount of the subsidiary’s net assets including goodwill in the consolidated statement of financial position.

***2.10 Non-current assets held for sale***

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

### ***2.11 Financial assets***

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. The Group determines the classification of its financial assets at initial recognition.

#### *(a) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and subsequently carried at fair value. Transaction costs are expensed as incurred.

Gains or losses arising from changes in the fair value of the 'Financial assets at fair value through profit or loss' category are presented in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of other operating income when the Group's right to receive payments is established.

#### *(b) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of reporting period. These are classified as non-current assets. Loans and receivables are classified as 'Receivables, prepayments and deposits' and 'Bank balances and cash' in the consolidated statement of financial position (*Notes 2.12 and 2.13*). Loans and receivables are carried at amortized cost using the effective interest method.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or the Group intends to dispose of the investment within 12 months after the end of reporting period. Investments are initially recognised at fair value plus transaction costs and subsequently carried at fair value. Fair value changes are recognized in other comprehensive income, net of tax, and accumulated in equity in fair value reserve. The unlisted equity instruments, for which the fair value is not reliably measurable, are measured at cost. The fair value of unquoted instruments is not reliably measurable if the variability in the range of reasonable fair value estimates is significant for that instrument and the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each of the end of reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in consolidated statement of comprehensive income – is removed from equity and recognised in the consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

***2.12 Impairment of receivables***

Receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income within 'Other operating expenses'. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against 'Other operating expenses' in the consolidated statement of comprehensive income.

***2.13 Cash and cash equivalents***

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with a maturity of three months or less from date of investment and bank overdrafts.

***2.14 Borrowings and compound financial instruments***

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Compound financial instrument issued by a subsidiary of the Company comprises preferred shares that are convertible to common shares of the subsidiary, and the number of shares to be issued does not vary with changes in their fair value. The liability component of the compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of the compound financial instrument is measured at amortized cost using the effective interest method. The equity component of the compound financial instrument is not re-measured subsequent to initial recognition. The equity component is allocated to the non-controlling interest.

At the time when the convertible preferred shares are converted into ordinary shares, the difference between the equity component and the relevant share disposed of the carrying value of net assets of the subsidiary was recognised directly in capital reserve and attributable to the owners of the parent.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

### ***2.15 Current and deferred income tax***

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in consolidated statement of comprehensive income except to the extent that they relate to items recognised directly in consolidated statement of changes in equity, in which case they are recognised in consolidated statement of changes in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Taxation rates enacted or substantively enacted by the end of reporting period are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### ***2.16 Provisions***

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlements is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**2.17 Share capital**

Ordinary shares are classified as equity. Incidental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**2.18 Employee benefits***(a) Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A liability is recognized for the estimated payment for annual leave as a result of services rendered by employees up to the end of reporting period.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

*(b) Bonus plans*

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

*(c) Pension obligations*

The Group contributes to a mandatory provident fund scheme (“MPF Scheme”) under the requirements of the Mandatory Provident Fund Schemes Ordinance. The assets of the scheme are generally held in separate trustee-administered funds. Contributions to the MPF Scheme by the Group and employees are calculated as a percentage of the employees’ basic salaries.

The Company’s subsidiaries in the People’s Republic of China (“PRC”) are members of the state-managed retirement benefits scheme operated by the government of the PRC. The retirement scheme contributions are based on a certain percentage of the salaries of the subsidiaries’ employees.

The contributions are charged to the consolidated statement of comprehensive income in the period in which they relate.



(d) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan, known as Share Option Scheme (the “Scheme”). The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each end of reporting period, the Group revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in consolidated statement of comprehensive income, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

**2.19 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes.

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably on the following bases:

- i) Income from hotel room rental, food and beverage and other services is recognised when the relevant services are provided.
- ii) Rental income receivable under operating leases is recognised on a straight-line basis over the lease term.
- iii) Interest income is recognised on a time proportion basis using the effective interest method.

### *2.20 Leasing*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessor*

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### *The Group as lessee*

##### (a) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

##### (b) Finance leases

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is recognised in the consolidated statement of comprehensive income over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each period.

***2.21 Contingent liabilities and contingent assets***

A contingent asset or liability is a possible asset or obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow of economic resources occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

**3. FINANCIAL RISK MANAGEMENT*****3.1 Financial risk factors***

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group has not used any derivative financial instruments to hedge its risk exposures.

Risk management for the Company and its subsidiaries in PRC is carried out by the Executive Committee ("Excom"). Excom identifies, evaluates and monitors financial risk in close co-operation with the Group's operating units. The Group monitors the financial risk continuously to minimize the risk, such as foreign exchange risk, price risk, credit risk, liquidity risk, interest rate risk and cash management.

(a) *Foreign exchange risk*

The Group's monetary assets, liabilities and transactions are principally denominated in HK dollars, United States dollars ("US dollars") and Renminbi ("RMB"). The Group is exposed to foreign exchange risk arising from its investments which are located in the PRC. Considering that the exchange rate between HK dollars and US dollars is pegged, and that Renminbi is appreciating, the Group believes its downside foreign exchange risk is minimal. The Group does not use any derivative financial instruments to hedge its foreign exchange risk.

As at 31 March 2013, if RMB had strengthened/weakened by 5% against HK dollars, with all other variables held constant, post-tax loss for the year would have been HK\$0.7 million (FY2012: HK\$1.8 million) lower/higher respectively. The movement in the profit or loss relates mainly as a result of foreign exchange gain/losses on translation of RMB denominated trade and other receivables and trade and other payables that affect revenues and other income and costs.

For the translation risk as at 31 March 2013, if RMB had strengthened/weakened by 5% against HK dollars, with all other variables held constant, total equity would have been HK\$15.6 million (FY2012: HK\$20.3 million) higher/lower respectively.

(b) *Price risk*

The Group is exposed to club debentures price risk which is held by the Group and classified on the consolidated statement of financial position as available-for-sales financial assets. The Group maintained club debentures investments for long-term strategic purpose and the Group's overall exposure to price risk is not significant.

(c) *Credit risk*

The Group's credit risk is primarily attributable to receivables, investments and bank deposits. The exposures to these credit risks are monitored on an ongoing basis.

In respect of receivables, the Group closely monitors the credit performances and prompt repayments from the counterparties. The Group has policies in place to review the recoverability of other receivables on an ongoing basis and assess the adequacy of provision for impairment. Further quantitative data in respect of the Group's exposure to credit risk arising from receivables, prepayments and deposits are disclosed in Note 21 to the consolidated financial statements.

In respect of bank deposits, the Group has diversified its exposures into different financial institutions. It has policies in place to assess the credit standing of the counterparties and financial institutions before the Group invests its assets.

*(d) Liquidity risk*

The Group maintains liquidity by a number of sources including shareholder's loan, orderly realisation of short-term financial assets, receivables and certain assets that the Group considers appropriate and advantageous to dispose of. Equity and other long term financing including strategic partnerships, or strategic joint ventures are also considered by the Group in its capital structuring. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the Group's available cash and other interest-bearing loans. The ultimate holding company of the Company, VXLCP, 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 business for the foreseeable future.

The Group monitors rolling forecasts of its liquidity reserve which comprises borrowing facilities and cash and cash equivalents on the basis of expected cash flow.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying balances, as the impact of discounting is not significant.

	<b>Less than 1 year HK\$'000</b>	<b>Between 1 and 5 years HK\$'000</b>
<b>Group</b>		
<b>At 31 March 2013</b>		
Borrowings	448,383	–
Payables and accruals	106,945	–
<b>At 31 March 2012</b>		
Borrowings	441,696	–
Liability component of compound financial instrument	26,100	–
Payables and accruals	62,002	–
<b>Company</b>		
<b>At 31 March 2013</b>		
Borrowings	448,383	–
Payables and accruals	1,815	–
<b>At 31 March 2012</b>		
Borrowings	405,640	–
Payables and accruals	1,741	–

*Note:* Accrued employee benefits are excluded in this table.

(e) *Interest rate risk*

The Group's interest rate risk arises from bank deposits and borrowings. The Group monitors and limits its interest rate risk exposure through management of maturity profile, currency mix and choice of fixed and floating interest rates.

The Group does not have significant cash flow interest rate risk as the interest-bearing assets have no significant impact to the Group. Borrowings bearing interest at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure of borrowings with a focus on reducing the overall cost of debt.

The Group currently does not use any interest rate derivative contracts or other financial instruments to hedge against its interest rate risk exposure.

### 3.2 Capital risk management

The capital structure of the Group consists of owner's equity and debts, which include borrowings, bank balances and cash and equity attributable to equity holders of the Company which comprises the issued share capital and accumulated losses.

The Group's objectives when managing capital are to safeguard the Group's ability to continue to provide returns for shareholders and to support the Group's stability and growth. The Group regularly reviews and manages its capital structure to ensure optimal capital structure to maintain a balance between higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economics conditions.

The Group monitors capital on the basis of the gearing ratio. The gearing ratios at 31 March 2013 and 2012 were as follows:

	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total borrowings ( <i>Note 26</i> )	448,383	441,696
<i>Less: Bank balances and cash</i>	<u>(90,806)</u>	<u>(125,059)</u>
Net debt	357,577	316,637
Total equity	<u>5,143</u>	<u>69,893</u>
Total capital	362,720	386,530
Net debt/total capital ratio	<u>98.6%</u>	<u>81.9%</u>
Net debt/total equity ratio	<u>6952.7%</u>	<u>453.0%</u>

The increase in gearing ratio during 2013 resulted primarily from the increment of borrowings from ultimate holding company for financing the daily operation and a smaller total equity.

### 3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 March:

	<b>Level 2</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>		
Available-for-sale financial assets		
club debenture	<u>1,128</u>	<u>1,128</u>

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.



The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Other techniques, such as inputs from recent arm's length transaction or discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no transfers between Levels 1 and 2 for both years.

#### **4. Critical accounting estimates and judgments**

In the process of applying the accounting policies described in Note 2 above, the Group has made the following judgments that have the most significant effect on the amounts recognised in the consolidated financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year are disclosed below.

##### **4.1 Critical accounting estimates**

###### *(a) Useful lives of property, plant and equipment*

The Group determines the estimated useful lives and depreciation rates for its property, plant and equipment. The Group will revise the depreciation rates where useful lives are different to previous estimation, or it will write off or write down the value of those assets which are technically obsolete or non-strategic assets that have been abandoned or sold.

(b) *Income taxes*

It is the Group's policy to recognize deferred tax assets for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilized, based on all available evidence. Recognition primarily depends on the Group's expectation of future taxable profit that will be available against which tax losses can be utilized. The details of the assessment are disclosed in Note 27.

**4.2 Critical accounting judgement**

(a) *Classification as investment properties and owner-occupied properties*

The Management of the Group determines whether the acquired hotel properties qualify as investment properties. If the property would be classified as investment property, the property would be measured using fair value model. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity and the level of ancillary services provided to the tenants. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

(b) *Impairment of assets*

The Group tests at least annually whether goodwill or assets that have indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit has been determined based on value-in-use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

### 5. 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 operations.

	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
Revenue from hotel operations	3,147	3,941
Rental income	3,480	2,495
	<u>6,627</u>	<u>6,436</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 expenditure comprise additions to investment properties (*Note 17*), property, plant and equipment (*Note 15*), land use rights (*Note 16*) and construction in progress (*Note 18*). 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.

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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 expenditure based on reportable segments for the years ended 31 March 2013 and 2012 are as follows:

	Property investment <i>HK\$'000</i>	Hotel operations <sup>Note</sup> <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	3,480	3,147	6,627	–	6,627
<b>Segment results</b>	4,972	(22,749)	(17,777)	(3,400)	(21,177)
Finance income	12	184	196	262	458
Finance costs	(1,888)	(17,790)	(19,678)	(26,958)	(46,636)
Profit/(loss) before taxation	3,096	(40,355)	(37,259)	(30,096)	(67,355)
Taxation	(5,083)	(4)	(5,087)	(85)	(5,172)
Loss for the year	(1,987)	(40,359)	(42,346)	(30,181)	(72,527)
<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	1,899	–	1,899	–	1,899

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	Property investment <i>HK\$'000</i>	Hotel operations <sup>Note</sup> <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 2012</b>					
<b>Segment revenue:</b>					
Sales to external customers	2,495	3,941	6,436	–	6,436
<b>Segment results</b>	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)
Profit/(loss) for the year	18,170	(37,765)	(19,595)	(32,823)	(52,418)
<b>Other segment information</b>					
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 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
Additions to – Property, plant and equipment	3,365	36,666	40,031	106	40,137
– Construction in progress	13,031	–	13,031	–	13,031

**Note:**

Hotel operations segment included hotels which have not been in operations as at 31 March 2013

*Information about major customers*

Revenue of approximately HK\$2.1 million and HK\$1.0 million (FY2012: HK\$1.7 million and nil) 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 FY2013 and FY2012.

The segment assets and liabilities based on reportable segments as at 31 March 2013 and 2012 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>At 31 March 2013</b>					
Segment assets	151,713	336,577	488,290	2,329	490,619
Bank balances and cash	6,363	61,791	68,154	22,652	90,806
<b>Total assets</b>	<b>158,076</b>	<b>398,368</b>	<b>556,444</b>	<b>24,981</b>	<b>581,425</b>
Segment liabilities	29,457	91,293	120,750	7,149	127,899
Amount due to ultimate holding company	19,791	146,128	165,919	282,464	448,383
<b>Total liabilities</b>	<b>49,248</b>	<b>237,421</b>	<b>286,669</b>	<b>289,613</b>	<b>576,282</b>
<b>At 31 March 2012</b>					
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
<b>Total assets</b>	<b>113,412</b>	<b>430,471</b>	<b>543,883</b>	<b>66,162</b>	<b>610,045</b>
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
<b>Total liabilities</b>	<b>34,064</b>	<b>243,112</b>	<b>277,176</b>	<b>262,976</b>	<b>540,152</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 2013 and 2012 and non-current assets as at 31 March 2013 and 2012 based on geographical area are as follows:

	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
<b>Revenue</b>		
Hong Kong	–	–
PRC	6,627	6,436
	<u>6,627</u>	<u>6,436</u>
	<b><u>6,627</u></b>	<b><u>6,436</u></b>
<b>Non-current assets</b>		
Hong Kong	1,503	1,008
PRC	396,804	462,569
	<u>398,307</u>	<u>463,577</u>
	<b><u>398,307</u></b>	<b><u>463,577</u></b>

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.

#### 6. Other gain

	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
Gain on disposal of property, plant and equipment	–	968
Gain on disposal of assets held for sale	–	5,038
Gain on transfer of interest in properties before completion of acquisition	–	3,283
Other gain	192	359
Available-for-sale financial assets – release of reserve upon disposal	–	844
Gain on disposal of available-for-sale financial assets	–	21,892
Written back of other payables	1,427	–
	<u>1,619</u>	<u>32,384</u>
	<b><u>1,619</u></b>	<b><u>32,384</u></b>

**7. Staff costs**

The staff costs disclosed below are for all employees and include all Directors' emoluments (*Note 14(a)*).

	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
Directors' fees	862	900
Salaries and other short-term employee benefits	9,452	11,012
(Reversal)/Provision of unutilized annual leave	(15)	29
Pension costs – MPF ( <i>note i</i> )	92	96
Social security costs ( <i>note ii</i> )	1,469	1,446
Overprovision of bonus	–	(5,450)
	<u>11,860</u>	<u>8,033</u>

*Notes:*

- i There were no forfeited contributions during the years ended 31 March 2013 and 2012.
- 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.

**8. Operating loss**

	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
Operating loss is arrived		
at after charging/(crediting):		
Legal and professional fee	479	8,575
Consultancy fee	475	324
Depreciation and amortization	7,548	7,291
Impairment loss reclassified from		
available-for-sale financial assets reserve	–	323
Auditors' remuneration	833	765
Net exchange gain	(1,353)	(751)
Reversal of provision for receivable	(4,100)	–
Office rental	1,863	2,968
Direct costs attributable to operating lease	20	–



**9. Finance income**

	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
Bank interest income	<u>458</u>	<u>383</u>

**10. Finance costs**

	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
Interest on finance leases	15	48
Other interest and finance costs on amounts wholly repayable within five years	<u>46,621</u>	<u>48,535</u>
	<u>46,636</u>	<u>48,583</u>

**11. Taxation**

No provision for Hong Kong profits tax (FY 2012: 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 deferred income tax on fair value gain on appreciated investment properties recovered through sale, has been made according to the requirements set forth in the relevant PRC tax laws and regulations.

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

	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
Current tax – PRC	7	4
Deferred taxation	<u>5,165</u>	<u>341</u>
	<u>5,172</u>	<u>345</u>

The tax on the Group's loss before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to the results of the consolidated companies as follows:

	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
Loss before income taxation	(67,355)	(52,073)
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	(8,691)	(16,438)
Tax effect of non-deductible expenses	7,722	8,881
Tax effect of non-taxable revenue	(271)	(676)
Deferred tax assets not recognised	5,358	8,322
Provision for land appreciation tax	1,406	341
Current income tax effect on land appreciation tax	(352)	(85)
Tax charge	<u>5,172</u>	<u>345</u>

## 12. Loss for the year attributable to equity holders of the company

The loss for the year attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a loss of HK\$48.1 million for the year ended 31 March 2013 (year ended 31 March 2012: loss of HK\$42.8 million).

## 13. 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.

	<b>2013</b>	<b>2012</b>
Loss for the year attributable to equity holders of the Company, HK\$'000	(70,799)	(52,418)
Weighted average number of ordinary shares in issue	1,529,600,200	1,529,600,200
Basic loss per ordinary share, HK cents	<u>(4.63)</u>	<u>(3.43)</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 during the two years ended 31 March 2013 and 2012.

The preferred shares issued to the non-controlling interest for the subsidiary have no potentially dilutive effect to the ordinary shares of the Company for financial year ended 31 March 2013 and 2012.

#### 14. Directors' and senior management's emoluments

##### (a) Directors' emoluments

The emoluments paid or payable to each of the Directors for the year ended 31 March 2013 were as follows:

Name of directors	Fees <i>HK\$'000</i>	Salaries <i>HK\$'000</i>	Other benefits** <i>HK\$'000</i>	Employee share option benefits <i>HK\$'000</i>	Employer's contribution to pension scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors						
Datuk LIM Chee Wah (i)	-	-	-	-	-	-
Mr. XIAO Huan Wei	-	1,791	527	-	15	2,333
Independent non-executive directors						
Mr. Alan Howard SMITH, J.P.	300	-	-	-	-	300
Dr. Allen LEE Peng Fei, J.P. (ii)	150	-	-	-	-	150
Mr. David YU Hon To	300	-	-	-	-	300
Mr. SOO Ying Pooi (iii)	112	-	-	-	-	112
	<u>862</u>	<u>1,791</u>	<u>527</u>	<u>-</u>	<u>15</u>	<u>3,195</u>

The emoluments paid or payable to each of the Directors for the year ended 31 March 2012 were as follows:

Name of directors	Fees <i>HK\$'000</i>	Salaries <i>HK\$'000</i>	Other benefits** <i>HK\$'000</i>	Employee share option benefits <i>HK\$'000</i>	Employer's contribution to pension scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors						
Datuk LIM Chee Wah (i)	-	-	-	-	-	-
Mr. XIAO Huan Wei	-	1,127	809	-	12	1,948
Independent non-executive directors						
Mr. Alan Howard SMITH, J.P.	300	-	-	-	-	300
Dr. Allen LEE Peng Fei, J.P.	300	-	-	-	-	300
Mr. David YU Hon To	300	-	-	-	-	300
	<u>900</u>	<u>1,127</u>	<u>809</u>	<u>-</u>	<u>12</u>	<u>2,848</u>

\*\* Other benefits include housing allowance.

- (i) An Executive Director, Datuk LIM Chee Wah has waived his emolument for the years ended 31 March 2013 and 2012.
- (ii) Dr. Allen Lee Peng Fei, J.P., ceased to be the Company's independent non-executive director since 28 September 2012.
- (iii) Mr. SOO Ying Pooi was appointed on 16 November 2012.

The Company's executive directors represent all of the Company's chief executives. Accordingly, no separate disclosure in respect of the remuneration of the chief executives is made in the financial statements.

No emoluments were paid to any director as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2013 and 2012.

*(b) Five highest paid individuals*

The five individuals whose emoluments were the highest in the Group for the year comprise 1 director and 4 employees (year ended 31 March 2012: 1 directors and 4 employees). The details of the emoluments payable to the 4 employees (year ended 31 March 2012: 4 employees) during the year are presented below:

	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
Salaries and other short-term employee benefits	1,866	2,093
Pension costs – defined contribution plan	<u>15</u>	<u>12</u>
	<b><u>1,881</u></b>	<b><u>2,105</u></b>
	<b>Number of individuals</b>	
	<b>2013</b>	<b>2012</b>
Emoluments band		
HK\$1 – HK\$500,000	3	1
HK\$500,001 – HK\$1,000,000	1	3
HK\$1,000,001 – HK\$1,500,000	–	–
HK\$1,500,001 – HK\$2,000,000	–	–
HK\$2,000,001 – HK\$2,500,000	<u>–</u>	<u>–</u>
	<b><u>4</u></b>	<b><u>4</u></b>

## 15. Property, plant and equipment

## a. The Group

	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>						
At 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 (Note)	(9,831)	–	–	–	–	(9,831)
Reclassified as assets held for sale (Note 22)	(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>						
At 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 (Note)	(195)	–	–	–	–	(195)
Reclassified as assets held for sale (Note 22)	(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
<b>Cost</b>						
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 properties (Note)	(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
<b>Accumulated depreciation</b>						
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)	(11)	(4)	(157)	(4,301)
Exchange difference	138	177	195	34	23	567
At 31 March 2012	7,350	10,794	4,808	2,159	3,207	28,318
<b>Net book value</b>						
At 31 March 2012	237,092	2,612	1,541	3,981	991	246,217

*Note:*

During the year ended 31 March 2013, property, plant and equipment with net book value of HK\$9,636,000 (FY2012: HK\$46,635,000) were reclassified as investment properties with a fair value gain before taxes of HK\$1,000,000 (FY2012: HK\$2,536,000) being credited to the other comprehensive Income.

*b. The Company*

	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Computer and related equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>				
At 1 April 2012	1,078	78	522	1,678
Disposal	—	—	—	—
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 March 2013	1,078	78	522	1,678
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Accumulated depreciation</b>				
At 1 April 2012	1,078	78	510	1,666
Disposal	—	—	—	—
Charge for the year	—	—	12	12
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 March 2013	1,078	78	522	1,678
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net book value</b>				
At 31 March 2013	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Cost</b>				
At 1 April 2011	5,062	87	526	5,675
Disposal	(3,984)	(9)	(4)	(3,997)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 March 2012	1,078	78	522	1,678
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Accumulated depreciation</b>				
At 1 April 2011	5,062	87	499	5,648
Disposal	(3,984)	(9)	(4)	(3,997)
Charge for the year	—	—	15	15
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 March 2012	1,078	78	510	1,666
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net book value</b>				
At 31 March 2012	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**16. 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:

	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cost:</b>		
At 1 April	73,970	87,979
Disposals	–	(8,899)
Reclassification		
Assets held for sale ( <i>Note 22</i> )	(6,909)	–
Investment properties ( <i>Note</i> )	(8,057)	(8,547)
Exchange difference	88	3,437
	<u>59,092</u>	<u>73,970</u>
At 31 March	----- 59,092	----- 73,970
<b>Accumulated amortization:</b>		
At 1 April	7,061	5,217
Charge for the year	2,567	2,218
Disposals	–	(600)
Reclassification		
Assets held for sale ( <i>Note 22</i> )	(998)	–
Investment properties ( <i>Note</i> )	(890)	–
Exchange difference	30	226
	<u>7,770</u>	<u>7,061</u>
At 31 March	----- 7,770	----- 7,061
<b>Net book value</b>		
At 31 March	<u><u>51,322</u></u>	<u><u>66,909</u></u>

*Note:*

During the year ended 31 March 2013, land use right with net book value of HK\$7,167,000 (FY2012: HK\$8,547,000) was reclassified as investment properties with a fair value gain before taxes of HK\$12,172,000 (FY2012: HK\$17,605,000) being credited to the other comprehensive income.



The Group's interests in land use rights at their net book value are analyzed as follows:

	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
Outside Hong Kong, held on:		
Leases of less than 10 years	–	–
Leases of between 10 to 50 years	51,322	66,909
	<u>51,322</u>	<u>66,909</u>
	<u><u>51,322</u></u>	<u><u>66,909</u></u>

#### 17. Investment properties

	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
At 1 April	93,758	–
Reclassified from property, plant and equipment	10,636	49,171
Reclassified from land use rights	19,339	26,152
Reclassified from construction in progress ( <i>Note 18</i> )	–	17,446
Increase in value credited to profit and loss	4,085	979
Exchange difference	587	10
	<u>128,405</u>	<u>93,758</u>
At 31 March	<u><u>128,405</u></u>	<u><u>93,758</u></u>

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

**(a) Valuation basis**

The fair value of the investment properties in the PRC at 31 March 2013 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 (FY2012: same). The valuation was arrived at by reference to market evidence of transaction prices for similar property at similar location.

**(b) Leasing arrangements**

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

**18. Construction in progress**

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April	4,468	8,549
Additions	1,899	13,031
Transfer to investment properties ( <i>Note 17</i> )	–	(17,446)
Exchange difference	–	334
	<hr/>	<hr/>
At 31 March	<u><u>6,367</u></u>	<u><u>4,468</u></u>

## 19. Interests in subsidiaries

	Company	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets:</b>		
Unlisted shares at cost	330,000	330,000
	<u>330,000</u>	<u>330,000</u>
<b>Current assets:</b>		
Amounts due from subsidiaries	193,374	188,267
Less: provision for impairment loss	(136,580)	(136,580)
	<u>56,794</u>	<u>51,687</u>
<b>Current liabilities:</b>		
Amounts due to subsidiaries	23,904	13,771
	<u>23,904</u>	<u>13,771</u>

*Note:*

Pursuant to a written shareholders agreement with the Preferred Shareholder dated 1 November 2009, "U" Inns & Hotels Holdings Limited ("UIHHL"), a wholly-owned subsidiary of the Company, converted all the Preferred Shares into 7,409 Common Shares at a ratio of one Preferred Share to one Common Share to the Preferred Shareholder of UIHHL on 1 November 2012. As a result of the full conversion, the shareholding interest of the Company in UIHHL was decreased from 100% to 74.1%.

The amounts due from/to subsidiaries are unsecured, non-interest bearing and repayable on demand. The carrying values of the amounts due from/to subsidiaries approximate their fair value. The amounts due from subsidiaries as at 31 March 2013 and 2012 and the amounts due to subsidiaries as at 31 March 2013 and 2012 were all denominated in HK dollars.

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

The following is a list of principal subsidiaries at 31 March 2013. Principal subsidiaries are those subsidiaries that are active and have commenced operations.

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/registered capital and debt securities	Interest held	
				2013	2012
Arrow Star Investment Limited	Hong Kong	Inactive	1 ordinary share of HK\$1	*100%	*100% <sup>#</sup>
Chong Qing "U" Inns & Hotels Management Co., Limited <sup>Δ</sup>	PRC, limited liability company	Hotel investment in PRC	Registered capital of US\$875,000	74.1%	100%
Daily Right Limited	Samoa	Investment holding in Hong Kong	2 ordinary shares of US\$1 each	100%	100%
Grand Boom Investments Limited	Samoa	Investment holding in Hong Kong	1 ordinary share of US\$1	100%	100%
Great Partner International Limited	Hong Kong	Investment holding in Hong Kong	1 ordinary share of HK\$1	100%	100% <sup>#</sup>
Great Partner Investment (Shenzhen) Limited <sup>Δ</sup>	PRC, limited liability company	Management and consulting in PRC	Registered capital of HK\$12,000,000	100%	100%
Proper Class Limited	Hong Kong	Investment holding in Hong Kong	1 ordinary share of HK\$1	74.1%	100% <sup>#</sup>
Rich Field International Limited	Samoa	Investment holding in Hong Kong	2 ordinary shares of US\$1 each	100%	100%
Success Key Holdings Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	*100%	*100%
Sun Shell Limited	Hong Kong	Investment holding in Hong Kong	1 ordinary share of HK\$1	74.1%	100% <sup>#</sup>
Superior Fortune Investments Limited	Hong Kong	Investment holding in Hong Kong	1 ordinary share of HK\$1	74.1%	100% <sup>#</sup>
"U" Inns & Hotels Holdings Limited	British Virgin Islands	Investment holding in Hong Kong	10,000 common shares of US\$1 each (2012: 7,410 common shares of US\$1 each and 2,590 Series A preferred shares of US\$1 each)	*74.1%	*100% of Common shares
"U" Inns & Hotels Investment Limited	Hong Kong	Investment holding in Hong Kong	1 ordinary share of HK\$1	74.1%	100% <sup>#</sup>
"U" Inns & Hotels Management Co., Ltd. Linzhi Tibet <sup>Δ</sup>	PRC, limited liability company	Inactive	Registered capital of US\$2,200,000	74.1%	100%
"U" Inns & Hotels (Bu Er Jin) Management Co., Limited <sup>Δ</sup>	PRC, limited liability company	Hotel investment in PRC	Registered capital of US\$1,390,000	74.1%	100%
"U" Inns & Hotels (Chengdu) Investment Management Limited <sup>Δ</sup>	PRC, limited liability company	Management and consulting in PRC	Registered capital of US\$2,000,000	74.1%	100%
"U" Inns & Hotels (Ding Xi) Management Limited <sup>Δ</sup>	PRC, limited liability company	Inactive	Registered capital of US\$3,000,000	74.1%	100%
"U" Inns & Hotels (Dun Huang) Management Limited <sup>Δ</sup>	PRC, limited liability company	Inactive	Registered capital of US\$3,700,000	74.1%	100%
"U" Inns & Hotel (Jing Gang Shan Shi) Limited <sup>Δ</sup>	PRC, limited liability company	Hotel investment in PRC	Registered capital of HK\$48,630,000	74.1%	100%
"U" Inns & Hotels (Long Nan) Management Co., Ltd. <sup>Δ</sup>	PRC, limited liability company	Inactive	Registered capital of RMB18,500,000	74.1%	100%

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/registered capital and debt securities	Interest held	
				2013	2012
“U” Inns & Hotels (Ninghai) Management Co., Ltd. <sup>Δ</sup>	PRC, limited liability company	Hotel investment in PRC	Registered capital of US\$5,705,000	74.1%	100%
U Inns & Hotel (Sichuan) Limited <sup>Δ</sup>	PRC, limited liability company	Hotel investment in PRC	Registered capital of US\$10,500,000	74.1%	100%
“U” Inns & Hotels (Tong Hua) Management Co., Ltd. <sup>Δ</sup>	PRC, limited liability company	Hotel investment in PRC	Registered capital of US\$2,249,600	74.1%	100%
“U” Inns (Wafangdian) Hotel Management Co., Limited <sup>Δ</sup>	PRC, limited liability company	Hotel investment in PRC	Registered capital of HK\$28,000,000	74.1%	100%
“U” Inns & Hotels (Tu Lu Fan) Management Co., Limited <sup>Δ</sup>	PRC, limited liability company	Hotel investment in PRC	Registered capital of US\$1,770,000	74.1%	100%
“U” Inns & Hotels (WeiFang) Limited <sup>Δ</sup>	PRC, limited liability company	Hotel investment in PRC	Registered capital of US\$4,550,000	74.1%	100%
“U” Inns & Hotels (Wu Han) Management Co., Ltd. <sup>Δ</sup>	PRC, limited liability company	Hotel investment in PRC	Registered capital of US\$956,980	74.1%	100%
“U” Inns & Hotels (Xi An) Management Co., Ltd. <sup>Δ</sup>	PRC, limited liability company	Hotel investment in PRC	Registered capital of US\$10,100,000	74.1%	100%
“U” Inns & Hotels (Xiang Fan) Management Co., Limited <sup>Δ</sup>	PRC, limited liability company	Hotel investment in PRC	Registered capital of US\$2,949,000	74.1%	100%
“U” Inns (Yingkou) Hotel Management Co., Ltd. <sup>Δ</sup>	PRC, limited liability company	Hotel investment in PRC	Registered capital of HK\$25,650,000	74.1%	100%
“U” Inns Hospitality Management (Shanghai) Co. Limited <sup>Δ</sup>	PRC, limited liability company	Management and consulting in PRC	Registered capital of US\$1,166,030	74.1%	100%
“U” Inns & Hotels Information Technology (Shanghai) Limited <sup>Δ</sup>	PRC, limited liability company	Management and consulting in PRC	Registered capital of US\$755,000	74.1%	100%
“U” Inns Investment Management (Shanghai) Limited <sup>Δ</sup>	PRC, limited liability company	Management and consulting in PRC	Registered capital of US\$2,000,000	74.1%	100%
VXL Corporate Advisory (Shanghai) Limited <sup>Δ</sup>	PRC, limited liability company	Management and consulting in PRC	Registered capital of US\$140,000	100%	100%
VXL Management Services Limited <sup>#</sup>	Hong Kong	Management services in Hong Kong	1 ordinary share of HK\$1	*100%	*100% <sup>#</sup>
VXL Nominees Limited <sup>#</sup>	Hong Kong	Investment holding in Hong Kong	2 ordinary shares of HK\$1 each	*100%	*100% <sup>#</sup>
Yanlian International Petroleum Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%	100%

\* *Shares held directly by the Company.*

Δ *These companies do not have English names. These are only translation of their Chinese names.*

# *Subsidiaries audited by Pan-China (H.K.) CPA Limited for the year ended 31 March 2012.*

**20. Available-for-sale financial assets**

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April	1,128	1,128
At 31 March	1,128	1,128

*Note:*

Available-for-sale financial assets represent unlisted club debentures of golf clubs which are denominated in RMB.

The fair value of the available-for-sale financial assets are determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. The available-for-sale financial assets are not exposed to credit risk.

**21. Receivables, prepayments and deposits**

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current</b>				
Deposits for acquisition of hotel properties	7,243	51,097	-	-
	7,243	51,097	-	-
<b>Current</b>				
Trade receivables	107	42	-	-
Other receivables	2,851	19,522	7	6
Other prepayments and deposits	1,453	1,845	195	309
	4,411	21,409	202	315
	11,654	72,506	202	315

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 2013, the trade receivables aged within two months and are not past due (FY2012: within one month 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 2013, none of the receivables, prepayments and deposits was impaired (FY2012: HK\$4,100,000 of the other receivables was impaired and fully provided for).

The carrying amounts of the Group's receivables, prepayments and deposits are denominated in the following currencies:

	Group		Company	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong dollars	837	13,331	202	315
Renminbi	10,817	59,175	–	–
	<u>11,654</u>	<u>72,506</u>	<u>202</u>	<u>315</u>

## 22. Assets held for sale and liabilities classified as held for sale

On 24 October 2012 and 8 February 2013, the U Inns & Hotels Investment Limited, an indirect wholly-owned subsidiary of the Company, entered into agreements with two independent third parties to dispose the equity interest in "U" Inns (Wafangdian) Hotel Management Co., Limited and "U" Inns & Hotels (Tu Lu Fan) Management Co., Limited for a consideration of RMB38.1 million (equivalent to approximately HK\$47.2 million) and RMB16.2 million (equivalent to approximately HK\$19.9 million) respectively, with approximately HK\$9.8 million of the total consideration was not received as at 31 March 2013. The said subsidiaries will realize, on completion, a gain on the disposals of approximately HK\$3.2 million and HK\$3.8 million respectively.

Further, equity interest in “U” Inns Hotels (Xiang Fan) Management Co., Limited and “U” Inns & Hotels (Bu Er Jin) Management Co., Limited have been presented as assets and liabilities classified as held for sale following the approval of the Group’s management in March 2013. Equity transfer agreements were entered subsequently as disclosed in Note 33 to the consolidated financial statements.

The completion dates for the above transactions are expected by March 2014.

The carry 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>2013</b>
	<i>HK\$’000</i>
Assets	
At 1 April	–
Reclassified from property, plant and equipment ( <i>note 15a</i> )	81,744
Reclassified from land use right ( <i>note 16</i> )	5,911
Exchange difference	246
	<hr/>
At 31 March	<u>87,901</u>
Liabilities	
At 1 April	–
Reclassified from payables and accruals	749
	<hr/>
At 31 March	<u>749</u>

The operating result of the above hotels for the year ended 31 March 2013 were included under “hotel operations” segment as disclosed in Note 5 to the consolidated financial statements.



**23. Bank balances and cash**

	Group		Company	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank balances and cash on hand	<u>90,806</u>	<u>125,059</u>	<u>148</u>	<u>271</u>

The carrying amounts of the bank balances and cash are denominated in the following currencies:

	Group		Company	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong dollars	29,976	74,177	70	192
Renminbi	50,852	31,454	–	–
United States dollars	9,933	19,393	78	79
Other currencies	<u>45</u>	<u>35</u>	<u>–</u>	<u>–</u>
	<u>90,806</u>	<u>125,059</u>	<u>148</u>	<u>271</u>

**24. Payables and accruals**

	Group		Company	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables ( <i>note b</i> )	133	159	–	–
Property acquisition cost payable	1,604	1,119	–	–
Accrued bonus	–	950	–	–
Accrued expenses in respect of acquisitions of hotel properties	30,450	29,000	–	–
Other payables and accruals	17,850	33,136	1,815	1,741
Deposits received for disposal of equity interest in subsidiaries	<u>57,310</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>107,347</u>	<u>64,364</u>	<u>1,815</u>	<u>1,741</u>

- (a) The carrying amounts of the payables and accruals are denominated in the following currencies:

	Group		Company	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Hong Kong dollars	2,425	16,625	1,815	1,741
Renminbi	104,922	47,739	–	–
	<u>107,347</u>	<u>64,364</u>	<u>1,815</u>	<u>1,741</u>

- (b) As at 31 March 2013, trade payables of HK\$77,000 and HK\$56,000 (FY2012: HK\$57,000 and HK\$102,000) were aged within one month and between one and three months respectively.

## 25. Conversion of preferred shares by a subsidiary into common shares

On 28 October 2009, “U” Inns & Hotels Holdings Limited (“UIHHL”) has entered into 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 proceeds of the subscription were settled partially by setting off against the loans advanced to the Group by the subscriber before the subscription of HK\$70.0 million, and the remaining HK\$75.0 million was settled in cash. Subscription was completed on 1 November 2009. Details of the issuance of Preferred Shares can be referred to the Company’s announcements dated 27 October 2009 and 29 October 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.

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 statement of changes in equity.

On 1 November 2012, UIHHL converted all the Preferred Shares into Common Shares at a ratio of one Preferred Share to one Common Share to the Preferred Shareholder of UIHHL on 1 November 2012. As a result of the full conversion, the Group’s shareholding in UIHHL was decreased from 100% to 74.1%. The difference between the equity component and the amounting which the non-controlling interests are adjusted, was recognised directly in capital reserve and attributable to the owners of the parent.

	<b>Group</b> <i>HK\$'000</i>
Proceeds of issue	145,000
Liability component	<u>(21,636)</u>
Equity component at 31 March 2012	123,364
Transfer to reserves upon conversion	(33,470)
Loss for the year attributable to non-controlling interest	(1,728)
Translation exchange reserve	<u>209</u>
Non-controlling interest at 31 March 2013	<u><u>88,375</u></u>
Liability component at 1 April 2010	22,525
Interest expenses for the year ended 31 March 2011	<u>1,894</u>
Liability component at 31 March 2011	24,419
Interest expenses for the year ended 31 March 2012	<u>1,216</u>
Liability component at 31 March 2012	25,635
Interest expenses for the year ended 31 March 2013	465
Repayment	<u>(26,100)</u>
Liability component at 31 March 2013	<u><u>–</u></u>

At 31 March 2013, the Group's liability component of compound financial instrument were repayable as follows:

	<b>Group</b>	
	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
Within 1 year – current portion	–	25,635
Between 1 and 5 years – non-current portion	–	–
	<u>–</u>	<u>25,635</u>

## 26. Borrowings

	<b>Group</b>		<b>Company</b>	
	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
Other loans	–	35,470	–	–
Obligations under finance leases	–	586	–	–
Amount due to ultimate holding company	<u>448,383</u>	<u>405,640</u>	<u>448,383</u>	<u>405,640</u>
	<u>448,383</u>	<u>441,696</u>	<u>448,383</u>	<u>405,640</u>

At 31 March 2013 and 2012, the Group's and the Company's borrowings were repayable as follows:

	<b>Group</b>			
	<b>Obligations under</b>		<b>Borrowings</b>	
	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
Within 1 year – current portion	<u>–</u>	<u>586</u>	<u>448,383</u>	<u>441,110</u>

	<b>Company</b>	
	<b>Borrowings</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year – current portion	<u>448,383</u>	<u>405,640</u>

As at 31 March 2013, the Company has fully fulfilled its obligations under finance leases during the year.

Pursuant to the written agreement with the lender entered into subsequent to the end of the reporting period, the repayment of the loans due to the ultimate holding company of HK\$448.4 million has been extended to 30 September 2014.

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance lease liabilities		
– minimum lease payments:		
Within 1 year	–	601
Between 1 and 5 years	–	–
	–	601
Future finance charges on finance leases	–	(15)
	<u>–</u>	<u>586</u>

The effective annual interest rates at the end of the reporting period were as follows:

	<b>2013</b>			<b>2012</b>		
	<i>HK\$</i>	<i>RMB</i>	<i>US\$</i>	<i>HK\$</i>	<i>RMB</i>	<i>US\$</i>
Other loans	–	10.0%	–	–	15.0%	–
Obligations under finance leases	5.2%	–	–	5.2%	–	–
Amount due to ultimate holding company	10.0%	–	10.0%	10.0%	–	10.0%

The carrying amounts of the borrowings approximate their fair value.

The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2013	2012	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong dollars	370,651	335,877	370,651	335,291
United States dollars	77,732	70,349	77,732	70,349
Renminbi	—	35,470	—	—
	<u>448,383</u>	<u>441,696</u>	<u>448,383</u>	<u>405,640</u>

#### 27. Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

	Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred income tax assets	2	74
Deferred income tax liabilities	<u>(19,805)</u>	<u>(8,531)</u>
	<u>(19,803)</u>	<u>(8,457)</u>

The components of deferred income tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Accelerated depreciation allowances <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Fair value change of investment properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2012	(74)	74	(8,457)	(8,457)
Credit/(Charged) to the consolidated statement of comprehensive income	72	(72)	(5,165)	(5,165)
Charged to other comprehensive income	-	-	(6,050)	(6,050)
Exchange difference	-	-	(131)	(131)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 March 2013	<u>          (2)</u>	<u>          2</u>	<u>          (19,803)</u>	<u>          (19,803)</u>

Unrecognised deferred income tax assets are as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Unutilized tax losses	69,255	64,585
Accelerated depreciation allowances	<u>          369</u>	<u>          382</u>
	<u>          69,624</u>	<u>          64,967</u>

At 31 March 2013, the deferred tax assets on the Group's and the Company's unutilized tax losses of approximately HK\$348.3 million and HK\$20.6 million (31 March 2012: HK\$325.6 million and HK\$42.8 million) respectively, which can be carried forward against future taxable income, have not been recognised due to the unpredictability of future profit streams. Included in the Group's tax losses, HK\$209.4 million (31 March 2012: HK\$201.9 million) has no expiry date and HK\$138.9 million (31 March 2012: HK\$123.7 million) expire within five years under the current tax legislation of the respective jurisdictions. The Company's unutilized tax losses have no expiry date under the current tax legislation.

**28. Share capital**

	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Authorized:</i>		
4,000,000,000 ordinary shares of HK\$0.01 each	<u>40,000</u>	<u>40,000</u>
<i>Issued and fully paid:</i>		
1,529,600,200 ordinary shares of HK\$0.01 each	<u>15,296</u>	<u>15,296</u>

**29. Share option scheme**

During the year ended 31 March 2008, 42,000,000 share options were granted under the Scheme with an exercise price of HK\$0.77 per share. The related weighted average closing price immediately before the date on which the share options were granted was HK\$0.77 per share.

The share options to subscribe for shares are exercisable as to:

- (i) For Directors or employees who have been employed for not less than two years immediately before date of grant:
  - (a) up to 20% immediately after date of grant;
  - (b) up to 46.7% immediately after 12 months from date of grant;
  - (c) up to 73.3% immediately after 24 months from date of grant; and
  - (d) up to 100% immediately after 36 months from date of grant.



- (ii) For Directors or employees who have been employed for less than two years immediately before date of grant:
- (a) up to 33.3% immediately after 12 months from date of grant;
  - (b) up to 66.7% immediately after 24 months from date of grant; and
  - (c) up to 100% immediately after 36 months from date of grant.

The fair value of share options granted during the year ended 31 March 2008 estimated using the Black-Scholes valuation model is HK\$0.2658 to HK\$0.2941 per share, which was based on valuation performed by an independent professional valuer, Grant Sherman Appraisal Limited. The calculation takes into account a share price of HK\$0.77 per share, exercise price of HK\$0.77 per share, a risk-free interest rate of 4.02% to 4.15%, a volatility of 42.34% to 50.62% with expected life for 2.5 to 4.0 years and no expected dividend.

None of the share options granted under the Scheme was exercised during the year ended 31 March 2013 and 2012.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2013		2012	
	Average exercise price in HK\$ per share	Number of share options	Average exercise price in HK\$ per share	Number of share options
At 1 April	0.77	9,200,000	0.77	12,200,000
Forfeited	0.77	(9,200,000)	0.77	(3,000,000)
At 31 March	0.77	-	0.77	9,200,000

The outstanding option exercisable as at 31 March 2013 and 2012 was nil and 9,200,000 respectively. The outstanding share options as at 31 March 2012 were lapsed and forfeited on 22 August 2012.

## 30. Reserves

(a) *The Group*

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Available- for-sale financial assets reserve <i>HK\$'000</i>	Employee share-based compensation reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2011	152,049	-	521	3,431	35,924	-	(234,182)	(42,257)
Translation exchange difference	-	-	-	-	14,404	-	-	14,404
Transfer to accumulated losses upon lapse of share options	-	-	-	(844)	-	-	844	-
Loss for the year	-	-	-	-	-	-	(52,418)	(52,418)
Available-for-sale financial assets - release of reserve upon disposal	-	-	(844)	-	-	-	-	(844)
Impairment loss reclassified from available-for-sale financial assets reserve	-	-	323	-	-	-	-	323
Deferred tax on revaluation increase	-	-	-	-	-	(8,116)	-	(8,116)
Property revaluation	-	-	-	-	-	20,141	-	20,141
At 31 March 2012	152,049	-	-	2,587	50,328	12,025	(285,756)	(68,767)
Translation exchange difference	-	-	-	-	600	-	-	600
Conversion of preferred shares by a subsidiary	-	51,671	-	-	(13,282)	(4,919)	-	33,470
Transfer to accumulated losses upon lapse of share options	-	-	-	(2,587)	-	-	2,587	-
Loss for the year	-	-	-	-	-	-	(70,799)	(70,799)
Deferred tax on revaluation increase	-	-	-	-	-	(6,050)	-	(6,050)
Property revaluation	-	-	-	-	-	13,018	-	13,018
At 31 March 2013	152,049	51,671	-	-	37,646	14,074	(353,968)	(98,528)

(b) *The Company*

	Share premium <i>HK\$'000</i>	Employee share-based compensation reserve <i>HK\$'000</i>	Available- for-sale financial assets reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2011	152,049	3,431	-	(166,815)	(11,335)
Transfer to accumulated losses upon lapse of share options	-	(844)	-	844	-
Loss for the year	-	-	-	(42,828)	(42,828)
At 31 March 2012	152,049	2,587	-	(208,799)	(54,163)
Transfer to accumulated losses upon lapse of share options	-	(2,587)	-	2,587	-
Loss for the year	-	-	-	(48,091)	(48,091)
At 31 March 2013	152,049	-	-	(254,303)	(102,254)

**31. Commitments****(a) Lease commitments***(i) Operating lease commitments – where the Group is the lessor*

At 31 March 2013 and 2012, the Group had contracted with tenants for the following minimum lease receivables:

	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
Not later than 1 year	4,922	3,980
Later than 1 year and not later than 5 years	19,687	18,326
Over five years	<u>17,462</u>	<u>22,021</u>
	<u><u>42,071</u></u>	<u><u>44,327</u></u>

Operating lease receivables represent future aggregate minimum lease receipts by the Group from non-cancellable operating leases of its investment properties. Typically, leases are negotiated and rentals are fixed for lease term of ten to eleven years.

*(ii) Operating lease commitments – where the Group is the lessee*

At 31 March 2013 and 2012, the Group had commitments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
Not later than 1 year	1,429	1,137
Later than 1 year and not later than 5 years	<u>890</u>	<u>–</u>
	<u><u>2,319</u></u>	<u><u>1,137</u></u>

**(b) Capital commitments**

As at 31 March 2013, the Group has commitment in relation to acquisition of hotel properties from China Post Group and the outstanding commitment amounted to RMB0.6 million (equivalent to approximately HK\$0.8 million) (31 March 2012: HK\$7.6 million).

Other than those mentioned above, the Group has commitments in respect of refurbishment costs for HK\$6.0 million as at 31 March 2013 (31 March 2012: HK\$4.9 million).

**32. 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 VXLCP, the ultimate holding company, amounting HK\$42.8 million for the loan as disclosed in Note 26 (FY2012: HK\$40.2 million).

The loan from the ultimate holding company is interest bearing at fixed rate, unsecured and repayable in September 2013. However, based on the mutual agreement on 17 May 2013, the term of the repayment was extended to September 2014.

**(b) Key management compensation**

	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors' fee	–	–
Salaries and other short-term employee benefits	2,318	1,936
Pension costs – MPF	15	12
	<u>2,333</u>	<u>1,948</u>

**33. Subsequent event**

On 17 May 2013, the management has obtained agreements from VXLCP, who agreed to extend the repayment of the borrowings due to the ultimate holding company totaling HK\$448.4 million to 30 September 2014.

On 31 May 2013, “U” Inns & Hotels Investment Limited (你的客棧酒店有限公司) (“UIHIL”), a subsidiary of the Company, entered into two Equity Transfer Agreements with two independent third parties to sell 100% equity interest of “U” Inns & Hotels (Xiang Fan) Management Co., Limited (你的客棧(襄樊)酒店管理有限公司) (“Xiangfan”) and “U” Inns & Hotels (Bu Er Jin) Management Co., Limited (你的客棧酒店管理(布爾津縣)有限公司) (“Bu Er Jin”) for the consideration of RMB24.9 million (equivalent to approximately HK\$31.4 million) and RMB9.3 million (equivalent to approximately HK\$11.7 million) respectively. In addition to the consideration, the two independent parties will also repay the entire inter-company debts owed by Xiangfan and Bu Er Jin in the amount of approximately RMB12.1 million (equivalent to approximately HK\$15.2 million) and RMB0.9 million (equivalent to approximately HK\$1.1 million) respectively. The estimated gain before expenses and taxes from the disposals of Xiangfan and Bu Er Jin are approximately RMB14.2 million (equivalent to approximately HK\$17.9 million) and RMB0.8 million (equivalent to approximately HK\$1.0 million) respectively.

**34. Schedule of investment properties**

<b>Location</b>	<b>Use</b>	<b>Tenure</b>	<b>Attributable Interest to the Group</b>
Zhouyue Building West Kunlun Avenue Bayuquan District Yingkou City Liaoning Province PRC	Commercial	Medium	74.1%
Wuhan China Post Building 202 Jinjiadun Wuhan City Hubei Province PRC	Commercial	Medium	74.1%

**35. Approval of the consolidated financial statements**

The consolidated financial statements on pages 38 to 126 were approved by the board of directors on 6 June 2013.

## 3. UNAUDITED FINANCIAL STATEMENTS

The following is the full text of the unaudited financial statements of the Group for the six months ended 30 September 2013 as extracted from the interim report of the Company for the six months ended 30 September 2013:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(UNAUDITED)**

		<b>Unaudited Six months ended 30 September</b>	
	<i>Note</i>	<b>2013 HK\$'000</b>	<b>2012 HK\$'000</b>
Turnover	5	3,123	3,096
Other gains, net		28,329	1,551
Revaluation gain on investment property		–	245
Staff costs		(5,099)	(6,067)
Other operating expenses, net		(11,632)	(11,955)
Operating profit/(loss)	6	14,721	(13,130)
Finance income		178	287
Finance costs		(23,054)	(24,030)
Loss before taxation		(8,155)	(36,873)
Taxation charge	7	(1,391)	(86)
Loss for the period		(9,546)	(36,959)
Other comprehensive income:			
Currency translation differences		3,200	(2,647)
Deferred tax on revaluation increase		–	(4,167)
Property revaluation gain		–	13,016
Other comprehensive income for the period, net of tax		3,200	6,202
Total comprehensive loss for the period		(6,346)	(30,757)
Loss for the period attributable to:			
Owners of the Company		(14,558)	(36,959)
Non-controlling interest		5,012	–
		(9,546)	(36,959)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(12,188)	(30,757)
Non-controlling interest		5,842	–
		(6,346)	(30,757)
<b>Basic and diluted loss per ordinary share for loss for the period attributable to equity holders of the Company</b>	8	HK(0.95) cents	HK(2.42) cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 September 2013 HK\$'000	(Audited) 31 March 2013 HK\$'000
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment	<i>9</i>	120,855	203,842
Land use rights	<i>9</i>	21,534	51,322
Investment property	<i>10</i>	98,373	128,405
Construction in progress		172	6,367
Available-for-sale financial assets		1,128	1,128
Receivables, prepayments and deposits	<i>12</i>	–	7,243
		<u>242,062</u>	<u>398,307</u>
<b>Current assets</b>			
Assets held for sale	<i>11</i>	203,068	87,901
Receivables, prepayments and deposits	<i>12</i>	2,720	4,411
Bank balances and cash		132,182	90,806
		<u>337,970</u>	<u>183,118</u>
<b>Current liabilities</b>			
Payables and accruals	<i>13</i>	63,414	107,347
Liabilities classified as held for sale	<i>11</i>	26,603	749
Borrowings	<i>14</i>	471,048	448,383
		<u>561,065</u>	<u>556,479</u>
<b>Net current liabilities</b>		<u>(223,095)</u>	<u>(373,361)</u>
<b>Total assets less current liabilities</b>		<u>18,967</u>	<u>24,946</u>
<b>Non-current liabilities</b>			
Deferred income tax liabilities	<i>15</i>	20,170	19,803
		<u>20,170</u>	<u>19,803</u>
<b>Net (liabilities)/assets</b>		<u>(1,203)</u>	<u>5,143</u>
<b>EQUITY</b>			
Share capital	<i>16</i>	15,296	15,296
Reserves		(110,716)	(98,528)
Total shareholders' deficit		(95,420)	(83,232)
Non-controlling interest		94,217	88,375
<b>Total equity</b>		<u>(1,203)</u>	<u>5,143</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(UNAUDITED)**

	Attributable to equity holders of the Company							Total	Non-controlling interest	Total equity
	Share capital	Share premium	Capital reserve	Employee share-based compensation reserve	Exchange reserve	Revaluation reserve	Accumulated losses			
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
At 1 April 2012	15,296	152,049	-	2,587	50,328	12,025	(285,756)	(53,471)	123,364	69,893
Loss for the period	-	-	-	-	-	-	(36,959)	(36,959)	-	(36,959)
Other comprehensive income:										
Translation exchange difference	-	-	-	-	(2,541)	(106)	-	(2,647)	-	(2,647)
Deferred tax on revaluation increase	-	-	-	-	-	(4,167)	-	(4,167)	-	(4,167)
Property revaluation	-	-	-	-	-	13,016	-	13,016	-	13,016
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,541)</b>	<b>8,743</b>	<b>(36,959)</b>	<b>(30,757)</b>	<b>-</b>	<b>(30,757)</b>
Transfer to accumulated losses upon lapse of share options	-	-	-	(2,587)	-	-	2,587	-	-	-
	-	-	-	(2,587)	-	-	2,587	-	-	-
At 30 September 2012	15,296	152,049	-	-	47,787	20,768	(320,128)	(84,228)	123,364	39,136
At 1 April 2013	15,296	152,049	51,671	-	37,646	14,074	(353,968)	(83,232)	88,375	5,143
Loss for the period	-	-	-	-	-	-	(14,558)	(14,558)	5,012	(9,546)
Other comprehensive income:										
Translation exchange difference	-	-	-	-	2,010	360	-	2,370	830	3,200
Deferred tax on revaluation increase	-	-	-	-	-	-	-	-	-	-
Property revaluation	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,010</b>	<b>360</b>	<b>(14,558)</b>	<b>(12,188)</b>	<b>5,842</b>	<b>(6,346)</b>
At 30 September 2013	15,296	152,049	51,671	-	39,656	14,434	(368,526)	(95,420)	94,217	(1,203)



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended 30 September	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Net cash outflow used in operating activities	(11,007)	(5,401)
Net cash inflow generated from/(used in) investing activities	51,348	(8,999)
Net cash outflow used in financing activities	<u>–</u>	<u>(328)</u>
Net increase/(decrease) in cash and cash equivalents	40,341	(14,728)
Cash and cash equivalents at 1 April	90,806	125,059
Effect of foreign exchange rate changes	<u>1,035</u>	<u>729</u>
Cash and cash equivalents at 30 September	<u><u>132,182</u></u>	<u><u>111,060</u></u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<u><u>132,182</u></u>	<u><u>111,060</u></u>

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION****1 General information**

The Group is engaged in hotel investment and operations and property investment.

The Directors consider the ultimate holding company to be VXL Capital Partners Corporation Limited (“VXLCPL”) which is incorporated in the British Virgin Islands.

The unaudited condensed consolidated financial information was approved for issue by the board of directors (the “Board”) of the Company on 13 November 2013.

**2 Basis of preparation**

This unaudited condensed consolidated financial information for the six months ended 30 September 2013 is prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”.

The unaudited condensed consolidated financial information should be read in conjunction with the financial statements for the year ended 31 March 2013, which had been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The unaudited condensed consolidated financial information has been prepared under the historical cost convention, except as modified by the revaluation of the available-for-sale financial assets and investment property.

For the six months ended 30 September 2013, the Group had a loss of HK\$9.5 million (2012: HK\$37.0 million). At 30 September 2013, the Group had net current liabilities of HK\$223.1 million (31 March 2013: HK\$373.4 million) and shareholders’ deficit of HK\$95.4 million (31 March 2013: HK\$83.2 million). 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 condensed consolidated financial information is prepared on a going concern basis. Its current liabilities mainly consist of short-term borrowings, considerations received from the buyers for the equity disposals. Subsequent to the period end, the management has obtained agreement, on 29 October 2013, from VXLCPL to extend the repayment date of certain short-term borrowings totalling HK\$471.0 million to 1 October 2014. On 17 October 2013, the Group has entered into an agreement to dispose a subsidiary that would generate cash of approximately HK\$27.0 million for the Group. Furthermore, the Group has been seeking for investment opportunities and considering to realize certain assets whichever is most appropriate and advantageous to the Group. The management is confident

that the Group is able to meet its obligations as and when they fall due. Moreover, the ultimate holding company of the Company, VXLCP, 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 business for the foreseeable future. Accordingly, the directors are of the opinion that it is appropriate to prepare the financial information on a going concern basis.

### 3 Principal accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2013, except the Group has adopted the following new and revised standards and interpretation issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are mandatory for the financial period beginning on or after 1 April 2013.

HKFRS 1 (Amendment)	Government Loans
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Annual Improvement Project	Annual Improvements 2009-2011 Cycle

The adoption of the above new and revised standards and interpretation has no significant impact to the Group's financial position for all periods presented in this report.

The following new and revised standards and interpretation have been issued but are not effective for the financial year beginning on 1 April 2013 and have not been early adopted by the Group:

HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities
HKFRS 9	Financial Instruments
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) – Int 21	Levies

Taxes on income in the six months ended 30 September 2013 are accrued using the tax rate that would be applicable to expected total annual earnings.

#### **4 Financial risk management**

##### ***4.1 Financial risk factors***

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group has not used any derivative financial instruments to hedge its risk exposures.

Risk management for the Company and its subsidiaries in PRC is carried out by the Executive Committee (“Excom”). Excom identifies, evaluates and monitors financial risk in close co-operation with the Group’s operating units. The Group monitors the financial risk continuously to minimize the risk, such as foreign exchange risk, price risk, credit risk, liquidity risk, interest rate risk and cash management.

(a) *Foreign exchange risk*

The Group’s monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars (“HK dollars”), United States dollars (“US dollars”) and Renminbi (“RMB”). The Group is exposed to foreign exchange risk arising from its investments which are located in the PRC. Considering that the exchange rate between HK dollars and US dollars is pegged, and that RMB is relatively stable, the Group believes its downside foreign exchange risk is minimal. The Group does not use any derivative financial instruments to hedge its foreign exchange risk.

As at 30 September 2013, if RMB had strengthened/weakened by 5% against HK dollars, with all other variables held constant, post-tax loss for the period would have been HK\$3.0 million (period ended 30 September 2012: HK\$1.6 million) lower/higher respectively. The movement in the profit or loss relates mainly as a result of foreign exchange gain/losses on translation of RMB denominated trade and other receivables and trade and other payables that affect revenues and other income and costs.

For the translation risk as at 30 September 2013, if RMB had strengthened/weakened by 5% against HK dollars, with all other variables held constant, total equity would have been HK\$16.1 million (FY2013: HK\$15.6 million) higher/lower respectively.

(b) *Liquidity risk*

The Group maintains liquidity by a number of sources including shareholder's loan, orderly realisation of short-term financial assets, receivables and certain assets that the Group considers appropriate and advantageous to dispose of. Equity and other long term financing including strategic partnerships, or strategic joint ventures are also considered by the Group in its capital structuring. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the Group's available cash and other interest-bearing loans. The ultimate holding company of the Company, VXLCP, 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 business for the foreseeable future.

The Group monitors rolling forecasts of its liquidity reserve which comprises borrowing facilities and cash and cash equivalents on the basis of expected cash flow.

**4.2 Fair value estimation**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 30 September 2013:

	Level 2	
	30 September 2013 <i>HK\$'000</i>	31 March 2013 <i>HK\$'000</i>
<b>Assets</b>		
Available-for-sale financial assets club debenture	1,128	1,128

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Other techniques, such as inputs from recent arm's length transaction or discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no transfers between Level 1 and 2 for both years.

## 5 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) hotel operations and (ii) property investment.

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 property (*Note 10*), property, plant and equipment and land use rights (*Note 9*) 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.



**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

The segment results, depreciation and amortization, and capital expenditures based on reportable segments for the six months ended 30 September 2013 and 2012 are as follows:

	Property investment <i>HK\$'000</i>	Hotel operations <sup>Note</sup> <i>HK\$'000</i>	Total for reportable segments <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	The Group <i>HK\$'000</i>
<b>Six months ended</b>					
<b>30 September 2013</b>					
<b>Segment revenue:</b>					
Sales to external customers	2,495	628	3,123	–	3,123
<b>Segment results</b>					
Finance income	7	160	167	11	178
Finance costs	(1,001)	(10,777)	(11,778)	(11,276)	(23,054)
Profit/(loss) before taxation	1,202	6,949	8,151	(16,306)	(8,155)
Taxation	(2)	(1,389)	(1,391)	–	(1,391)
Profit/(loss) for the period	1,200	5,560	6,760	(16,306)	(9,546)
<b>Other segment information</b>					
Depreciation and amortization	49	2,308	2,357	129	2,486
Written back of other payables	892	–	892	–	892
Additions to					
– Property, plant and equipment	883	807	1,690	–	1,690

**Note:**

Hotel operations segment included hotels which have not been in operations as at 30 September 2013.

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

	Property investment <i>HK\$'000</i>	Hotel operations <sup>Note</sup> <i>HK\$'000</i>	Total for reportable segments <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	The Group <i>HK\$'000</i>
<b>Six months ended</b>					
<b>30 September 2012</b>					
<b>Segment revenue:</b>					
Sales to external customers	1,520	1,576	3,096	–	3,096
<b>Segment results</b>	1,061	(13,630)	(12,569)	(561)	(13,130)
Finance income	4	82	86	201	287
Finance costs	(922)	(9,935)	(10,857)	(13,173)	(24,030)
Profit/(loss) before taxation	143	(23,483)	(23,340)	(13,533)	(36,873)
Taxation	(84)	(2)	(86)	–	(86)
Profit/(loss) for the period	59	(23,485)	(23,426)	(13,533)	(36,959)
<b>Other segment information</b>					
Depreciation and amortization	46	3,250	3,296	395	3,691
Fair value gain on investment property	245	–	245	–	245
Provision for impairment of receivables, prepayments and deposits	–	1,408	1,408	–	1,408
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	–	49,757	49,757	7	49,764
– Construction in progress	499	–	499	–	499

*Note:*

Hotel operations segment included hotels which have not been in operations as at 30 September 2012.

**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

The segment assets and liabilities based on reportable segments as at 30 September 2013 and 31 March 2013 are as follows:

	<b>Property investment</b> <i>HK\$'000</i>	<b>Hotel operations</b> <i>HK\$'000</i>	<b>Total for reportable segments</b> <i>HK\$'000</i>	<b>Unallocated</b> <i>HK\$'000</i>	<b>The Group</b> <i>HK\$'000</i>
<b>At 30 September 2013</b>					
Segment assets	154,745	290,030	444,775	3,075	447,850
Bank balances and cash	<u>11,559</u>	<u>104,958</u>	<u>116,517</u>	<u>15,665</u>	<u>132,182</u>
<b>Total assets</b>	<b><u>166,304</u></b>	<b><u>394,988</u></b>	<b><u>561,292</u></b>	<b><u>18,740</u></b>	<b><u>580,032</u></b>
Segment liabilities	30,182	73,068	103,250	6,937	110,187
Amount due to ultimate holding company	<u>20,792</u>	<u>153,521</u>	<u>174,313</u>	<u>296,735</u>	<u>471,048</u>
<b>Total liabilities</b>	<b><u>50,974</u></b>	<b><u>226,589</u></b>	<b><u>277,563</u></b>	<b><u>303,672</u></b>	<b><u>581,235</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
Amount due to ultimate holding company	<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 PRC. The Group's revenue for the six months ended 30 September 2013 and 2012 and non-current assets as at 30 September 2013 and 31 March 2013 based on geographical area are as follows:

	<b>Six months ended 30 September</b>	
	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
<b>Revenue</b>		
Hong Kong	–	–
PRC	3,123	3,096
	<u>3,123</u>	<u>3,096</u>
	<u><u>3,123</u></u>	<u><u>3,096</u></u>
	<b>30 September</b>	<b>31 March</b>
	<b>2013</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>		
Hong Kong	1,150	1,503
PRC	240,912	396,804
	<u>242,062</u>	<u>398,307</u>
	<u><u>242,062</u></u>	<u><u>398,307</u></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.

**6 Operating profit/(loss)**

	<b>Six months ended 30 September</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit/(loss) is arrived at after charging/(crediting):		
Legal and professional fee	–	393
Consultancy fee	1,099	390
Gain on disposal of subsidiaries ( <i>Note 21</i> )	(26,195)	–
Gain on transfer of interest in property	–	(1,079)
Depreciation and amortization	2,486	3,691
Fair value gain on investment property	–	245
Gain on disposal of property, plant and equipment	(80)	–
Provision for impairment of receivables, prepayments and deposits	–	1,408
Reversal of provision for receivable	–	(4,100)
Written back of other payables	(892)	(1,427)
Net exchange gain	(543)	(138)
Office rental	963	884
	<u>963</u>	<u>884</u>

**7 Taxation**

No provision for Hong Kong profits tax (six months period ended 30 September 2012: Nil) has been made for the period as the Group has no assessable profit for the period. Taxation on PRC profits has been calculated on the estimated assessable profit for the period at the rates of taxation in the PRC.

The provision of deferred income tax on fair value gain on appreciated investment property recovered through sale, has been made according to the requirements set forth in the relevant PRC tax laws and regulations.

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

	<b>Six months ended 30 September</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax – PRC	1,391	2
Deferred taxation	–	84
	<u>1,391</u>	<u>86</u>

**8 Basic and diluted loss per ordinary share for loss for the period 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 period.

	<b>Six months ended 30 September</b>	
	<b>2013</b>	<b>2012</b>
Loss for the period attributable to the equity holders of the Company, HK\$'000	(14,558)	(36,959)
Weighted average number of ordinary shares in issue	1,529,600,200	1,529,600,200
Basic loss per share, HK cents	<u>(0.95)</u>	<u>(2.42)</u>

- (b) The calculation of diluted loss per ordinary share is based on the loss for the period 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 share above, as the Company did not have any dilutive potential ordinary shares arising from share options during the two periods ended 30 September 2013 and 2012.

## 9 Property, plant and equipment and land use rights

	Property, plant and equipment <i>HK\$'000</i>	Land use rights <i>HK\$'000</i>
<b>Six months ended 30 September 2013</b>		
Opening net book value as at 1 April 2013	203,842	51,322
Additions	1,690	–
Disposals	(223)	–
Depreciation and amortization	(1,641)	(845)
Reclassified as assets held for sale ( <i>Note 11</i> )	(86,833)	(30,732)
Exchange difference	4,020	1,789
	<u>          </u>	<u>          </u>
Closing net book value as at 30 September 2013	<u>          </u> <u>120,855</u>	<u>          </u> <u>21,534</u>
<b>Six months ended 30 September 2012</b>		
Opening net book value as at 1 April 2012	246,217	66,909
Additions	49,764	–
Depreciation and amortization	(2,760)	(931)
Reclassified as investment property ( <i>Note 11</i> )	(9,636)	(7,184)
Exchange difference	(2,158)	(585)
	<u>          </u>	<u>          </u>
Closing net book value as at 30 September 2012	<u>          </u> <u>281,427</u>	<u>          </u> <u>58,209</u>

## 10 Investment property

	Six months ended 30 September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of period	128,405	93,758
Reclassified from property, plant and equipment ( <i>Note 9</i> )	–	9,636
Reclassified from land use rights ( <i>Note 9</i> )	–	7,184
Reclassified as assets held for sale ( <i>Note 11</i> )	(32,413)	–
Increase in value credited to profit and loss	–	245
Increase in value credited to other comprehensive income	–	13,016
Exchange difference	2,381	(826)
	<u>98,373</u>	<u>123,013</u>
At end of period	<u>98,373</u>	<u>123,013</u>

The fair value measurement information for the investment property in accordance with HKFRS 13 as at 30 September 2013 is set out below.

	Fair value measurements		
	Quoted prices in active markets for identical assets (Level 1) <i>HK\$'000</i>	Significant other observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable (Level 3) <i>HK\$'000</i>
As at 30 September 2013			
– Investment property	–	98,373	–
As at 31 March 2013			
– Investment property	<u>–</u>	<u>128,405</u>	<u>–</u>

There were no transfers among Level 1, Level 2 and 3 during the period.



Level 2 fair values of completed investment properties have been generally derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

There were no changes in valuation techniques during the period.

#### 11 Assets held for sale and liabilities classified as held for sale

	<i>HK\$'000</i>
Assets	
At 1 April 2013	87,901
Disposals of subsidiaries ( <i>Note 21</i> )	(42,627)
Reclassified from property, plant and equipment ( <i>Note 9</i> )	86,833
Reclassified from land use rights ( <i>Note 9</i> )	30,732
Reclassified from investment property ( <i>Note 10</i> )	32,413
Reclassified from construction in progress	4,367
Reclassified from other current assets	2,610
Exchange difference	839
	<hr/>
At 30 September 2013	<u>203,068</u>
Liabilities	
At 1 April 2013	749
Disposals of subsidiaries ( <i>Note 21</i> )	(749)
Reclassified from payables and accruals	26,603
	<hr/>
At 30 September 2013	<u>26,603</u>

The additions of assets held for sale and liabilities classified as held for sale mainly represent the following:

- (i) On 4 July 2013, the Company, “U” Inns & Hotels Investment Limited (“UIHIL”) (你的客棧酒店有限公司) and Fortune Sea Group Limited (“FSG”) entered into an Asset Swap Agreement pursuant to which the Company conditionally agreed to acquire, and FSG conditionally agreed to dispose of, the shares of “U” Inns & Hotels Holdings Limited (“UIHHL”). The consideration payable for the UIHHL Shares will be satisfied by way of transfer of the shares of “U” Inns & Hotels (Xi’an) Management Co., Limited (“Xi’an”) (你的客棧(西安)酒店管理有限公司) to FSG. Hence, the assets and liabilities of Xi’an were classified as held for sale as at 30 September 2013.
- (ii) On 17 October 2013, UIHIL, an indirect wholly-owned subsidiary of the Company, entered into agreement with an independent third party to dispose the equity interest in U Inns Tong Hua for a consideration of RMB19.0 million (equivalent to approximately HK\$23.9 million). On completion of the equity transfer, the estimated gain on the disposal is approximately HK\$6.9 million.

## 12 Receivables, prepayments and deposits

	30 September 2013 HK\$’000	31 March 2013 HK\$’000
<b>Non-current</b>		
Deposits for acquisition of hotel properties	—	7,243
<b>Current</b>		
Trade receivables	—	107
Other receivables	1,932	2,851
Other prepayments and deposits	788	1,453
	<u>2,720</u>	<u>4,411</u>
	<u>2,720</u>	<u>11,654</u>

*Note:* The ageing analysis of the trade receivables is as follows:

	30 September 2013 HK\$’000	31 March 2013 HK\$’000
Between 1 and 3 months	—	107

**13 Payables and accruals**

	<b>30 September 2013</b>	<b>31 March 2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	–	133
Property acquisition cost payable	1,570	1,604
Accrued expenses in respect of acquisitions of hotel properties	8,441	30,450
Other payables and accruals	7,894	17,850
Deposits received for disposal of equity interest in subsidiaries	45,509	57,310
	<u>63,414</u>	<u>107,347</u>

**14 Borrowings**

	<b>30 September 2013</b>	<b>31 March 2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due to ultimate holding company	<u>471,048</u>	<u>448,383</u>

The amount due to ultimate holding company with effective interest rate at 10% (31 March 2013: 10%).

Pursuant to a written agreement dated 29 October 2013 entered into with VXLCPPL subsequent to the end of the reporting period, the repayment date of the loan due to the ultimate holding company of HK\$471.0 million has been extended to 1 October 2014.

**15 Deferred income tax assets and liabilities**

	<b>30 September 2013</b>	<b>31 March 2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred income tax assets	2	2
Deferred income tax liabilities	<u>(20,172)</u>	<u>(19,805)</u>
	<u>(20,170)</u>	<u>(19,803)</u>

## 16 Share capital

	<b>30 September 2013</b>	<b>31 March 2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Authorized:</i>		
4,000,000,000 ordinary shares of HK\$0.01 each	<u>40,000</u>	<u>40,000</u>
<i>Issued and fully paid:</i>		
1,529,600,200 ordinary shares of HK\$0.01 each	<u>15,296</u>	<u>15,296</u>

## 17 Operating lease commitment

*(i) Operating lease commitments – where the Group is the lessor*

At 30 September 2013 and 31 March 2013, the Group had contracted with tenants for the following minimum lease receivables:

	<b>30 September 2013</b>	<b>31 March 2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than 1 year	5,013	4,922
Later than 1 year and not later than 5 years	20,053	19,687
Over five years	<u>16,562</u>	<u>17,462</u>
	<u>41,628</u>	<u>42,071</u>

Operating lease receivables represent future aggregate minimum lease receipts by the Group from non-cancellable operating leases of its investment property. Typically, leases are negotiated and rentals are fixed for lease term of ten to eleven years.

*Note:* Included in the total operating lease receivables as at 30 September 2013 is an amount of HK\$21.4 million which relates to rental contracts entered by “U” Inns & Hotels (Wu Han) Management Co., Ltd, a subsidiary of the Group. The relevant assets and liabilities of this entity were classified as held for sale as at 30 September 2013.

**(ii) Operating lease commitments – where the Group is the lessee**

At 30 September 2013 and 31 March 2013, the Group had commitments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	<b>30 September 2013</b>	<b>31 March 2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than 1 year	1,099	1,429
Later than 1 year and not later than 5 years	400	890
	<u>1,499</u>	<u>2,319</u>

**18 Capital commitments**

As at 30 September 2013, the Group has no (31 March 2013: HK\$0.8 million) commitment in relations to acquisition of hotels to China.

Other than those mentioned above, the Group has commitments in respect of refurbishment costs for HK\$0.7 million as at 30 September 2013 (31 March 2013: HK\$6.0 million).

**19 Related party transactions**

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

**(a) Interest expenses**

During the period, the Group has interest expense payable to VXLCP, the ultimate holding company, amounting to HK\$23.1 million for the loan as disclosed in Note 14 (six months ended 30 September 2012: HK\$20.9 million).

The loan from the ultimate holding company is interest bearing at fixed rate, unsecured and repayable on 1 October 2014.

**(b) Key management compensation**

	<b>Six months ended 30 September</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors' fee	–	–
Salaries and other short-term employee benefits	1,362	953
Pension costs – MPF	8	6
	<u>1,370</u>	<u>959</u>

**20 Subsequent events**

On 17 October 2013, UIHIL entered into the Equity Transfer Agreement with an individual third party to sell 100% equity holding of U Inns Tong Hua for the consideration of RMB19.0 million (equivalent to approximately HK\$23.9 million). The estimated gain of the disposal is approximately of RMB5.5 million (equivalent to approximately HK\$6.9 million).

Subsequent to the reporting date, repayment date of the amount due to the ultimate holding company of HK\$471.0 million was extended to 1 October 2014.

**21 Disposal of subsidiaries**

	<b>30 September</b>
	<b>2013</b>
	<i>HK\$'000</i>
Gain on disposal before taxation:	
Xiangfan	19,206
Tulufan	6,989
	<u>26,195</u>

- (a) On 31 May 2013, UIHIL entered into a disposal agreement to dispose 100% equity interest of its wholly-owned subsidiary. “U” Inns & Hotels (Xiang Fan) Management Co., Limited (你的客棧(襄樊)酒店管理有限公司) (“Xiangfan”), 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 completion of disposal are as follows:

	<i>HK\$’000</i>
Net 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	(18,759)
	<hr/>
Total net assets	9,174
	<hr/> <hr/>
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	(2,943)
	<hr/>
Gain on disposal before taxation	19,206
Less: taxation	(432)
	<hr/>
Gain on disposal after taxation	18,774
	<hr/> <hr/>
Net cash inflow arising on disposal:	
Consideration received and receivable	31,323
Professional costs associated with disposal of interests in subsidiaries	(2,943)
Taxation paid	(432)
Bank balances and cash disposed of	(4)
	<hr/>
	27,944
	<hr/> <hr/>

- (b) On 8 February 2013, UIHIL entered into a disposal agreement to dispose 100% equity interest of its wholly-owned subsidiary. “U” Inns & Hotels (Tu Lu Fan) Management Co., Limited (你的客棧酒店管理(吐魯番地區)有限公司) (“Tulufan”), 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 completion of disposal are as follows:

*HK\$’000*

Net 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	(20,431)
	(20,431)

Total net assets	11,493
	11,493

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	(610)
	(610)

Gain on disposal before taxation	6,989
<i>Less:</i> taxation	(267)
	(267)

Gain on disposal after taxation	6,722
	6,722

Net cash inflow arising on disposal:

Consideration received and receivable	19,092
Professional costs associated with disposal of interests in subsidiaries	(610)
Taxation paid	(267)
Bank balances and cash disposed of	(5)
	(5)

	18,210
	18,210



**22 Schedule of investment property**

Location	Use	Tenure	Interest to the Group
Zhouyue Building West Kunlun Avenue Bayuquan District Yingkou City Liaoning Province PRC	Commercial	Medium	74.1%

**4. INDEBTEDNESS**

As at the close of business on 28 February 2014, being the latest practicable date for the purpose of this indebtedness statement, the Group had an amount due to VXLCP of approximately HK\$404.0 million.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any outstanding bank loans and overdrafts, mortgages, charges, debentures, loan capital and overdrafts or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances (other than normal trade bills), or acceptance credits, or any guarantees or other material contingent liabilities at the close of business on 28 February 2014.

**5. MATERIAL CHANGES**

- (i) As disclosed in the 2013 annual report of the Company, during the year ended 31 March 2013, UIHIL entered into two equity transfer agreements with independent third parties to dispose of 100% equity interest of 你的客棧(瓦房店)酒店管理有限公司 (“U” Inns & Hotels (Wafangdian) Management Co., Limited\*) (“U Inns Wafangdian”) and 你的客棧酒店(吐魯番地區)有限公司 (“U” Inns & Hotels (Tulufan) Management Co., Limited\*) (“U Inns Tulufan”) for a consideration of approximately RMB24.1 million and RMB15.1 million respectively. The disposal of U Inns Tulufan was completed in July 2013 while the disposal of U Inns Wafangdian has not been completed as at the Latest Practicable Date. Details of the disposals are disclosed in the announcements of the Company dated 24 October 2012 and 8 February 2013 respectively;

- (ii) on 31 May 2013, UIHIL entered into an equity transfer agreement with an independent third party for the disposal of 100% equity interest in 你的客棧酒店管理(布爾津縣)有限公司 (“U” Inns & Hotels (Buerjin) Management Co., Limited\*) (“U Inns Buerjin”) for approximately RMB9.30 million. The disposal was completed in February 2014. Details of the disposal are disclosed in the announcement of the Company dated 31 May 2013;
- (iii) on 31 May 2013, UIHIL entered into an equity transfer agreement with an independent third party for the disposal of 100% equity interest in 你的客棧(襄樊)酒店管理有限公司 (“U” Inns & Hotels (Xiangfan) Hotel Management Co., Limited\*) (“U Inns Xiangfan”) for approximately RMB24.95 million. The disposal was completed in July 2013. Details of the disposal are disclosed in the announcement of the Company dated 31 May 2013;
- (iv) on 26 June 2013, 重慶你的客棧酒店管理有限公司 (Chongqing “U” Inns & Hotels Management Co., Limited\*) (“U Inns Chongqing”) (a wholly-owned subsidiary of the Company) entered into a termination agreement with 重慶市郵政公司 (Chongqing City Post Company\*) (“Chongqing City Post”) in respect of (a) the termination of an acquisition agreement dated 4 November 2008 and entered into between U Inns Chongqing as purchaser and Chongqing City Post as vendor in relation to the acquisition of 秀山縣郵政賓館 (Xiushan Prefecture Post Hotel\*) (the “Chongqing Property”) located in Chongqing City, the PRC for approximately RMB6.5 million; (b) the return by Chongqing City Post to U Inns Chongqing of the partial consideration of approximately RMB5.85 million already paid by U Inns Chongqing with compensation of approximately RMB0.9 million; and (c) the return of documents relating to the Chongqing Property by U Inns Chongqing to Chongqing City Post. The return of the consideration together with compensation was duly received by the Company in July 2013. Details of the termination are disclosed in the announcement of the Company dated 26 June 2013;
- (v) on 4 July 2013, the Company, UIHIL and FSG entered into a master agreement for share transfer pursuant to which (a) FSG conditionally agreed to sell, and the Company conditionally agreed to purchase, 25.9% of the issued share capital in UIHHL; (b) UIHIL conditionally agreed to sell, and FSG conditionally agreed to purchase, 100% equity interest in 你的客棧(西安)酒店管理有限公司 (“U” Inns & Hotels (Xi’an) Management Co., Limited\*); and (c) the consideration for the transaction in (a) above shall offset against the consideration for the transaction in (b) above (the “Asset Swap”). The Asset Swap has been completed on 28 April 2014. Details of the Asset Swap are disclosed in the announcement and the circular of the Company dated 4 July 2013 and 13 August 2013 respectively;

- (vi) on 17 October 2013, UIHIL entered into an equity transfer agreement with an independent third party for the disposal of 100% equity interest in 你的客棧(通化)酒店管理有限公司 (“U” Inns & Hotels (Tonghua) Management Co., Limited\*) for approximately RMB19.01 million. The disposal has not been completed as at the Latest Practicable Date. Details of the disposal are disclosed in the announcement of the Company dated 17 October 2013;
- (vii) on 19 December 2013, UIHIL entered into an equity transfer agreement with an independent third party for the disposal of 100% equity interest in 你的客棧(武漢)酒店管理有限公司 (“U” Inns & Hotels (Wuhan) Management Co., Limited\*) for approximately RMB14.11 million. The disposal has not been completed as at the Latest Practicable Date. Details of the disposal are disclosed in the announcement of the Company dated 19 December 2013; and
- (viii) on 22 January 2014, UIHIL entered into an equity transfer agreement with an independent third party for the disposal of 100% equity interest in 你的客棧酒店(井崗山市)有限公司 (“U” Inns & Hotels (Jinggangshan City) Co., Limited\*) for RMB50.00 million. The disposal has not been completed as at the Latest Practicable Date. Details of the disposal are disclosed in the announcement of the Company dated 22 January 2014.

The properties in respect of which sale and purchase agreements were entered into but were not yet completed as disclosed above are reclassified from non-current assets (property, plant and equipment, land use rights, investment property and construction in progress) to assets held for sale under current assets in the balance sheet of the Group. As a result of the agreements for equity transfers of the above transactions, the aggregate book value of the Company’s property, plant and equipment, land use rights, investment property, construction in progress and assets held for sale will be substantially reduced as compared to that as at 31 March 2013 and the number of properties held by the Group will be reduced from 12 as at 31 March 2013 to 3 upon completion of the agreements.

As disclosed in the 2013/14 interim report, the Group recorded a net gain of approximately HK\$26.2 million from the completion of the disposal of U Inns Tulufan and U Inns Xiangfan, and received a compensation of HK\$1.1 million in respect of the termination of the acquisition of the Chongqing Property during the six months ended 30 September 2013. As a result, loss of the Group before other comprehensive income and non-controlling interest for the period ended 30 September 2013 was reduced from HK\$37.0 million for the corresponding period in 2012 to HK\$9.5 million. Subsequent to 30 September 2013, the Group only completed the disposal of U Inns Buerjin which generated a gain of approximately HK\$3.0 million and the Asset Swap. In addition, as a result of the completion of the disposal of U Inns Xiangfan, the Group ceased to engage in hotel operations after July 2013.

As at 31 March 2013, the amount of shareholder's loan owed by the Company to VXLCP amounted to HK\$448.4 million as disclosed in the 2013 annual report of the Company, which was increased to HK\$471.0 million as disclosed in the 2013/14 interim report due to the accrual of unpaid interest. After 31 March 2013, the Company made repayments to VXLCP in accordance with the terms of the shareholder's loan agreement, reducing the outstanding balance to HK\$404.0 million as at 28 February 2014. As disclosed in the 2013/14 interim report of the Company, pursuant to a written agreement dated 29 October 2013 entered into with VXLCP, the repayment date of the loan has been extended to 1 October 2014.

Save as disclosed above, there were no material changes in the financial or trading position or outlook of the Company subsequent to 31 March 2013 (being the date to which the last published audited accounts of the Group were made up).

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## **APPENDIX III                      GENERAL INFORMATION OF THE OFFEROR**

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### **1.      RESPONSIBILITY STATEMENT**

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to the Group and its associates) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Group and its associates) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

### **2.      DISCLOSURE OF INTERESTS AND DEALINGS**

As at the Latest Practicable Date:

- (a) the Offeror was the beneficial owner of 1,069,308,000 Shares, representing approximately 69.91% of the entire issued share capital of the Company and the directors of the Offeror did not hold any Shares and any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.
- (b) there was no agreement, arrangement or understanding that any securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons.
- (c) the Offeror had not received any irrevocable commitment from any Shareholder that he/she/it would accept or reject the Offer.
- (d) no benefit (other than statutory compensation) was or would be given to any Director as compensation for his loss of office or otherwise in connection with the Offer.
- (e) there was no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a condition to the Offer.

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## APPENDIX III                      GENERAL INFORMATION OF THE OFFEROR

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- (f) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any party acting in concert with it on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or dependence upon the Offer.
- (g) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code has been entered into between the Offeror or any party acting in concert with it or associates of the Offeror and any other persons.
- (h) save for the Sale and Purchase Agreement, there was no material contract entered into by the Offeror in which any Director has a material personal interest.

During the Relevant Period, save as disclosed herein:

- none of the Offeror, its directors (Mr. Wong Hoi Kin, Ms. Chau Wai Hung, Mr. Liao Pin Tsung and Mr. Meng Jinlong), its ultimate beneficial owners, Ms. Hung Man, or parties acting in concert with any of them had dealt in any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company;
- none of the Offeror, its ultimate beneficial owners, its directors, Ms. Hung Man or any parties acting in concert with any of them had any interests in or owned or controlled any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company; and
- there were no Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company which the Offeror, its ultimate beneficial owners, its directors, Ms. Hung Man or any parties acting in concert with any of them had borrowed or lent.

### 3. MARKET PRICES

- (a) The highest closing price of the Shares as quoted on the Stock Exchange during the Relevant Period was HK\$0.600 per Share on 5 March 2014. The lowest closing price of the Shares as quoted on the Stock Exchange during the Relevant Period was HK\$0.146 on 23 October 2013.

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**APPENDIX III                      GENERAL INFORMATION OF THE OFFEROR**

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- (b) The table below sets out the closing prices of the Shares as quoted on the Stock Exchange (i) on the last trading day of each calendar months during the Relevant Period on which trading of the Shares took place; and (ii) on the Latest Practicable Date.

<b>Date</b>	<b>Closing prices of Shares (HK\$)</b>
30 September 2013	0.183
31 October 2013	0.160
29 November 2013	0.189
31 December 2013	0.175
30 January 2014	0.400
28 February 2014	0.485
31 March 2014	0.485
2 May 2014 (being the Latest Practicable Date)	0.405

- (c) The closing price of the Shares as quoted on the Stock Exchange on 6 March 2014, being the Last Trading Date was HK\$0.570.
- (d) The closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date was HK\$0.405.

#### **4. EXPERT AND CONSENT**

The following is the qualification of the expert whose letter is contained in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Changjiang	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO

Changjiang has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its letter and references to its name and logo in the form and context in which they respectively appear.

**5. MISCELLANEOUS**

- (a) The Offeror is wholly owned by Crown Landmark Fund L.P., which is managed and operated by its general partner, Crown International Fund Corporation, which is ultimately owned and controlled by Ms. Hung Man. Her address is Flat 1683, 16/F., Tower 15, Parkview Heights-HK Parkview, No.88 Tai Tam Reservoir Road, Hong Kong.
- (b) The registered offices of the Offeror and Crown International Fund Corporation are at the Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY-1208, Cayman Islands. The correspondence addresses of the Offeror, Crown Landmark Fund L.P. and Crown International Fund Corporation are Suite 901 on Floor 9, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong.
- (c) The directors of each of the Offeror and Crown International Fund Corporation are Mr. Wong Hoi Kin, Ms. Chau Wai Hung, Mr. Liao Pin Tsung and Mr. Meng Jinlong. The correspondence address of all directors of Offeror is Suite 901 on Floor 9, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong.
- (d) The registered office of Changjiang is at Suite 1901, 19th Floor, Cosco Tower, 183 Queen's Road Central, Hong Kong.
- (e) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese text in case of inconsistency.



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## APPENDIX IV                      GENERAL INFORMATION OF THE COMPANY

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### 1.      RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

### 2.      SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the Company had 1,529,600,200 Shares in issue. All existing Shares rank equally in all respects, including in particular as to dividend, voting rights and capital.

The Company had not issued any Share since 31 March 2013 (being the date to which the latest published audited financial statements of the Group were made up) and up to and including the Latest Practicable Date.

As at the Latest Practicable Date, the Company has no outstanding options, warrants, derivatives or conversion rights affecting the Shares.

### 3.      DISCLOSURE OF INTERESTS IN THE COMPANY

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company held or controlled by the Offeror and parties acting in concert with it were as follows:

<b>Name</b>	<b>Number of Shares held</b>	<b>Approximate % of interest</b>
Offeror ( <i>Note</i> )	1,069,308,000	69.91%

*Note:* The Offeror is 100% owned by Crown Landmark Fund L.P. The general partner of Crown Landmark Fund L.P. is Crown International Fund Corporation which is ultimately owned and controlled by Ms. Hung Man.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror and parties acting in concert with it had any interest in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

**4. DISCLOSURE OF OTHER INTERESTS AND DEALINGS IN SECURITIES**

- (i) As at the Latest Practicable Date, the Company was not interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Offeror, and had not dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Offeror during the Relevant Period.
- (ii) As at the Latest Practicable Date, none of the Directors were interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company or the Offeror. Save for the sale of the Sale Shares by Datuk Lim contemplated under the Sale and Purchase Agreement, none of the Directors had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company or the Offeror during the Relevant Period.
- (iii) As at the Latest Practicable Date, none of the subsidiaries of the Company, the pension fund of the Company or its subsidiaries, or the adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company, or had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period.
- (iv) As at the Latest Practicable Date, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code.
- (v) As at the Latest Practicable Date, there was no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which were managed on a discretionary basis by fund managers connected with the Company, and none of them had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period.
- (vi) As at the Latest Practicable Date, none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offer.

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## APPENDIX IV                      GENERAL INFORMATION OF THE COMPANY

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- (vii) As at the Latest Practicable Date, none of the Company or the Directors had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.
- (viii) As at Latest Practicable Date, no benefit had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer.
- (ix) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.
- (x) As at the Latest Practicable Date, save for the Sale and Purchase Agreement to which Datuk Lim is a party, the Offeror had not entered into any material contract in which any Director has a material personal interest.

### 5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any of its subsidiaries or associated companies (including both continuous and fixed-term contracts) which (i) have been entered into or amended within 6 months preceding the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed-term contracts with more than 12 months to run irrespective of the notice period.

### 6. MATERIAL CONTRACTS

Save as disclosed below, as at the Latest Practicable Date, no contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by any member of the Group within the two years before the commencement of the Offer Period and ending on the Latest Practicable Date and are or may be material:

- (i) an equity transfer agreement dated 24 October 2012 and entered into between UIHIL as vendor and 瓦房店嘉泰購物廣場有限責任公司 (Wafangdian Jiatai Shopping Mall Co., Limited\*) as purchaser in respect of the sale of 100% equity interest in 你的客棧(瓦房店)酒店管理有限公司 ("U" Inns & Hotels (Wafangdian) Management Co., Limited\*) for approximately RMB24.08 million;

- (ii) an equity transfer agreement dated 8 February 2013 and entered into between UIHIL as vendor and 施立軍 (Mr. Shi Lijun\*) as purchaser in respect of the sale of 100% equity interest in 你的客棧酒店管理(吐魯番地區)有限公司 (“U” Inns & Hotels (Tulufan) Management Co., Limited\*) for approximately RMB15.14 million;
- (iii) an equity transfer agreement dated 31 May 2013 and entered into between UIHIL as vendor and 江偉 (Mr. Jiang Wei\*) as purchaser in respect of the sale of 100% equity interest in 你的客棧酒店管理(布爾津縣)有限公司 (“U” Inns & Hotels (Buerjin) Management Co., Limited\*) for approximately RMB9.30 million;
- (iv) an equity transfer agreement dated 31 May 2013 and entered into between UIHIL as vendor and 廖建勇 (Mr. Liao Jianyong\*) as purchaser in respect of the sale of 100% equity interest in 你的客棧(襄樊)酒店管理有限公司 (“U” Inns & Hotels (Xiangfan) Hotel Management Co., Limited\*) for approximately RMB24.95 million;
- (v) a termination agreement dated 26 June 2013 and entered into between 重慶你的客棧酒店管理有限公司 (Chongqing “U” Inns & Hotels Management Co., Limited\*) (“**U Inns Chongqing**”) (a wholly-owned subsidiary of the Company) and 重慶市郵政公司 (Chongqing City Post Company\*) (“**Chongqing City Post**”) in respect of (i) the termination of an acquisition agreement dated 4 November 2008 and entered into between U Inns Chongqing as purchaser and Chongqing City Post as vendor in relation to the acquisition of 秀山縣郵政賓館 (Xiushan Prefecture Post Hotel\*) located in Chongqing City, the PRC for approximately RMB6.5 million; (ii) the return by Chongqing City Post to U Inns Chongqing of the partial consideration of approximately RMB5.85 million already paid by U Inns Chongqing with compensation of approximately RMB0.9 million; (iii) the return of documents relating to the hotel property by U Inns Chongqing to Chongqing City Post;
- (vi) a master agreement for share transfer dated 4 July 2013 and entered into among the Company, UIHIL and FSG pursuant to which (a) FSG conditionally agreed to sell, and the Company conditionally agreed to purchase, 25.9% of the issued share capital in UIHHL; (b) UIHIL conditionally agreed to sell, and FSG conditionally agreed to purchase, 100% equity interest in 你的客棧(西安)酒店管理有限公司 (“U” Inns & Hotels (Xi’an) Management Co., Limited\*); and (c) the consideration for the transaction in (a) above shall be offset against the consideration for the transaction in (b) above;
- (vii) a share purchase agreement (in both English and Chinese) dated 4 July 2013 and entered into between UIHIL as vendor and FSG as purchaser in respect of the sale of 100% equity interest in 你的客棧(西安)酒店管理有限公司 (“U” Inns & Hotels (Xi’an) Management Co., Limited\*) for approximately HK\$84.37 million to be paid in such manner as agreed by the parties;

- (viii) a share purchase agreement dated 4 July 2013 and entered into between the Company as purchaser and FSG as vendor in respect of 2,590 shares in the issued share capital of UIHHL for approximately HK\$88.37 million to be paid in such manner as agreed by the parties;
- (ix) an equity transfer agreement dated 17 October 2013 and entered into between UIHIL and 牟小剛 (Mr. Mou Xiaogang\*) in respect of the sale of 100% equity interest in 你的客棧(通化)酒店管理有限公司 (“U” Inns & Hotels (Tonghua) Management Co., Limited\*) for approximately RMB19.01 million;
- (x) an equity transfer agreement dated 19 December 2013 and entered into between UIHIL and 牛嶺峰 (Mr. Niu Lingfeng\*) in respect of the sale of 100% equity interest in 你的客棧(武漢)酒店管理有限公司 (“U” Inns & Hotels (Wuhan) Management Co., Limited\*) for approximately RMB14.11 million; and
- (xi) an equity transfer agreement dated 22 January 2014 and entered into between UIHIL and 劉雄 (Mr. Liu Xiong\*) in respect of the sale of 100% equity interest in 你的客棧酒店(井崗山市)有限公司 (“U” Inns & Hotels (Jinggangshan City) Co., Limited\*) for RMB50.00 million.

\* For identification purpose only

## 7. MATERIAL LITIGATION

你的客棧(營口)酒店管理有限公司 (“U” Inns & Hotels (Yingkou) Co., Limited\*) (“U Inns Yingkou”), a wholly-owned subsidiary of the Company, is engaged in a contractual dispute in Liaoning, the PRC. In March 2012, U Inns Yingkou entered into a lease agreement and property management agreement with a third party (the “**Plaintiff**”) to lease a certain building to the Plaintiff and engage the Plaintiff to provide property management services regarding the building. The Plaintiff alleged that the leased building could not be used for the agreed purpose and the lease was subsequently terminated. The Plaintiff then sued U Inns Yingkou for damages of approximately RMB750,000 and costs. U Inns Yingkou filed its defence in November 2013. As at the Latest Practicable Date, no judgment has been given by the court.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

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## APPENDIX IV                      GENERAL INFORMATION OF THE COMPANY

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### 8.      EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which are contained in this Composite Document.

<b>Name</b>	<b>Qualification</b>
Altus Capital	a licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

Altus Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its opinion or letter and/or references to its name in the form and context in which they are respectively included.

### 9.      DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any Business Day from the date of this Composite Document up to and including the Closing Date (i) at the registered office of the Company in Hong Kong at Room 603A, 6th Floor, Empire Centre, No. 68 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong; (ii) on the website of the Securities and Futures Commission of Hong Kong at [www.sfc.hk](http://www.sfc.hk); and (iii) on the website of the Company at [www.vxlcapital.com](http://www.vxlcapital.com):

- (i) the memorandum and articles of association of the Company;
- (ii) the memorandum and articles of association of the Offeror;
- (iii) the letter referred to in the section headed “Letter from Changjiang” in this Composite Document;
- (iv) the letter referred to in the section headed “Letter from the Board” in this Composite Document;
- (v) the letter referred to in the section headed “Letter from the Independent Board Committee” in this Composite Document;

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**APPENDIX IV                      GENERAL INFORMATION OF THE COMPANY**

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- (vi) the letter referred to in the section headed “Letter from the Independent Financial Adviser” in this Composite Document;
- (vii) the annual reports of the Company for each of the two financial years ended 31 March 2012 and 2013;
- (viii) the interim report of the Company for the six months ended 30 September 2013;
- (ix) the material contracts referred to under the paragraph headed “Material Contracts” in this appendix;
- (x) the written consents referred to under the paragraph headed “Expert and Consent” in Appendix III and IV to this Composite Document; and
- (xi) this Composite Document.