VXL CAPITAL LIMITED
卓越金融有限公司

(Incorporated in Hong Kong with limited liability)
(Stock code: 727)

ANNOUNCEMENT OF FINAL RESULTS FOR FIFTEEN MONTHS ENDED 31 MARCH 2007

The Board of Directors of VXL Capital Limited (the "Company") are pleased to present hereunder the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the fifteen months ended 31 March 2007 together with the comparative figures for the twelve months ended 31 December 2005.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2007

	Note	**1/1/2006 to 31/3/2007** ***HK$'000***	1/1/2005 to 31/12/2005 *HK$'000*
Turnover	2	**33,939**	7,536
Other operating income	2	**2,929**	4,299
Excess of fair value of net assets acquired over costs of acquisition	13	**91,536**	–
Fair value gain on investment properties	7	**8,719**	33,574
Staff costs		**(24,788)**	(12,043)
Other operating expenses		**(44,001)**	(21,693)
Profit on disposal of a subsidiary	3	**715**	–
Operating profit	4	**69,049**	11,673
Finance costs		**(16,236)**	(1,348)
Share of losses of associates	8	**(476)**	(465)
Profit before taxation		**52,337**	9,860
Taxation credit/(charge)	5	**11,207**	(5,793)
Profit attributable to shareholders		**63,544**	4,067
Basic and diluted earnings per ordinary share attributable to shareholders of the Company for the period/year	6	**HK$0.87**	HK$0.06

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2007

	Note	**31/3/2007** *HK$'000*	31/12/2005 *HK$'000*
Non-current assets			
Property, plant and equipment		**5,550**	5,105
Investment properties	7	**891,561**	143,000
Goodwill		**18,314**	18,314
Interests in associates	8	**35,009**	–
Available-for-sale financial assets		**556**	476
		950,990	166,895
Current assets			
Financial assets at fair value through profit or loss		**16,505**	591
Trade and other receivables	9	**6,506**	10,048
Bank balances and cash		**20,970**	122,971
		43,981	133,610
Current liabilities			
Trade and other payables	10	**409,881**	10,335
Long-term bank loan		**3,000**	2,174
Obligations under finance leases		**345**	465
Amount due to holding company	11	**129,551**	–
		542,777	12,974
Net current (liabilities)/assets		**(498,796)**	120,636
Total assets less current liabilities		**452,194**	287,531
Non-current liabilities			
Long-term bank loan		**97,000**	74,826
Obligations under finance leases		**86**	667
Deferred tax liabilities		**55,707**	18,526
		152,793	94,019
Net assets		**299,401**	193,512
Financed by:			
Share capital	12	**15,280**	14,400
Reserves		**284,121**	179,112
Shareholders' funds		**299,401**	193,512

NOTES:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, except as modified by the revaluation of the investment properties, the available-for-sale financial assets and the financial assets at fair value through profit or loss.

At 31 March 2007, the Group had net current liabilities of HK$498,796,000. It mainly consists of the outstanding payment for acquisition of Changshou Commercial Plaza ("Changshou Properties") and amount due to holding company. Subsequent to the period end, a bank loan facility has been obtained to finance the acquisition of Changshou Properties, details of which are set out in note 14(e). The holding company of the Company, VXL Capital Partners Corporation Limited ("VXLCPL"), has confirmed its intention to provide sufficient financial support to the Group so as to enable the Group to meet all its liabilities and obligations as and when they fall due and to enable the Group to continue its business for the foreseeable future.

The HKICPA has issued a number of new and amendments to HKFRSs, which are effective for accounting periods beginning on or after 1 January 2006. The Group has adopted the following amendments to HKFRSs and interpretation issued up to 31 March 2007 which are pertinent to its operations and relevant to these financial statements.

HKAS 39 (Amendment)	The Fair Value Option
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

There was no material impact on the consolidated financial statements arising from the adoption of the above mentioned new and revised accounting standards.

The Group has not applied the following new and amendments to HKFRSs, which have been issued but effective for periods beginning on or after 1 November 2006 and are pertinent to the Group's operations, in the financial statements:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of these new and revised accounting standards is not likely to have a significant impact on the Group's results of operations and financial position except for additional disclosures to be made in the financial statements of the Group.

2. TURNOVER, OTHER OPERATING INCOME AND SEGMENT INFORMATION

The Group is principally engaged in property investment, securities trading and investment, and the provision of financial services. Turnover and other operating income recognized during the period/year are as follows:

	1/1/2006 to 31/3/2007	1/1/2005 to 31/12/2005
	HK$'000	*HK$'000*
Turnover		
Corporate advisory fees	**21,954**	4,923
Rental and other fee income	**9,990**	2,641
Fair value gain/(loss) from listed investments	**1,995**	(28)
	33,939	7,536
Other operating income		
Interest income from		
– bank deposits	**2,311**	4,268
– finance leases	**536**	–
– trading investments	**82**	15
Dividend income from listed investments	**–**	16
	2,929	4,299

The Group has reclassified its interest income from turnover to other operating income because cash investment is not considered by the directors as the Group's principal activities. Accordingly, the comparative figures have been reclassified to conform to the current period's presentation.

Primary reporting format – business segments

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 property investment segment is engaged in operation of the investment properties;

b) the securities trading and investment segment is engaged in securities trading and investment and other investment holding. The revenue of this segment mainly comprises net income from investment and trading securities;

c) the financial services segment is engaged in the provision of corporate finance and advisory services and operational and financial leasing of assets; and

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

Capital expenditures comprise additions to property, plant and equipment and investment properties (Note 7). Segment assets consist primarily of property, plant and equipment, investment properties, goodwill, investments and receivables. Segment liabilities comprise 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 deferred taxation and corporate borrowings. Interest income has been reclassified from segment revenue to unallocated operating income in accordance with the reclassification of interest income from turnover to other operating income. Accordingly, the comparative figures have been reclassified to conform to the current period's presentation.

The segment results, major non-cash items and capital expenditures based on business segments for the fifteen months ended 31 March 2007 and the year ended 31 December 2005 are as follows:

	Property investment *HK$'000*	**Securities trading and investment** *HK$'000*	**Financial services** *HK$'000*	**Inter–segment elimination** *HK$'000*	**Unallocated** *HK$'000*	**Group** *HK$'000*
For the fifteen months ended 31 March 2007						
Segment revenue:						
Sales to external customers	9,990	1,995	21,954	–	–	33,939
Inter-segment revenue	–	–	824	(824)	–	–
Total segment revenue	9,990	1,995	22,778	(824)	–	33,939
Segment results	99,422	1,940	9,121			110,483
Unallocated operating income and expenses, net						(41,434)
Finance costs						(16,236)
Share of losses of associates						(476)
Profit before taxation						52,337
Taxation credit						11,207
Profit attributable to shareholders						63,544
Other segment information						
Excess of fair value of net assets acquired over costs of acquisition *(Note 13)*	91,536	–	–	–	–	91,536
Fair value gain on investment properties *(Note 7)*	8,719	–	–	–	–	8,719
Depreciation	246	–	320	–	2,860	3,426
Capital expenditures	729,028	–	718	–	3,436	733,182

	Property investment *HK$'000*	Securities trading and investment *HK$'000*	Financial services *HK$'000*	Unallocated *HK$'000*	Group *HK$'000*
For the year ended 31 December 2005					
Segment revenue:					
Sales to external customers	2,641	(28)	4,923	–	7,536
Segment results	33,973	(58)	(3,641)		30,274
Unallocated operating income and expenses, net					(18,601)
Finance costs					(1,348)
Share of losses of associates					(465)
Profit before taxation					9,860
Taxation charge					(5,793)
Profit attributable to shareholders					4,067
Other segment information					
Fair value gain on investment properties *(Note 7)*	33,574	–	–	–	33,574
Depreciation	64	–	110	908	1,082
Capital expenditures	110,000	–	195	5,052	115,247

The segment assets and liabilities based on business segments as at 31 March 2007 and 31 December 2005 are as follows:

	Property investment *HK$'000*	**Securities trading and investment** *HK$'000*	**Financial services** *HK$'000*	**Unallocated** *HK$'000*	**Group** *HK$'000*
At 31 March 2007					
Segment assets	912,941	16,557	1,196	8,298	938,992
Interests in associates					35,009
Bank balances and cash					20,970
Total assets					994,971
Segment liabilities	405,306	–	452	4,554	410,312
Bank loans					100,000
Amount due to holding company					129,551
Deferred tax liabilities					55,707
Total liabilities					695,570
At 31 December 2005					
Segment assets	164,587	2,385	2,721	7,841	177,534
Bank balances and cash					122,971
Total assets					300,505
Segment liabilities	2,090	–	2,156	7,221	11,467
Bank loans					77,000
Deferred tax liabilities					18,526
Total liabilities					106,993

Secondary reporting format – geographical segments

The Group's three business segments operate in Hong Kong and the PRC. The segment turnover and capital expenditures based on geographical segments for the fifteen months ended 31 March 2007 and the year ended 31 December 2005 are as follows:

	1/1/2006 to 31/3/2007	1/1/2005 to 31/12/2005
	HK$'000	*HK$'000*
Turnover		
Hong Kong	**33,939**	7,536
Capital expenditures		
Hong Kong	**2,963**	115,247
PRC	**730,219**	–
	733,182	115,247

Turnover is categorized based on the jurisdiction in which the customers are located, while capital expenditures are classified based on where the assets are located.

The segment assets based on geographical segments as at 31 March 2007 and 31 December 2005 are analyzed as follows:

	31/3/2007	31/12/2005
	HK$'000	*HK$'000*
Total assets		
Hong Kong	**201,667**	293,176
PRC	**793,304**	7,329
	994,971	300,505

Total assets are categorized based on where the assets are located.

3. DISPOSAL OF A SUBSIDIARY

In February 2006, the Group set up a PRC subsidiary, VXL International Leasing Company Limited, via VXL Investments Holdings Limited ("VXLIHL") and Million Sky Investments Limited ("MSIL"), both of which are wholly-owned subsidiaries of the Company.

On 9 October 2006, VXLIHL entered into an agreement with VXLCPL to dispose of 55% of VXLIHL's equity interest in MSIL together with the shareholder's loan owing by MSIL to VXLIHL for a total consideration of HK$42,070,000. The disposal was approved by the independent shareholders at an extraordinary general meeting held on 14 November 2006. The profit on disposal amounted to HK$715,000.

The effect of the disposal is summarized as follows:

	HK$'000
Total assets	133,440
Total liabilities	(134,930)
Net liabilities	(1,490)
55% interest disposed	(820)
Exchange reserve realized	(657)
Shareholder's loan assigned	42,832
Profit on disposal	715
	42,070
Satisfied by:	
Promissory note#	42,070
Net cash outflow arising on disposal:	
Bank balances and cash disposed	(63,228)

The promissory note was utilized to set off against the loan from the holding company.

4. OPERATING PROFIT

	1/1/2006 to 31/3/2007	1/1/2005 to 31/12/2005
	HK$'000	*HK$'000*
Operating profit is arrived at after charging/(crediting):		
Legal and professional fees	**3,148**	2,208
Consultancy fee	**7,748**	6,844
Rental income from investment properties	**(9,986)**	(2,641)
Direct outgoings for investment properties	**5,651**	2,082
Depreciation	**3,426**	1,082
Loss on disposal of property, plant and equipment	**12**	89
Auditors' remuneration		
– audit	**737**	655
– non-audit	**969**	473
Net exchange loss	**687**	55
Operating leases – land and buildings	**8,541**	2,484

5. TAXATION

Hong Kong profits tax is assessed at the statutory rate of 17.5% (year ended 31 December 2005: 17.5%) on the assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates. There is no profits tax provided as the Group did not have any assessable profit for the period (year ended 31 December 2005: HK$Nil).

The amount of taxation (credited)/charged to the consolidated profit and loss account represents:

	1/1/2006 to 31/3/2007	1/1/2005 to 31/12/2005
	HK$'000	*HK$'000*
Deferred tax (credit)/charge	**(11,207)**	5,793

6. BASIC AND DILUTED EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY FOR THE PERIOD/YEAR

The calculation of basic and diluted earnings per ordinary share is based on the Group's profit attributable to shareholders of HK$63,544,000 (year ended 31 December 2005: HK$4,067,000) and the weighted average number of 73,315,165 (year ended 31 December 2005: 72,000,000) ordinary shares in issue during the period.

The basic and diluted earnings per ordinary share are the same as the Company has no dilutive potential ordinary shares in issue for the period/year ended 31 March 2007 and 31 December 2005.

7. INVESTMENT PROPERTIES

	1/1/2006 to 31/3/2007	1/1/2005 to 31/12/2005
	HK$'000	*HK$'000*
At 1 January	**143,000**	–
Acquisition of business	**397,826**	109,426
Additions	**331,013**	–
Fair value gain	**8,719**	33,574
Exchange difference	**11,003**	–
At 31 March/31 December	**891,561**	143,000

The investment properties were revalued at 31 March 2007 on an open market value basis by an independent, professionally qualified valuer, Savills Valuation and Professional Services Limited.

8. INTERESTS IN ASSOCIATES

	31/3/2007	31/12/2005
	HK$'000	*HK$'000*
Share of net liabilities of associates	**(1,024)**	(586)
Amounts due from associates	**36,033**	–
	35,009	(586)
Reclassified as trade and other payable	**–**	586
	35,009	–

The movement of the interests in associates is as follows:

	1/1/2006 to 31/3/2007	1/1/2005 to 31/12/2005
	HK$'000	*HK$'000*
At 1 January	**–**	2,286
Net (repayments from)/advances to associates during the period/year	**(2,189)**	1
Transfer from interests in subsidiaries	**37,551**	–
Share of losses before taxation	**(476)**	(439)
Share of taxation	**–**	(26)
Dividend income received from associates	**(22)**	(1,125)
Amount reclassified as other receivable	**–**	(1,283)
Share of deficit of an associate reclassified (from)/to other payables	**(586)**	586
Share of exchange reserve movement during the period	**731**	–
At 31 March/31 December	**35,009**	–

9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK$1,245,000 (31 December 2005: HK$2,937,000). The ageing analysis of the trade receivables is as follows:

	31/3/2007	31/12/2005
	HK$'000	*HK$'000*
Within 1 month	**955**	2,937
Between 1 and 3 months	**290**	–
	1,245	2,937

Trade receivables comprise rental income and corporate advisory fee. Rental income is billed in advance on a monthly basis and the corporate advisory fee is billed in accordance with the agreed terms of mandates. All billings are due on presentation.

10. TRADE AND OTHER PAYABLES

	31/3/2007	31/12/2005
	HK$'000	*HK$'000*
Trade payables *(note a)*	**234**	2,019
Property cost payable *(note b)*	**291,968**	–
Other payables and accruals	**32,822**	7,730
Share of deficit of an associate	**–**	586
Deposit *(note c)*	**84,857**	–
	409,881	10,335

(a) The ageing analysis of the trade payables is as follows:

	31/3/2007	31/12/2005
	HK$'000	*HK$'000*
Within 1 month	**184**	2,001
Between 1 and 3 months	**50**	12
Over 3 months	**–**	6
	234	2,019

(b) This represents the remaining balance of consideration payable for acquiring the Changshou Properties. The amount is payable upon the drawdown of the mortgage loan on Changshou Properties.

(c) This represents earnest monies received from potential investors for the purpose of exploring collaboration in business opportunities in the PRC. The amount is refundable with interest at 12% per annum.

11. AMOUNT DUE TO HOLDING COMPANY

During the period, VXLCPL, the holding company, has granted a loan of HK$129,000,000 to the Company. This loan is unsecured, bearing interest at HIBOR plus 1.75% and repayable within one year. As at 31 March 2007, the Group has accrued interest payable of HK$551,000 (31 December 2005: HK$Nil) on the loan.

12. SHARE CAPITAL

	Number of shares	*HK$'000*
Ordinary shares of HK$0.20 each		
Authorized:		
At 31 December 2005 and 31 March 2007	200,000,000	40,000
Issued and fully paid:		
At 1 January 2005 and 2006	72,000,000	14,400
Issue of shares on placement *(note)*	4,400,000	880
At 31 March 2007	76,400,000	15,280

Note: Pursuant to the Placing and Subscription Agreement entered into by the Company on 13 November 2006, 4,400,000 existing issued ordinary shares of HK$0.20 each held by VXLCPL were placed out to independent investors at a price of HK$8.00 per ordinary share and 4,400,000 new ordinary shares of HK$0.20 each were subscribed by VXLCPL at a price of HK$8.00 per ordinary share. These new ordinary shares rank pari passu with the existing issued ordinary shares in all aspects. The net proceeds from the placement has been applied as general working capital of the Group.

13. BUSINESS COMBINATIONS

During the period, the Group acquired the entire issued share capital of Rich Field International Limited ("Rich Field") which has the right to acquire the north and south commercial podiums of Changshou Properties, located at Shanghai, PRC. Rich Field acquired the north commercial podium of Changshou Properties ("North Block") together with existing tenancies and therefore the acquisition of North Block constitutes a business combination.

Details of purchase consideration and net assets acquired are as follows:

	HK$'000
Purchase consideration:	
– Cash paid or payable	246,989
– Direct costs of acquisition	11,970
Total purchase consideration	258,959
Fair value of net assets acquired *(note)*	350,495
Excess of fair value of net assets acquired over costs of acquisition	(91,536)

Since the cash payments of HK$279 million made during the period for the acquisition of Changshou Properties were not earmarked, the cash payments made for the North Block cannot be separately identified and hence, the cash paid for the acquisition of North Block is not disclosed in the above table.

(note) The assets and liabilities arising from the acquisition are as follows:

	Fair value *HK$'000*	Acquiree's carrying amount *HK$'000*
Investment property	397,826	258,959
Deferred tax liabilities	(47,331)	–
Net assets acquired	350,495	258,959

Excess of fair value of net assets acquired over costs of acquisition of HK$91,536,000 was recognized in the profit and loss account during the period.

14. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 14 May 2007, bank loan facilities of HK$384 million have been obtained to finance the acquisition and refurbishment of Changshou Properties, which consist of a mortgage loan of HK$307 million and a renovation loan of HK$77 million. On 26 June 2007, a bank loan of HK$131 million has been drawn down for the partial settlement of the balance payable for acquisition of Changshou Properties. Such mortgage loan is secured by the south commercial podium of Changshou Properties ("South Block"), interest-bearing at 7.2% per annum and repayable in seven years.

(b) On 18 May 2007, the Company entered into a conditional agreement to sell the entire issued share capital of a subsidiary, VXL Financial Services Limited ("VXLFS"), for a consideration of HK$11 million. The profit on disposal of VXLFS is estimated to be approximately HK$1 million. Following the completion of the disposal, the Group will discontinue its financial services operation while the operation of property investment and securities investment will continue.

(c) On 8 June 2007, the Group entered into an agreement to acquire 11 hotel properties from China Post Group Limited for an aggregate consideration of RMB176 million (equivalent to approximately HK$181 million). The 11 hotel properties are located in the Gansu, Jilin, Shandong, Sichuan, Xinjiang, Hubei and Shaanxi provinces of the PRC. Subsequent to 31 March 2007, deposits totaling USD6.9 million (equivalent to approximately HK$54 million and representing approximately 30% of the total consideration) has been placed to Shanghai United Assets and Equity Exchange, an organization approved by the Shanghai Municipal Government which serves as a comprehensive platform for assets and equity transactions. The acquisition will be completed upon fulfillment of all necessary registration procedures with relevant government authorities in the PRC in respect of the transfer of the title of the hotel properties. The remaining balance of the consideration, together with interest calculated at the applicable interest rate, shall be payable upon completion or on 31 December 2007, whichever is the earlier.

(d) On 21 June 2007, the Board proposed a conditional subdivision of every one existing ordinary share of HK$0.20 each into twenty new ordinary share(s) of HK$0.01 each ("Subdivided Shares") in the share capital of the Company. Upon the subdivision becoming effective, the existing board lot size for trading will also be changed from 1,000 existing ordinary shares to 10,000 Subdivided Shares upon the subdivision becoming effective.

(e) On 21 June 2007, the Board also proposed, upon the subdivision becoming effective, a conditional bonus issue of warrants to qualifying shareholders whose names appear on the register of members of the Company on 6 August 2007 on the basis of one warrant for every five Subdivided Shares held on 6 August 2007. Each warrant will entitle the holder thereof to subscribe in cash for one Subdivided Share at the initial subscription price of HK$0.95 per Subdivided Share upon exercise of any subscription rights attaching to the warrant, subject to adjustment, at any time during a term of two years from the date of issue.

FINAL DIVIDEND

The Board of Directors has resolved not to declare any final dividend for the fifteen months ended 31 March 2007 (year ended 31 December 2005: Nil).

FINANCIAL PERFORMANCE REVIEW

For the fifteen months ended 31 March 2007, turnover increased by 350% to HK$33.9 million. The growth in turnover was due to a remarkable increase in corporate advisory fees and rental income generated from 112 Apartments. Rental income from 112 Apartments grew by 278% to HK$10.0 million for the fifteen months period, while the income of the financial services business, with a turnover of HK$22.0 million, rose by 346%. In line with the rise in turnover, operating expenses increased by 104% for the reporting period. During the reporting period, the Group has increased resources in the Property and Corporate Finance divisions for the Changshou Properties and the growing business in the financial sectors. The Group has taken additional new office premises for the expansion. As a result, staff costs, office rental payments, legal and professional costs and consultancy fees had increased as compared to last financial year.

The Group's profit attributable to shareholders was HK$63.5 million, representing an increase of fifteen times compared to that in the previous financial year. The strong performance in the fifteen months was primarily attributed to the capital appreciation, net of deferred tax, of the Group's retail properties in Shanghai, Changshou Properties, totaling approximately HK$100.3 million.

FINANCIAL HIGHLIGHTS

Turnover

For the fifteen months ended 31 March 2007, the Group achieved a turnover of HK$33.9 million, mainly comprised of corporate advisory fees and rental income from an investment property.

The turnover increased by 350% compared to the year ended 31 December 2005. There is a remarkable increase in corporate advisory fees as a result of the business growth of VXLFS in the current financial year and a one-off corporate advisory consultation fee received from a listed group. In addition, the rental income generated from an investment property also rose as a result of growth in rental and occupancy rates. The Group began to benefit from a foundation laid in previous years, including selecting a valuable property and establishing a high-caliber management team.

During the fifteen months period, the Group recorded a fair value gain on listed investments of HK$2.0 million (year ended 31 December 2005: loss of HK$0.1 million), mainly resulting from the revaluation of trading securities as at 31 March 2007.

Other income and gain

During the fifteen months ended 31 March 2007, the Group recorded a total gain from capital appreciation of Changshou Properties, net of deferred tax, of HK$100.3 million. In addition, the Group also generated an interest income of HK$2.9 million during the period under review.

Operating expenses

The operating costs for the fifteen months increased by 104% to HK$68.8 million compared to HK$33.7 million for the year ended 31 December 2005. The expenses mainly comprise staff costs, office rental payments, and depreciation of office premises, as well as legal and professional costs and consultancy fees incurred in pursuing potential projects by the Group. The increase in the operating costs is mainly attributed to the longer financial period as a result of the change of the financial year end, as well as the increased level of operations of VXLFS and the investment property.

Taxation

The tax credit of HK$11.2 million mainly represents a reduction in deferred tax liabilities as a result of reduction of the PRC corporate income tax rate.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained a bank and cash balance of HK$21.0 million as of 31 March 2007. Cash reserves have been placed with major banks in Hong Kong and the PRC in the form of Hong Kong dollar and Renminbi deposits. Risk in exchange rate fluctuation would not be material.

As of 31 March 2007, the Group had bank loans (secured over certain of its investment properties valued at HK$143.0 million) totaling HK$100.0 million, of which HK$3.0 million was due within one year, and HK$97.0 million was due after one year and within 5 years. The Group also had a loan of HK$129.0 million due to holding company drawn down during the current financial year, which is interest-bearing and payable within one year. This loan from the holding company was mainly used for acquisition of the Changshou Properties. The Group has planned to finance its projects by internal resources and bank borrowings. In addition, the Group had total obligations under finance leases of HK$0.4 million, which will mature within three years.

As of 31 March 2007, the Group had a gearing ratio of 70%, which is measured on the basis of the Group's total interest-bearing debt net of cash reserves over the shareholders' funds. As the Group carried surplus cash reserves after netting its borrowings on 31 December 2005, no gearing ratio existed at that time.

BUSINESS REVIEW AND CORPORATE DEVELOPMENT

PROPERTY INVESTMENT

CHANGSHOU PROPERTIES: Retail spaces in Shanghai

The acquisition of Changshou Properties was completed in the first quarter of 2007. A renovation plan to enhance the retail spaces was mapped out. A professional task force has been engaged in monitoring the progress of the renovation, which is scheduled for completion by the fourth quarter of 2007. The properties are expected to start contributing revenue to the Group in 2008.

Despite a series of measures introduced by the Chinese Government recently to cool down the economy, the macro-economic environment remains favorable and the GDP of the PRC, which amounted to RMB20,941 billion, grew by 10.7% in 2006. Retail sales in Shanghai are also strong, rising by 13% to RMB336 billion in 2006. The growth was the largest since 1998.

The positive sentiment on the retail market in the PRC was reflected in the considerable capital appreciation of Changshou Properties located at Putuo District, one of the central urban zones in north-west Shanghai. The 6-storey retail spaces (total gross floor area: approximately 41,000 sq.m.) will soon be repositioned as a unique shopping mall after major renovation, which is expected to be completed in the fourth quarter of 2007. The revenue to be generated by Changshou Properties is expected to become one of the key income streams for the Group in 2008.

112 APARTMENTS: Serviced apartment tower in Hong Kong

For the fifteen months ended 31 March 2007, rental income and occupancy rate of 112 Apartments improved and contributed stable revenue to the Group owing to an increase in the demand for serviced apartments in prime locations. As of 31 March 2007, 112 Apartments registered an improved occupancy rate of 89.6%, compared to 64% as of 31 December 2005. In light of the positive market response, rental rate of 112 Apartments has increased within the range of 9% to 17% in the fourth quarter of 2006.

Expatriates have given rise to a strong demand for serviced apartments in major cities of the PRC, including Hong Kong. The Group believes that it has secured such a source of tenants and the market outlook remains optimistic. With sound property management, the Group will continue to seek new investment opportunities in service-oriented properties in the PRC to secure long-term return.

HONG KONG CRUISE CITY: Concept Development project in Hong Kong

In October 2006, the Hong Kong government announced its decision to develop a Cruise Terminal in Kai Tak. Subsequent to the submission of an Expression of Interest to the government in December 2005, the Group formed a task force to conduct a technical and commercial viability study with regard to the cruise terminal development. The Group and its cruise partners are dedicated to promoting the concepts of “Cruise Economy” and “Cruise City”, and believe that the development of a cruise terminal along with enhancement facilities will bring substantial benefits and give a boost to the economy of Hong Kong.

The Group is actively studying the tender for the new cruise terminal development in old Kai Tak area and is renewing the prospects for entering into a bid along with the Group’s consortium members.

FINANCIAL SERVICES

VXL INTERNATIONAL LEASING CO. LTD.

VXL International Leasing Company Limited (卓越國際租賃有限公司) ("VXLIL") was incorporated in Beijing by the Group on 24 February 2006 initially as an indirect wholly-owned subsidiary. It is principally engaged in the operational and financial leasing of various types of machinery and equipment in the PRC.

To facilitate the smooth operation of VXLIL, the Group disposed of its 55% interest to VXLCPL, the major shareholder of the Company. The disposal was completed on 15 November 2006 and aimed at simplifying the operation of VXLIL and utilizing resources to be deployed on business development, helping enhance the growth of VXLIL in the long run.

Since February 2007, VXLIL has been active in the leasing market and brought in revenue for the Group. By taking advantage of the recent relaxation of the rules on the involvement of foreign companies in the leasing sector in the PRC, the leasing business is expected to become a stable source of income for the Group's financial leasing arm.

VXL FINANCIAL SERVICES LIMITED

For the fifteen months ended 31 March 2007, VXLFS recorded a revenue of HK$22.0 million, a substantial increase of 346% over the HK$4.9 million for the year ended 31 December 2005. This was mainly due to a one-off corporate advisory consultation fee the Group received from a listed group.

On 18 May 2007, the Group has entered into a conditional agreement to dispose of its 100% equity interest in VXLFS. The disposal will provide additional funds for the Group's property projects and also enable the Group to focus its resources on property investment. Following the completion of the disposal expectedly by end of July 2007, the Group would discontinue its financial services operation while the operation of property investment and securities investment will continue.

RESOURCES INVESTMENT

In order to focus the Group's resources on property-related investments, the Group is prepared to scale down its efforts in seeking investment opportunities in natural resources.

FUTURE PLAN

The Group's business portfolio has been generating recurring income during the fifteen months under review, and the Group's consistent growth is to be sustained by the continued acquisition of high-quality properties in the Greater China regions. Having laid the foundation of recurring income streams, the Group will proactively move on to Concept Development projects.

In the coming year, strong emphasis will be placed on the preparation of the tender for the Cruise Terminal Development in Kai Tak scheduled for submission in the first quarter of 2008. By taking part in the cruise terminal project, the Group aims to bring a robust "Cruise Economy" to Hong Kong.

The Group's proposed Cruise City features a world-class cruise terminal, a maritime academic museum, a training school and a theme park with iconic landmarks. The cruise terminal project aims to attract world-class cruises as well as affluent cruise passengers from all over the world, turning Hong Kong into an "Asian Regional Cruise Hub," and the gateway to the rest of the PRC.

BUDGET HOTELS

On 8 June 2007, the Group has entered into an agreement for the acquisition of 11 hotel properties from China Post Group, a State-owned enterprise in the PRC by an open tender process conducted through Shanghai United Assets and Equity Exchange.

The properties comprise 11 hotel assets spread out in the southwest, northwest and northeast regions of the PRC located in Gansu, Jilin, Shandong, Sichuan, Xinjiang, Hubei and Shaanxi Provinces respectively. All hotels are well located within the city centre and in the vicinity of train stations. The Group intends to revamp the hotel properties and upgrade its available facilities, with a view to establishing a brand name of "U" Inns Hotel which aims to provide quality and value added service budget hotel.

The PRC's tourism industry has been growing rapidly and recorded an annual increase of more than 11% in income in the past 5 years. In 2005, total income of tourism industry in the PRC was RMB768.6 billion which was an increase of 12% from 2004 and is gradually extended to the second and third tier cities. The Board believes that the acquisition represents an incomparable opportunity for the Group to acquire a scalable network of hotel properties and extend its reach to and build up its property portfolio in various cities and provinces in the PRC and bring in long-term capital appreciation and the Group targets to acquire more hotels in 2007 and 2008.

OTHER INFORMATION

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

During the fifteen months ended 31 March 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance

Compliance with the Code on Corporate Governance Practices

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

The Group has applied the principles and complied with the code provisions of the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the accounting period covered by the fifteen months ended 31 March 2007, with minor deviations as stated below.

In accordance with Article 133 of the Company's Articles of Association, one-third of the Directors shall retire from office by rotation instead of retirement in every three years at the annual general meeting. In order to comply with the Code A 4.2 of the CG Code, the Board will ensure that each director shall retire by rotation at least once every three years.

Pursuant to Code A.4.1 of the CG Code, non-executive directors shall be appointed for a specific term, subject to re-election. All the non-executive Directors, except Mr. Michael YEE Kam Shing and Mr. Alan Howard SMITH, are appointed for specific term. However, one-third of all the Directors of the Company are subject to retirement by rotation at each annual general meeting pursuant to Article 133 of the Company's Articles of Association, the Board considers that sufficient measures have been made to ensure that the Company's corporate governance practices are no less exacting than those stipulated in the CG Code.

Model Code For Securities Transactions by Directors

The Board has adopted its own code of conduct regarding securities transactions by Directors ("Model Code") on terms no less exacting than the required standard set out in the "Model Code for Securities Transactions by Directors of Listed Issuers". Having made specific enquiry with all Directors, the Directors have complied with the Model Code in their securities transactions during the fifteen months ended 31 March 2007.

Internal Audit

To enable the Company to discharge its annual review responsibilities pursuant to Code C.2.1 of the CG Code, the Company has engaged an external accounting firm as Internal Auditors to provide internal audit services to the Company and its subsidiaries for the fifteen months ended 31 March 2007.

The Internal Auditors have conducted evaluation and tests in connection with the following management's assertions:

(1) the system of internal control of the Group including financial reporting, operational and compliance controls is effective;

(2) the risk management process of the Group is effective; and

(3) effective internal controls are maintained to safeguard the Group's assets.

The Internal Auditors have completed their risk-based review and concluded that no matter of a significant concern has arisen and nothing has come to their attention which causes them to believe that the above statements are not true.

Based on the work performed by Internal Auditors, the Board has reviewed the results of the internal control review and is satisfied that the Group's system of internal controls is sound and adequate. The Board will continue to review and improve the Group's internal control system, taking into account the prevailing regulatory requirement, the Group's business development and interests of shareholders.

Audit Committee

The Audit Committee comprises all the independent non-executive Directors who possess appropriate business, legal, engineering and financial experience and skills to undertake review of financial statements in accordance with good practice of financial reporting. The Audit Committee is chaired by Mr. Michael YEE Kim Shing and the other three members are Mr. Alan Howard SMITH, J.P., Dr. Allen LEE Peng Fei, J.P. and Mr. David YU Hon To (appointed on 1 May 2007). The financial results for the fifteen months ended 31 March 2007 has been reviewed by the Audit Committee.

Review of Preliminary Announcement

The figures in respect of the preliminary announcement of the Group's results for the fifteen months ended 31 March 2007 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the period under review. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

Annual General Meeting

The annual general meeting ("AGM") of the Company will be held at Suite 2707-8, One Exchange Square, 8 Connaught Place, Central, Hong Kong on Wednesday, 22 August 2007 at 2:30 p.m. The Notice of AGM will be posted in the websites of The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Company and dispatched to Shareholders as soon as practicable.

Publication of Final Results and Annual Report

This announcement has been published on the websites of Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.vxlcapital.com) and the annual report for the fifteen months ended 31 March 2007 will be dispatched to shareholders and will be published on the websites of Stock Exchange(http://www.hkex.com.hk) and the Company (http://www.vxlcapital.com) in due course.

ACKNOWLEDGEMENT

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

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

Hong Kong, 19 July 2007

As at the date of this announcement, the Board comprises seven directors, namely, Datuk LIM Chee Wah, Mr. Percy ARCHAMBAUD-CHAO and Ms. Patsy SO Ying Chi as executive directors; and Mr. Michael YEE Kim Shing, Mr. Alan Howard SMITH, J.P., Dr. Allen LEE Peng Fei, J.P. and Mr. David YU Hon To as independent non-executive directors.