VXL CAPITAL LIMITED

卓越金融有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 727)

Announcement of Interim Results for the six months ended 30 September 2007

The Board of Directors (the "Board") of VXL Capital Limited (the "Company") is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2007 together with the comparative figures for the six months ended 30 June 2006.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

		For the six months ended	
		30 September 2007	30 June 2006 (Restated)
	Note	***HK$'000***	*HK$'000*
Continuing operations			
Revenue	*2*	**40,796**	3,620
Other operating income	*2*	**378**	1,544
Fair value gain on investment properties	*7*	**109,152**	–
Staff costs		**(12,454)**	(7,098)
Other operating expenses		**(16,718)**	(12,739)
Operating profit/(loss)	*3*	**121,154**	(14,673)
Finance costs		**(17,260)**	(2,429)
Share of profit/(losses) of associates		**1**	(16)
Profit/(loss) before taxation		**103,895**	(17,118)
Taxation (charge)/credit	*4*	**(24,663)**	251
Profit/(loss) for the period from continuing operations		**79,232**	(16,867)
Discontinued operations			
Profit/(loss) for the period from discontinued operations	*5*	**3,837**	(668)
Profit/(loss) attributable to shareholders		**83,069**	(17,535)
Basic and diluted earnings/(loss) per ordinary share attributable to shareholders of the Company			
– Continuing operations	*6*	**HK5.18 cents**	HK(1.17) cents
– Discontinued operations	*6*	**HK0.25 cents**	HK(0.05) cents

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (UNAUDITED)

AS AT 30 SEPTEMBER 2007

	Note	**At 30 September 2007 *HK$'000***	At 31 March 2007 *HK$'000*
Non-current assets			
Property, plant and equipment		**5,067**	5,550
Investment properties	*7*	**1,027,829**	891,561
Goodwill		**18,314**	18,314
Interest in associates		**240**	35,009
Available-for-sale financial assets		**556**	556
		1,052,006	950,990
Current assets			
Financial assets at fair value through profit or loss		**48,439**	16,505
Deposits, trade and other receivables	*8*	**62,879**	6,506
Bank balances and cash		**20,414**	20,970
		131,732	43,981
Current liabilities			
Trade and other payables	*9*	**25,538**	409,881
Other loan		**60,370**	–
Long-term bank loans		**4,000**	3,000
Obligations under finance leases		**259**	345
Amount due to holding company		**189,748**	129,551
		279,915	542,777
Net current liabilities		**(148,183)**	(498,796)
Total assets less current liabilities		**903,823**	452,194
Non-current liabilities			
Long-term bank loans		**429,350**	97,000
Obligations under finance leases		**–**	86
Deferred tax liabilities		**81,355**	55,707
		510,705	152,793
Net assets		**393,118**	299,401
Financed by:			
Share capital		**15,296**	15,280
Reserves		**377,822**	284,121
Shareholders' funds		**393,118**	299,401

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

These unaudited condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") except that the presentation of the comparative figures is for six months ended 30 June 2006 as set out in the paragraph below.

Pursuant to the approval at the extraordinary general meeting of shareholders on 26 January 2007, the Company changed its financial year end date from 31 December to 31 March. In the previous year, the interim financial statements were drawn up for the six month period ended 30 June 2006 and accordingly the corresponding amounts shown for the condensed consolidated income statement and related notes cover the six month period ended 30 June 2006 and therefore may not be comparable with amounts shown for the current six month period.

The condensed financial statements have been prepared under the historical cost convention, except as modified by the revaluation of the available-for-sale financial assets, the financial assets at fair value through profit or loss, and the investment properties, which are carried at fair value.

These condensed consolidated financial statements should be read in conjunction with the financial statements for the fifteen month period ended 31 March 2007.

The accounting policies used in these condensed financial statements are consistent with those of the financial statements for the fifteen month period ended 31 March 2007. In addition, the Group has applied the following accounting policy for share options granted during the current interim period:

The Group operates an equity-settled, share-based compensation plan, known as Share Option Scheme. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. If vesting periods or other vesting conditions apply, the expense is recognized over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions (for example, profitability and sales growth targets) are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity 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 the income statement, 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.

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with Hong Kong Financial Reporting Standard ("HKFRS") 5 "Non-current Assets Held for Sale and Discontinued Operations", if earlier. It also occurs when the operation is abandoned. When an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

- the post-tax profit or loss of the discontinued operation; and

- the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

The HKICPA has issued a number of new and amendments to HKFRSs, which are effective for accounting periods beginning on or after 1 November 2006. The Group has adopted the following amendments to HKFRSs and interpretation issued up to 30 September 2007 which are pertinent to its operations and relevant to these financial statements.

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

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 HKFRS, which has been issued but effective for periods beginning on or after 1 January 2009 and is pertinent to the Group's operations, in the financial statements:

HKFRS 8	Operating Segments

HKFRS 8 supersedes HKAS 14 "Segment Reporting" and requires the reporting of financial and descriptive information about the reportable segments on the basis of internal reports that are regularly reviewed by its management.

The adoption of this new accounting standard 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. Revenue, other operating income and segment information

Revenue and other operating income recognized for the period are as follows:

	For the six months ended	
	30 September 2007	30 June 2006 (Restated)
	HK$'000	*HK$'000*
Revenue/turnover		
Rental and other fee income from investment properties	**5,061**	3,690
Fair value gain/(loss) from financial assets at fair value through profit or loss	**35,735**	(70)
	40,796	3,620
Other operating income		
Interest income	**81**	1,544
Dividend income	**269**	–
Other income	**28**	–
	378	1,544

Primary reporting format – business segments

The Group's 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 of securities;

c) the financial services segment is engaged in the provision of corporate finance and advisory services and operational and financial leasing of assets, which was discontinued during the period; 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 and bank loans. 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 exclude items such as deferred tax and corporate borrowings.

The segment results, depreciation and capital expenditures for the six months ended 30 September 2007 and 30 June 2006 are as follows:

	Continuing				Discontinued		
	Property investment	**Securities trading and investment**	**Unallocated**	**Subtotal**	**Financial services**	**Elimination**	**The Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 September 2007							
Segment revenue:							
Sales to external customers	**5,061**	**35,735**	**–**	**40,796**	**3,876**	**–**	**44,672**
Inter-segment revenue	**–**	**–**	**–**	**–**	**317**	**(317)**	**–**
Total segment revenue	**5,061**	**35,735**	**–**	**40,796**	**4,193**	**(317)**	**44,672**
Segment results	**108,061**	**35,729**		**143,790**	**462**		**144,252**
Unallocated operating income				**378**	**–**		**378**
Unallocated operating expenses				**(23,014)**	**–**		**(23,014)**
Finance costs				**(17,260)**	**–**		**(17,260)**
Profit on disposal of discontinued operations				**–**	**2,189**		**2,189**
Share of profits of associates				**1**	**1,230**		**1,231**
Profit before taxation				**103,895**	**3,881**		**107,776**
Taxation				**(24,663)**	**(44)**		**(24,707)**
Profit attributable to shareholders				**79,232**	**3,837**		**83,069**
Other segment information							
Fair value gain on investment properties *(Note 7)*	**109,152**	**–**	**–**	**109,152**	**–**		**109,152**
Depreciation	**162**	**–**	**1,548**	**1,710**	**22**		**1,732**
Capital expenditures	**10,643**	**–**	**651**	**11,294**	**–**		**11,294**

	Continuing				Discontinued		
	Property investment	Securities trading and investment	Unallocated	Subtotal	Financial services	Elimination	The Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June 2006							
Segment revenue:							
Sales to external customers	3,690	(70)	–	3,620	3,018	–	6,638
Segment results	1,113	(76)		1,037	(668)		369
Unallocated operating income				1,544	–		1,544
Unallocated operating expenses				(17,254)	–		(17,254)
Finance costs				(2,429)	–		(2,429)
Share of losses of associates				(16)	–		(16)
Loss before taxation				(17,118)	(668)		(17,786)
Taxation				251	–		251
Loss attributable to shareholders				(16,867)	(668)		(17,535)
Other segment information							
Depreciation	96	–	845	941	52		993
Capital expenditures	–	–	907	907	18		925

The segment assets and liabilities as at 30 September 2007 and 31 March 2007 are as follows:

	Continuing				Discontinued	
	Property investment	Securities trading and investment	Unallocated	Subtotal	Financial services	The Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 September 2007						
Segment assets	1,106,467	48,817	7,800	1,163,084	–	1,163,084
Interests in associates				240	–	240
Bank balances and cash				20,414	–	20,414
Total assets				1,183,738	–	1,183,738
Segment liabilities	12,626	–	13,171	25,797	–	25,797
Bank and other loans	433,350	–	60,370	493,720	–	493,720
Amount due to holding company				189,748	–	189,748
Deferred tax liabilities				81,355	–	81,355
Total liabilities				790,620	–	790,620
At 31 March 2007						
Segment assets	912,941	16,557	8,298	937,796	1,196	938,992
Interests in associates				239	34,770	35,009
Bank balances and cash				11,183	9,787	20,970
Total assets				949,218	45,753	994,971
Segment liabilities	405,306	–	4,554	409,860	452	410,312
Bank loans	100,000	–	–	100,000	–	100,000
Amount due to holding company				129,551	–	129,551
Deferred tax liabilities				55,707	–	55,707
Total liabilities				695,118	452	695,570

Secondary reporting format – geographical segments

The Group's three business segments operate in Hong Kong and the PRC. The segment revenue and capital expenditures based on geographical segments for the six months ended 30 September 2007 and 30 June 2006 are as follows:

	For the six months ended						
	30 September 2007				30 June 2006		
	Continuing	**Discontinued**	**Elimination**	**The Group**	Continuing	Discontinued	The Group
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Revenue							
Hong Kong	**40,796**	**4,193**	**(317)**	**44,672**	3,620	3,018	6,638
Capital expenditures							
Hong Kong	**578**	**–**	**–**	**578**	70	18	88
PRC	**10,716**	**–**	**–**	**10,716**	837	–	837
	11,294	**–**	**–**	**11,294**	907	18	925

Revenue 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 30 September 2007 and 31 March 2007 are as follows:

	At 30 September 2007			At 31 March 2007		
	Continuing	**Discontinued**	**The Group**	Continuing	Discontinued	The Group
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Total assets						
Hong Kong	**233,532**	**–**	**233,532**	190,684	10,983	201,667
PRC	**950,206**	**–**	**950,206**	758,534	34,770	793,304
	1,183,738	**–**	**1,183,738**	949,218	45,753	994,971

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

3. Operating profit/(loss)

	For the six months ended	
	30 September	30 June
	2007	2006
		(Restated)
	HK$'000	*HK$'000*
Operating profit/(loss) is arrived at after charging:		
Depreciation of property, plant and equipment	**1,710**	832
Loss on disposal of property, plant and equipment	**99**	–
Exchange loss	**72**	615
Operating leases – land and building	**3,341**	2,236

4. Taxation

Hong Kong profits tax is assessed at the statutory rate of 17.5% (six months ended 30 June 2006: 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.

The amount of taxation charged/(credited) to the consolidated income statement represents:

	For the six months ended	
	30 September	30 June
	2007	2006
	HK$'000	*HK$'000*
Current tax	**44**	–
Deferred tax	**24,663**	(251)
	24,707	(251)
Representing:		
Continuing operations	**24,663**	(251)
Discontinued operations *(Note 5)*	**44**	–
	24,707	(251)

5. Discontinued operations

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, to a third party, for a consideration of HK$11.0 million. Following the completion of the disposal, the Group discontinues its financial services operation, and focuses on property investments and securities investment.

On 23 August 2007, VXL Investments Holdings Limited, a wholly-owned subsidiary of the Company, entered into an agreement to dispose of 45.0% of its equity interest and shareholder's loan in Million Sky Investments Limited to a third party for a total consideration of RMB34,785,000 (equivalent to approximately HK$35,932,000).

An analysis of the results and cash flows of the discontinued operations is as follows:

	For the six months ended	
	30 September 2007	30 June 2006
	HK$'000	*HK$'000*
Revenue	**4,193**	3,018
Staff costs	**(1,849)**	(1,764)
Other operating expenses	**(1,882)**	(1,922)
Operating profit/(loss)	**462**	(668)
Share of profit of an associate	**1,230**	–
Profit/(loss) before taxation	**1,692**	(668)
Taxation	**(44)**	–
Profit/(loss) of discontinued operations	**1,648**	(668)
Profit on disposal of discontinued operations	**2,189**	–
Profit/(loss) from discontinued operations	**3,837**	(668)
Net cash inflow/(outflow) from operating activities	**3,179**	(1,063)
Net cash outflow from investing activities	**–**	(18)
Net cash outflow from financing activities	**(4,114)**	–
Net cash outflow	**(935)**	(1,081)

6. Basic and diluted earnings/(loss) per ordinary share attributable to shareholders of the company

The basic earnings/(loss) per ordinary share is calculated by dividing the Group's profit/(loss) attributable to shareholders by the weighted average number of ordinary shares in issue during the period.

	For the six months ended	
	30 September 2007	30 June 2006
Weighted average number of ordinary shares in issue	**1,528,213,115**	1,440,000,000
Profit/(loss) from continuing operations attributable to shareholders of the Company *(HK$'000)*	**79,232**	(16,867)
Basic earnings/(loss) per ordinary share from continuing operations *(HK cents per share)*	**5.18**	(1.17)
Profit/(loss) from discontinued operations attributable to shareholders of the Company *(HK$'000)*	**3,837**	(668)
Basic earnings/(loss) per ordinary share from discontinued operations *(HK cents per share)*	**0.25**	(0.05)
Profit/(loss) attributable to shareholders of the Company *(HK$'000)*	**83,069**	(17,535)
Basic earnings/(loss) per ordinary share *(HK cents per share)*	**5.43**	(1.22)

The comparative basic loss per share amounts have been adjusted to reflect the share subdivision during the period.

The basic and diluted earnings/(loss) per ordinary share are the same as the Company has no diluted potential ordinary shares in issue for the six months ended 30 September 2007 and 30 June 2006.

7. Investment properties

	At 30 September 2007 *HK$'000*	At 31 March 2007 *HK$'000*
At 1 April/1 January	**891,561**	143,000
Acquisition of business	**–**	397,826
Additions	**9,751**	331,013
Fair value gain	**109,152**	8,719
Exchange difference	**17,365**	11,003
At 30 September/31 March	**1,027,829**	891,561

The investment properties were revalued at HK$1,027.8 million as at 30 September 2007 (31 March 2007: HK$891.6 million) on an open market value basis by an independent, professionally qualified valuer, RHL Appraisal Ltd.

8. Deposits, trade and other receivables

	At 30 September 2007 *HK$'000*	At 31 March 2007 *HK$'000*
Trade receivables *(Note)*	**489**	1,245
Other receivables	**1,764**	2,069
Deposit for acquisition of budget hotels	**54,871**	–
Prepayments and deposits	**5,755**	3,192
	62,879	6,506

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

	At 30 September 2007 *HK$'000*	At 31 March 2007 *HK$'000*
Within 1 month	**468**	955
Between 1 and 3 months	**21**	290
	489	1,245

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

9. Trade and other payables

Included in trade and other payables are trade payables of HK$76,000 (31 March 2007: HK$234,000). The ageing analysis of the trade payables is as follows:

	At 30 September 2007 *HK$'000*	At 31 March 2007 *HK$'000*
Within 1 month	**76**	184
Between 1 and 3 months	**–**	50
	76	234

10. Events after the balance sheet date

(a) On 23 October 2007, the Group entered into an agreement to acquire 5 budget hotels from China Post Group for an aggregate consideration of RMB120.3 million (equivalent to approximately HK$124.2 million). The 5 hotels are located in the Gansu, Liaoning and Shandong provinces and Tibet Autonomous Region of the PRC. 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 assets. The remaining balance of the consideration, together with interest calculated at the applicable interest rate, shall be payable upon completion or on 23 April 2008, whichever is earlier.

(b) On 7 December 2007, Arrow Star Investment Limited, a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement to dispose of an investment property in Hong Kong to a third party for a cash consideration of HK$161.0 million. The profit on disposal is estimated to be approximately HK$11.0 million.

DIRECTORS' COMMENTARIES

FINANCIAL REVIEW

Turnover

For the six months ended 30 September 2007, the Group achieved a turnover of HK$44.7 million, including HK$4.2 million contribution from its discontinued financial services operations. The turnover increased more than five times compared to the six months ended 30 June 2006. This significant increase was mainly resulted from fair value gain on listed investments, high occupancy rate and rental income received from an investment property and also increase in corporate advisory fees.

Fair Value Gain on Investment Properties

During the six months, the Group recorded a fair value gain on investment properties of HK$109.2 million, as a result of capital appreciation of the Group's investment properties in Hong Kong and the People's Republic of China (the "PRC").

Operating Expenses

Operating costs from both continuing and discontinued operations for the period under review were HK$32.6 million, an increase of 38.5% compared to the six months ended 30 June 2006. The increase was mainly due to the formation of a new management office in the PRC for the Changshou Properties and the set-up of "U" Inns & Hotels companies for the budget hotel investments. The operating expenses were mainly attributable to staff costs for the new team as well as legal and professional costs and consultancy fees incurred in pursuing property acquisitions including hotel properties in the PRC.

Liquidity, Financial Resources and Capital Structure

The Group maintained a bank and cash balance of HK$20.4 million as of 30 September 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.

As of 30 September 2007, the Group had bank loans totalling HK$433.4 million, of which HK$4.0 million was due within one year; HK$288.6 million was due between one to five years; and HK$140.8 million was due after five years. In addition, the Group had obligations in finance leases of HK$0.3 million as of 30 September 2007, which would mature within one year.

As of 30 September 2007, the gearing ratio of the Group was 168.7%, which is measured on the basis of the Group's total interest-bearing debt net of cash reserves over shareholders' funds. As of 30 June 2006, the Group's gearing ratio was 24.5%. The directors are fully aware of the gearing ratio of the Group and will closely monitor the position.

BUSINESS REVIEW

Revenue for the six months ended 30 September 2007 mainly comprised corporate advisory fees, rental income from property assets and fair value gains on listed investments. The acquisition of budget hotels in the PRC represents a diversification of the property and investment portfolio. The Group intends to build a brand name for quality budget hotel chain in the PRC and strengthen its principal income sources from the PRC.

During the period, the Group disposed of its financial services operations by selling its interest in the financial services subsidiary and associate company. The Group's strategy is to divest non-core business and focus on the core business of property related investments, particularly in the real-estate related tourism investments.

Budget Hotels in the PRC

On 8 June 2007, the Group entered into an agreement with China Post Group for the acquisition of 11 hotel properties in the PRC. All hotels are well-located within the city centre and the vicinity of train stations. The Group plans to revamp and upgrade the hotel properties as well as their available facilities with a view to establishing a brand name of "U" Inns Hotel for providing quality and "value for money" budget hotels for business people and tourists in order to take advantage of the rapid and stable growth in economy and tourism in the PRC market.

The Group's acquisition of budget hotels has been progressing satisfactorily. A further acquisition of 5 hotel properties located in Gansu, Liaoning and Shandong provinces and the Tibet Autonomous Region was announced on 24 October 2007. The Group's continuing acquisition of hotels aims to establish a scalable network of budget hotels and extend its reach in various cities and provinces in the PRC for recurrent income and long-term capital appreciation.

Changshou Properties: Retail spaces in Shanghai

With a total floor area of more than 40,000 square meters, Changshou Properties, a retail mall which is located in Shanghai, will provide the Group with an incomparable opportunity to access Shanghai's burgeoning retail property market. Given the attractive acquisition price and superb location, the properties should be able to achieve long-term capital appreciation and generate recurring cash income for the Group and are expected to start contributing revenue to the Group in 2008.

Retail sales in Shanghai was also strong as reflected by the increase in retail rentals during the second quarter of 2007 and reduction in vacancy rate in prime retail areas by 0.1 percentage point to 5.3% in the period. These are contributing factors for the considerable capital appreciation of Changshou Properties.

Cruise Consortium: Hong Kong Cruise City Development

The Group had formed a joint venture, namely Cruise City (Hong Kong) Limited, with wholly-owned subsidiaries of Nan Fung Development Limited and Star Cruises Limited. for the development of the new cruise terminal in Hong Kong and had submitted an Expression of Interest ("EOI") to the HKSAR Government in December 2005.

On 9 November 2007, the Government gazetted an invitation for tender for the development of cruise terminal facilities and buildings at the former Kai Tak Runway, Kowloon for a term of fifty years. The Group is interested in bidding for the project, and, the Group's professional team is ready to participate in the development of this world-class touristic infrastructure in Hong Kong.

The Group welcomes the Government's plan for the development of the new cruise terminal at Kai Tak and believes that this mega project will strengthen Hong Kong's economic development and enrich Hong Kong's tourism appeal.

112 Apartments: Serviced apartment tower in Hong Kong

On 7 December 2007, the Group entered into a Sale and Purchase Agreement for the disposal of 112 Apartments, the 96-units serviced apartment tower located in the eastern part of Hong Kong Island, for a cash consideration of HK$161.0 million. The Group is of the view that it is an opportune time to dispose of this property. The cost of the property was HK$110.0 million and the Group has already recognised a total of HK$40.0 million fair value gain in the financial statements since the acquisition of the property in 2005. The disposal is expected to realise an additional profit of approximately HK$11.0 million for the Group when compared to its book value as at 30 September 2007.

The Group believes that the market outlook remains optimistic, and will continue to seek new investment opportunities in service-oriented properties in the PRC to secure long-term return.

VXL Financial Services Limited

Following completion of the disposal of VXL Financial Services Limited in July 2007, the Group has ceased operation in financial services.

The disposal has provided additional funds for the Group's property projects and also enabled the Group to focus its resources on its core business of property-related investments.

VXL International Leasing Co. Ltd

The Group has disposed of its entire interests in VXL International Leasing Co. Ltd. ("VXL Leasing") during the six months ended 30 September 2007 and a disposal gain of approximately HK$1.2 million was recorded. The disposal of VXL Leasing allows the Group to focus its resources on its core property-related business.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2007 (six months ended 30 June 2006: Nil).

OTHER INFORMATION

Share Subdivision

On 7 August 2007, every ordinary share of HK$0.20 each of the Company was subdivided into twenty ordinary shares of HK$0.01 each. As at 30 September 2007, the authorized share capital of the Company is HK$40,000,000 divided into 4,000,000,000 ordinary shares of HK$0.01 each, out of which 1,529,600,000 ordinary shares are issued and 2,470,400,000 ordinary shares are unissued.

Bonus Issue of Warrants

On 8 August 2007, the Company issued 305,600,000 bonus warrants on the basis of one warrant for every five ordinary shares of HK$0.01 each held by shareholders. The warrants are exercisable from 8 August 2007 for a term of two years at an initial subscription price of HK$0.95 per ordinary share in cash, subject to adjustment, upon exercise of any subscription rights attaching to the warrant. No warrant of the Company was exercised as at 30 September 2007.

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

During the six months ended 30 September 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 maintaining high standards of corporate governance and the Board considers that effective corporate governance is an essential factor to the corporate success and to enhance shareholders' value.

The Group has applied the principles and complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting period covered by the six months ended 30 September 2007, with minor deviations as stated below.

Pursuant to Code A.4.1 of the CG Code, non-executive directors shall be appointed for a specific term. All non-executive directors of the Company, other than Mr. Alan Howard SMITH, are appointed for a specific term. Pursuant to Code A.4.2 of the CG Code, each director shall retire by rotation at least once every three years. In accordance with the Company's Articles of Association, one-third of the directors are subject to retirement by rotation and subject to re-election at each annual general meeting. The Board therefore considers that sufficient measures have been in place to ensure that the Company's corporate governance practices are no less exacting than those stipulated in the CG Code and will ensure each director shall retire by rotation at least once every three years.

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 of the Listing Rules". Having made specific enquiries with all Directors, the Directors have complied with the Model Code in their securities transactions during the six months ended 30 September 2007.

Internal Audit

The Company has appointed Mable Chan & Co. ("Internal Auditors") to provide internal audit services to the Group for the financial year ending 31 March 2008. The Internal Auditors have completed their review for the six months ended 30 September 2007 and concluded that the internal control system of the Company was adequate and no significant risks were identified.

The Board has reviewed the results of the internal control review by Internal Auditors and, after discussion with management, is satisfied that the Group's system of internal controls is adequate and effective. The Board will continue to review and improve the Group's internal control system, taking into account the 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. David YU Hon To and the other two members are Mr. Alan Howard SMITH, J.P. and Dr. Allen LEE Peng Fei, J.P.. The unaudited interim results for the six months ended 30 September 2007 has been reviewed by the Audit Committee.

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

Hong Kong, 13 December 2007

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

Executive directors:
Datuk LIM Chee Wah
Mr. Percy ARCHAMBAUD-CHAO
Ms. Patsy SO Ying Chi

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