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VXL CAPITAL LIMITED
卓越金融有限公司

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2009

The board of directors (the "Board") of VXL Capital Limited (the "Company") presents the consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2009 ("FY 2009") together with the comparative figures for the year ended 31 March 2008 ("FY 2008") as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009

	Note	**2009**	2008
		HK$'000	*HK$'000*
Continuing operations			
Turnover	2	**(10,105)**	11,501
Other operating income		**1,888**	9,512
Other gain/(loss), net	3	**47,731**	151,850
Staff costs		**(62,443)**	(22,409)
Write off of goodwill upon disposal of an investment property		**(18,314)**	-
Gain on disposal of subsidiaries		**54,393**	-
Other operating expenses		**(94,987)**	(61,735)
Operating (loss)/profit	4	**(81,837)**	88,719
Finance income		**181**	288
Finance costs		**(98,411)**	(58,425)
Share of losses of associates		**(96)**	(14)
(Loss)/profit before taxation		**(180,163)**	30,568
Taxation credit/(charge)	5	**29,087**	(26,841)
(Loss)/profit for the year from continuing operations		**(151,076)**	3,727
Discontinued operations			
Profit for the year from discontinued operations		**-**	3,837
(Loss)/profit for the year		**(151,076)**	7,564
Attributable to:			
- equity holders of the Company		**(150,407)**	7,564
- minority interest		**(669)**	-
		(151,076)	7,564
Basic and diluted earnings per ordinary share for (loss)/profit attributable to equity holders of the Company			
- Continuing operations	6	**HK (9.83) cents**	HK 0.24 cents
- Discontinued operations	6	**N/A**	HK 0.25 cents

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2009

	Note	**2009**	2008
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment	7	**161,308**	141,825
Investment properties	8	**-**	995,219
Land use rights	9	**63,338**	37,379
Construction in progress		**11,416**	-
Interests in associates		**129**	225
Available-for-sale financial assets		**2,111**	660
Receivables, prepayments and deposits	11	**157,368**	-
		395,670	1,175,308
Current assets			
Financial assets at fair value through profit or loss	10	**33,075**	21,753
Receivables, prepayments and deposits	11	**81,118**	75,056
Restricted cash		**4,043**	-
Bank balances and cash		**7,835**	29,526
		126,071	126,335
Assets held for sale		**-**	179,314
		126,071	305,649
Current liabilities			
Payables and accruals	12	**97,417**	76,847
Borrowings	13	**167,377**	484,583
		264,794	561,430
Net current liabilities		**(138,723)**	(255,781)
Total assets less current liabilities		**256,947**	919,527
Non-current liabilities			
Convertible notes		**80,398**	-
Borrowings	13	**1,769**	475,360
Deferred tax liabilities		**-**	87,591
		82,167	562,951
Net assets		**174,780**	356,576
EQUITY			
Share capital		**15,296**	15,296
Reserves		**159,484**	341,280
Total equity		**174,780**	356,576

NOTES:

1. Basis of preparation and principal 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 and financial liabilities (including derivative instruments) at fair value through profit or loss.

At 31 March 2009, the Group had net current liabilities of HK$138,723,000. It mainly consists of the outstanding payments for acquisition of budget hotels and short-term borrowings. Subsequent to the year end, the management has extended by over one year the repayment of certain short-term borrowings totaling HK$95,257,000. The Group has also received a number of loan facilities term sheets from various financial institutions in Hong Kong and The Peoples' Republic of China ("PRC"). The directors consider that the Group is in compliance with all the required terms and conditions set out in these term sheets and the loan facilities will be available to the Group shortly after all the formalities are completed. Furthermore, the Group is monitoring closely its receivables and in some cases working for its early recovery, and realizing certain assets that the Group considers appropriate and advantageous to dispose of. The management is confident that by executing its plans the Group is able to meet its obligations. Moreover, the ultimate holding company of the Company, VXL Capital Partners Corporation Limited ("VXLCPL"), has confirmed its intention to provide sufficient financial support to the Group so as to enable the Group to meet all its liabilities and obligations as and when they fall due and to enable the Group to continue its business for the foreseeable future. As such, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

(a) *Standard, amendment and interpretations to existing standards effective during the year ended 31 March 2009*

- Amendments to HKAS 39 and HKFRS 7, "Reclassification of Financial Assets"; and
- HK(IFRIC) - Int 11, "HKFRS 2 – Group and Treasury Share Transactions".

The adoption of these amendments and interpretation does not have significant impact on the Group's consolidated financial statements.

(b) *Interpretations to existing standards effective during the year ended 31 March 2009 but not relevant to the Group's operation*

- HK(IFRIC) – Int 12, "Service Concession Arrangements"; and
- HK(IFRIC) – Int 14, "HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction"

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

The following Standards, amendments and revisions to existing Standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

		Effective for accounting periods beginning on or after
– HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
– HKAS 2 (Amendment)	Inventories	1 January 2009
– HKAS 7 (Amendment)	Statement of Cash Flows	1 January 2009
– HKAS 8 (Amendment)	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2009
– HKAS 10 (Amendment)	Events after the Balance Sheet Date	1 January 2009
– HKAS 16 (Amendment)	Property, Plant and Equipment	1 January 2009
– HKAS 17 (Amendment)	Leases	1 January 2010
– HKAS 18 (Amendment)	Revenue	1 January 2009
– HKAS 19 (Amendment)	Employee Benefits	1 January 2009

		Effective for accounting periods beginning on or after
– HKAS 20 (Amendment)	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2009
– HKAS 23 (Revised)	Borrowing Costs	1 January 2009
– HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
– HKAS 28 (Amendment)	Investments in Associates	1 January 2009
– HKAS 29 (Amendment)	Financial Reporting in Hyperinflationary Economies	1 January 2009
– HKAS 31 (Amendment)	Interests in Joint Ventures	1 January 2009
– HKAS 32 (Amendment)	Financial Instruments: Presentation	1 January 2009
– HKAS 34 (Amendment)	Interim Financial Reporting	1 January 2009
– HKAS 36 (Amendment)	Impairment of Assets	1 January 2009
– HKAS 38 (Amendment)	Intangible Assets	1 January 2009
– HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement	1 January 2009
– HKAS 40 (Amendment)	Investment Property	1 January 2009
– HKAS 41 (Amendment)	Agriculture	1 January 2009
– Amendments to HKFRS 1 and HKAS 27	HKFRS 1 (Amendment), “First Time Adoption of HKFRS” and HKAS 27 (Amendment), “Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate”	1 January 2009
– HKFRS 1 (Amendment)	First Time Adoption of HKFRS	1 July 2009
– HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations	1 January 2009
– HKFRS 3 (Revised)	Business Combinations	1 July 2009
– HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations	1 July 2009
– HKFRS 7 (Amendment)	Financial Instruments: Disclosures	1 January 2009
– HKFRS 8	Operating Segments	1 January 2009
– HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives	1 July 2009
– HK(IFRIC) – Int 13	Customer Loyalty Programmes	1 July 2008
– HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate	1 January 2009
– HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
– HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners	1 July 2009
– HK(IFRIC) – Int 18	Transfers of Assets from Customers	1 July 2009

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

2. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in (i) property investment, (ii) hotel investment and management and (iii) securities trading and investment.

	2009	2008
	HK$'000	*HK$'000*
Rental and other fee income	**2,211**	10,222
Net realized (loss)/income from trading securities	**(12,316)**	1,279
	(10,105)	11,501

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. The Group will continue to look for quality properties for future investment;

b) the hotel investment and management segment is engaged in hotel investment and hotel operations;

c) 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 (loss)/income from trading securities; and

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

The Group's financial services operation was discontinued during the year ended 31 March 2008. There was no discontinued operation during the year ended 31 March 2009.

Capital expenditures comprise additions to investment properties (Note 8), property, plant and equipment (Note 7), land use rights (Note 9) and construction in progress. Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, construction in progress, 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.

The segment results, major non-cash items and capital expenditures based on business segments for the years ended 31 March 2009 and 2008 are as follows:

	Property investment HK$'000	Hotel investment & management HK$'000	Securities trading & investment HK$'000	Unallocated HK$'000	The Group HK$'000
For the year ended 31 March 2009					
Segment revenue					
Sales to external customers	2,124	87	(12,316)	-	(10,105)
Segment results	(41,216)	(33,825)	(15,655)		(90,696)
Write off of goodwill upon disposal of an investment property	(18,314)	-	-	-	(18,314)
Gain on disposal of subsidiaries	54,071	322	-	-	54,393
Change in fair value of the embedded derivatives component of convertible notes (Note 3)	-	11,218	-	11,218	22,436
Change in fair value of derivative financial instruments (Note 3)	-	13,646	-	13,647	27,293
Unallocated operating income and expenses, net					(76,949)
Finance income					181
Finance costs	(29,668)	(12,573)	(6)	(56,164)	(98,411)
Share of losses of associates					(96)
Loss before taxation					(180,163)
Taxation					29,087
Loss for the year					(151,076)
Other segment information					
Change in fair value on investment properties (Note 3)	(379)	-	-	-	(379)
Depreciation and amortization	142	6,824	-	1,059	8,025
Capital expenditures					
- Investment properties	116,463	-	-	-	116,463
- Property, plant and equipment	23	21,554	-	3,014	24,591
- Land use rights	-	26,752	-	-	26,752
- Construction in progress	-	11,413	-	-	11,413

	Continuing operations					Discontinued operations		
	Property investment *HK$'000*	Hotel investment & management *HK$'000*	Securities trading & investment *HK$'000*	Unallocated *HK$'000*	Subtotal *HK$'000*	Financial services *HK$'000*	Elimination *HK$'000*	The Group *HK$'000*
For the year ended 31 March 2008								
Segment revenue								
Sales to external customers	10,188	34	1,279	-	11,501	3,876	-	15,377
Inter-segment revenue	-	-	-	-	-	317	(317)	-
Total segment revenue	10,188	34	1,279	-	11,501	4,193	(317)	15,377
Segment results	135,224	(27,087)	19,341		127,478	462		127,940
Unallocated operating income and expenses, net					(38,759)	-		(38,759)
Finance income					288	-		288
Finance costs	(34,383)	-	-	(24,042)	(58,425)	-		(58,425)
Profit on disposal of discontinued operations					-	2,189		2,189
Share of (losses)/profits of associates					(14)	1,230		1,216
Profit before taxation					30,568	3,881		34,449
Taxation					(26,841)	(44)		(26,885)
Profit for the year					3,727	3,837		7,564
Other segment information								
Change in fair value on investment properties (Note 3)	143,251	-	-	-	143,251	-		143,251
Depreciation and amortization	370	1,429	-	3,244	5,043	22		5,065
Provision for impairment of property, plant and equipment	-	5,775	-	-	5,775	-		5,775
Capital expenditures								
- Investment properties	39,175	-	-	-	39,175	-		39,175
- Property, plant and equipment	987	137,896	-	1,276	140,159	-		140,159
- Land use rights	-	35,610	-	-	35,610	-		35,610

The segment assets and liabilities based on business segments as at 31 March 2009 and 2008 are as follows:

	Property investment *HK$'000*	Hotel investment & management *HK$'000*	Securities trading & investment *HK$'000*	Unallocated *HK$'000*	The Group *HK$'000*
At 31 March 2009					
Segment assets	134,271	364,650	1,977	8,836	509,734
Interests in associates					129
Restricted cash					4,043
Bank balances and cash					7,835
Total assets					521,741
Segment liabilities	25,697	38,933	-	40,863	105,493
Other loans and convertible notes	57,970	87,512	-	37,573	183,055
Amount due to ultimate holding company					58,413
Total liabilities					346,961
At 31 March 2008					
Segment assets	1,182,866	238,259	21,754	8,327	1,451,206
Interests in associates					225
Bank balances and cash					29,526
Total assets					1,480,957
Segment liabilities	51,896	18,472	-	6,940	77,308
Bank and other loans	500,315	-	-	271,474	771,789
Amount due to ultimate holding company					187,693
Deferred tax liabilities					87,591
Total liabilities					1,124,381

Secondary reporting format – geographical segments

The Group's business segments operate in Hong Kong and the PRC. The segment revenue and capital expenditures based on geographical segments for the years ended 31 March 2009 and 2008 are as follows:

	2009	2008			
	The Group *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Eliminated *HK$'000*	The Group *HK$'000*
Revenue					
Hong Kong	**(10,192)**	11,467	4,193	(317)	15,343
PRC	**87**	34	-	-	34
	(10,105)	11,501	4,193	(317)	15,377
Capital expenditures					
Hong Kong	**3,014**	1,014	-	-	1,014
PRC	**176,205**	213,930	-	-	213,930
	179,219	214,944	-	-	214,944

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 31 March 2009 and 2008 are analyzed as follows:

	2009	2008
	HK$'000	*HK$'000*
Total assets		
Hong Kong	**33,979**	222,220
PRC	**487,762**	1,258,737
	521,741	1,480,957

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

3. OTHER GAIN/(LOSS), NET

	2009	2008
	HK$'000	*HK$'000*
Change in fair value on investment properties (Note 8)	**(379)**	143,251
Unrealized (loss)/gain on financial assets at fair value through profit or loss	**(1,619)**	8,599
Change in fair value of the embedded derivatives component of convertible notes	**22,436**	-
Change in fair value of derivative financial instruments	**27,293**	-
	47,731	151,850

Unrealized (loss)/gain on financial assets at fair value through profit or loss is classified under "Other gain/(loss), net". Accordingly, the comparative figures have been reclassified to conform to the current year's presentation.

4. OPERATING (LOSS)/PROFIT

	2009	2008
	HK$'000	*HK$'000*
Operating (loss)/profit is arrived at after charging/(crediting):		
Legal and professional fee	**8,096**	7,404
Consultancy fee	**4,791**	14,379
Rental income from investment properties	**(2,124)**	(10,188)
Direct outgoings for investment properties	**574**	3,095
Depreciation and amortization	**8,025**	5,043
Provision for impairment of property, plant and equipment	**8**	5,775
(Gain)/loss on disposal of property, plant and equipment	**(433)**	114
Auditors' remuneration		
- audit	**990**	920
- non-audit	**664**	574
Net exchange gain	**(1,241)**	(1,017)
Operating leases - land and buildings	**13,668**	6,781

5. TAXATION

Hong Kong profits tax is assessed at the statutory rate of 16.5% (year ended 31 March 2008: 17.5%) on the assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

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

	2009	2008
	HK$'000	*HK$'000*
Current tax	**1**	-
Deferred tax	**(29,088)**	26,841
	(29,087)	26,841

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

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

	2009	2008
(Loss)/profit attributable to the equity holders of the Company		
- from continuing operations, HK$'000	**(150,407)**	3,727
- from discontinued operations, HK$'000	**-**	3,837
Weighted average number of ordinary shares in issue	**1,529,600,200**	1,528,906,637
Basic earnings per share		
- from continuing operations, HK cents	**(9.83)**	0.24
- from discontinued operations, HK cents	**N/A**	0.25

(b) Diluted earnings per ordinary share is calculated by adjusting the weighted average number of ordinary shares to assume conversion of all dilutive potential ordinary shares. The conversion of all potential ordinary shares arising from share options, convertible notes and warrants would have an anti-dilutive effect on the earnings per ordinary share for the year ended 31 March 2009. There were no convertible notes outstanding at 31 March 2008, and the conversion of all potential ordinary shares arising from share options and warrants would have an anti-dilutive effect on the earnings per ordinary share for the year ended 31 March 2008.

7. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties	Furniture and fixtures	Office equipment and machinery	Computer and related equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At 1 April 2008	132,748	11,417	7,229	1,087	3,243	155,724
Additions	19,150	569	262	1,256	3,354	24,591
Disposals	-	(26)	(419)	(324)	(2,295)	(3,064)
Exchange difference	2,994	460	160	10	28	3,652
At 31 March 2009	154,892	12,420	7,232	2,029	4,330	180,903
Accumulated depreciation						
At 1 April 2008	1,134	10,669	375	636	1,085	13,899
Charge for the year	3,533	462	1,408	209	773	6,385
Disposals	-	(6)	(117)	(68)	(1,001)	(1,192)
Provision for impairment	-	8	-	-	-	8
Exchange difference	26	452	7	2	8	495
At 31 March 2009	4,693	11,585	1,673	779	865	19,595
Net book value						
At 31 March 2009	150,199	835	5,559	1,250	3,465	161,308
Cost						
At 1 April 2007	-	5,945	289	1,188	2,462	9,884
Additions	125,781	6,113	6,611	132	1,522	140,159
Disposals	-	(99)	(45)	(259)	(819)	(1,222)
Classified as assets held for sale	-	(578)	-	-	-	(578)
Exchange difference	6,967	36	374	26	78	7,481
At 31 March 2008	132,748	11,417	7,229	1,087	3,243	155,724
Accumulated depreciation						
At 1 April 2007	-	2,805	99	612	818	4,334
Charge for the year	1,074	2,676	294	232	597	4,873
Disposals	-	(79)	(32)	(211)	(369)	(691)
Provision for impairment	-	5,752	-	-	23	5,775
Classified as assets held for sale	-	(496)	-	-	-	(496)
Exchange difference	60	11	14	3	16	104
At 31 March 2008	1,134	10,669	375	636	1,085	13,899
Net book value						
At 31 March 2008	131,614	748	6,854	451	2,158	141,825

8. INVESTMENT PROPERTIES

	2009	2008
	HK$'000	*HK$'000*
At 1 April	**995,219**	891,561
Additions	**116,463**	39,175
Change in fair value	**(379)**	143,251
Disposal of subsidiaries	**(1,135,847)**	-
Exchange difference	**24,544**	82,150
At 31 March	**-**	1,156,137
Less: amount classified as assets held for sale	**-**	(160,918)
	-	995,219

9. LAND USE RIGHTS

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

	2009	2008
	HK$'000	*HK$'000*
Cost		
At 1 April	**37,582**	-
Additions	**26,752**	35,610
Exchange difference	**852**	1,972
At 31 March	**65,186**	37,582
Accumulated amortization		
At 1 April	**203**	-
Charge for the year	**1,640**	192
Exchange difference	**5**	11
At 31 March	**1,848**	203
Net book value		
At 31 March	**63,338**	37,379

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009	2008
	HK$'000	*HK$'000*
Listed equity securities in Hong Kong held for trading, at market value	**1,964**	21,753
Unlisted equity securities in overseas	**31,111**	-
	33,075	21,753

Financial assets at fair value through profit or loss are presented within 'Operating activities' as part of changes in working capital in the consolidated cash flow statement.

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'Other gain/(loss), net', in the consolidated income statement.

The fair value of all listed equity securities are based on their current bid prices in an active market. The Group establishes fair value of the unlisted securities in overseas by reference to recent arm's length transactions.

11. RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2009	2008
	HK$'000	*HK$'000*
Non-current		
Receivable from a former subsidiary	**54,929**	-
Deposits for acquisition of hotel properties	**102,439**	-
	157,368	-
Current		
Trade receivables	**-**	384
Other receivables	**13,583**	2,665
Deposits for acquisition of hotel properties	**22,624**	62,197
Receivable from a former subsidiary	**34,012**	-
Other prepayments and deposits	**10,899**	9,810
	81,118	75,056
	238,486	75,056

Trade receivables represent rental income receivable. Rental income is billed in advance on a monthly basis. All billings are due on presentation.

The carrying amounts of receivables, prepayments and deposits approximate their fair value.

Trade receivables that are less than three months past due are not considered impaired. As of 31 March 2009, trade receivables of HK$Nil (2008: HK$384,000) were aged within three months, past due but not impaired. As at 31 March 2009 and 2008, none of the receivables, prepayments and deposits was impaired.

The amount due from a former subsidiary represents amounts receivable from Peak Moral High Commercial Development (Shanghai) Limited ("Peak Moral High"), a wholly owned subsidiary which has been disposed of during the year. The non-current portion of amount due from a former subsidiary matures within two years and is discounted at an effective interest rate of 12% per annum.

12. PAYABLES AND ACCRUALS

	2009	2008
	HK$'000	*HK$'000*
Trade payables (note a)	**-**	163
Property acquisition cost payable (note b)	**7,732**	6,200
Other payables and accruals	**89,685**	38,284
Deposits received from disposal of an investment property	**-**	32,200
	97,417	76,847

(a) As at 31 March 2008, trade payables of HK$132,000 and HK$31,000 were aged within one month and between one and three months respectively.

(b) This represents the remaining balance of consideration payable for acquiring one hotel property (2008: one).

13. BORROWINGS

	2009	2008
	HK$'000	*HK$'000*
Non-current		
Bank loans	**-**	475,090
Obligations under finance leases	**1,769**	270
	1,769	475,360
Current		
Bank loans	**-**	25,225
Other loans	**107,909**	271,474
Obligations under finance leases	**1,055**	191
Amount due to ultimate holding company	**58,413**	187,693
	167,377	484,583
	169,146	959,943

Subsequent to the year end, the repayment dates of the other loans of HK$95,257,000 have been extended to August 2010.

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the year ended 31 March 2009 (2008: nil).

FINANCIAL PERFORMANCE REVIEW

Turnover

Group turnover for FY 2009 comprised two elements namely the rental income of HK$2.2 million and the realized loss on listed securities trading of HK$12.3 million. The rental income has dropped from HK$10.2 million in FY 2008 to HK$2.2 million in FY 2009. This was due to our disposal of the property situated at 112 Chun Yeung Street, North Point, Hong Kong ("112 Apartments") in June 2008. Although the HK$12.3 million trading loss was recorded in FY 2009, the actual trading result of these realized listed securities, taken together over the last 3 years, was a net gain of HK$4.7 million.

Other operating income and other gain

Other operating income and other gain comprised dividend income from listed investments and the change in fair value of the embedded derivatives component of convertible notes and derivative financial instruments.

Gain on disposal of subsidiaries

This year, the Group recorded a gain of HK$54.4 million on disposal of subsidiaries, out of which HK$54.1m was from disposing 95% equity interest of Moral High Limited ("Moral High"), the company which owned the North Block and South Block of the property development known as Changshou Commercial Plaza situated in Putuo District, Shanghai, the PRC ("Changshou Properties"). The total gain on Changshou Properties was taken up in the last three years in ways of fair value gain, negative goodwill, net profits in subsidiaries and net exchange gain realized on disposal of subsidiaries. The total fair value gain and negative goodwill realized were RMB269.2 million (equivalent to approximately HK$305.8m). After taken into account the operating costs, finance costs and the realization of exchange reserve, the net gain on Changshou Properties was HK$172.9 million. The Group still holds 5% equity interest in the Moral High with a carrying value of HK$31.1 million which had a fair value gain of HK$3.2 million recorded in the FY 2009.

Staff costs and other operating expenses

Included in other operating expenses were HK$40.7 million of legal, property management, agency and professional fees, and, property tax related to Changshou Properties. These expenses were non-recurring as the Changshou Properties had been successfully disposed in November 2008.

Commencing from the last financial year, the Group, in pursuing its strategy of capitalizing on the business opportunities in the PRC market, had setup its own local management team to manage its investments in Changshou Properties and the hotel properties, as well as on-going corporate development projects and activities in the PRC. The manpower and office rentals had increased in FY 2009 to cater for the higher workload.

Other operating expenses which are of a recurring nature comprise mainly office rentals, depreciation, and other corporate expenses related to on-going corporate development activities. The office rental has been doubled due to new rental agreement started on 1 May 2008. The depreciation expense increased to HK$8.0 million as a result of the amortizing of "U" Inn fixed assets. Other recurring operating expenses have remained largely the same in FY 2009 as compared to the previous year.

Finance costs

FY 2009 saw the increase of finance costs by HK$40.0 million to HK$98.4 million, primarily due to increased borrowings in the previous financial year for the commissioning of Changshou Properties, financing the purchase of hotels from China Post Group, as well as for general working capital needs. However, with the disposal of Changshou Properties in November 2008 and the consequential substantial reduction in total borrowings, finance costs decreased by 24.6% in the second half year of FY 2009 as compared to the first half year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained a total bank and cash balances of HK$11.9 million as of 31 March 2009, of which HK$4.0 million was held in escrow account as security for the convertible notes interest payment. Cash deposits have been placed with major banks in Hong Kong and the PRC in the form of Hong Kong dollar and Renminbi deposits mainly.

As of 31 March 2009, the Group had other loans and amount due to ultimate holding company totaling HK$166.3 million due within one year, a 2-year convertible notes of HK$80.4 million, and obligations under finance leases of HK$2.8 million maturing within 5 years. The total borrowings have reduced as the disposal of investment properties had brought in cashflow for the repayment of loans.

The Group's gearing ratio is measured on the basis of the Group's total interest-bearing debts net of cash reserves over the total equity. As of 31 March 2009, the gearing ratio was 136.0% (31 March 2008: 260.9%). The decrease in the gearing ratio over the two financial years was due to substantial reduction in borrowings out of proceeds from the sale of Changshou Properties.

Subsequent to the year end, the management has extended the repayment of certain short-term borrowings in the amount of HK$95.3 million by over one year. The Group is also arranging for additional borrowing facilities in Hong Kong and the PRC. Furthermore, the Group is monitoring closely its receivables and in some cases working for its early recovery, and, realizing certain assets that the Group considers appropriate and advantageous to dispose of.

The Group's current and future funding requirements will be met by means of some or all of the following sources: orderly realization of short term financial assets and receivables, potential bank and equity financing, strategic partnerships, or strategic joint ventures.

BUSINESS REVIEW AND CORPORATE DEVELOPMENT

During FY 2009, the Group had successfully completed the disposals of the 112 Apartments and the Changshou Properties and had, ahead of the global financial crisis, realized a maximized capital gain on its property investments. On hindsight, these disposals were completed on a perfect timing.

BUDGET HOTELS

During the previous financial year, FY 2008, the Group had acquired and committed to acquire up to 28 hotel properties in the PRC from China Post Group. The Group will continue, as one of its strategies, in developing a hotel chain in provincial capitals and fast-growing cities in the PRC to cater for the ever expanding business travelers and tourists across China.

As previously reported in the Interim Report 2008, the Group had started the refurbishment and re-branding of some hotel properties and it was expected that the first five hotels would be launched in the first half of 2009. However, as the magnitude of the American financial crisis unfolded across the globe, we took precautionary measures and decided to launch one hotel first and the rest at appropriate times. Concurrently, we took this opportunity to search for joint venture or partnership with hotel management companies where such cooperation would bring higher cost efficiencies to the Group. It is now expected that the opening of the first hotel under the "U" Inn brand will be in August 2009 in the city of Xiangfan, Hubei.

It is the intention of the Group to build the acquired hotel properties into a sizeable portfolio. The investment in these hotel properties as well as other potential tourism real estate in China will also provide the Group with, in addition to a traditional income stream, opportunities for capital appreciation.

CHANGSHOU PROPERTIES: Retail spaces in Shanghai

The Group had, in November 2008, completed the disposal of its 95% equity interest in its wholly-owned subsidiary, Moral High to a company which is indirectly controlled by affiliates of the Blackstone Group L.P. Moral High, via its wholly-owned subsidiary, Peak Moral High, owns the Changshou Properties. The Group acquired the Changshou Properties in January 2007 and has taken up a remarkable capital appreciation of approximately HK$305.8 million in previous years. The overall net gain on the Group's 95% equity interest in Moral High was HK$172.9 million after netting off all directly attributable costs.

After the completion of disposal of the Changshou Properties, the Group has repaid all the bank loans and some of the other borrowings. The gearing ratio of the Group has improved from 260.9% as at 31 March 2008 to 136.0% as at 31 March 2009.

112 APARTMENTS: Serviced apartment tower in Hong Kong

The Group had, in June 2008, completed the disposal of the 112 Apartments, a 96-unit serviced apartment tower located in the eastern part of Hong Kong Island for a cash consideration of HK$161.0 million. At an acquisition cost of HK$110.0 million in September 2005, the Group has realized a capital gain of HK$51.0 million in less than a three–year holding period, giving a gross return of 46.4%.

Issue of Convertible Notes

The Company had, on 29 August 2008, entered into a Subscription Agreement to issue Convertible Notes (the "Notes") in the aggregate principal amount of US$38.0 million (equivalent to approximately HK$296.4 million). The Notes were to be issued in two tranches with the First Tranche of US$15.0 million (equivalent to approximately HK$117.0 million) and an option at the election of the subscriber for the Second Tranche of US$23.0 million (equivalent to approximately HK$179.4 million).

The Company had, on 9 September 2008, issued the First Tranche of US$15.0 million. The Notes issued have remained outstanding as at 31 March 2009, as there was no conversion of the Notes made by the subscriber. The option for the Second Tranche was not exercised and lapsed in March 2009.

The Notes are convertible at the initial conversion price of HK$0.97 per share, and upon full conversion a total of 120,618,556 conversion shares will be issued by the Company.

PROSPECTS

The impact of the 2008-2009 financial turmoil in the global investment markets was massive and extensive. The global investment market is still volatile and vulnerable. The current worldwide downturn has led to a prevalent credit squeeze across all businesses. Operating under these circumstances, the management will carefully assess, and, if necessary, modify its strategies so as to adapt to the changing operational parameters.

The economy of the PRC is projected to continue to grow steadily due to the Chinese central government's macro-economic policies to boost its domestic markets. The Group will continue to focus on its core business of investing in the PRC in property-related investments. As mentioned above, the Group is exploring opportunities in joint venture or partnership with hotel management companies. The aims for joining hands with such companies are to enhance our hotel management team as well as to further promote our business.

OTHER INFORMATION

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

During the year ended 31 March 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance

Compliance with the Code on Corporate Governance Practices

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

The Group has applied the principles and complied with the code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the accounting period covered by the year ended 31 March 2009, with minor deviations as stated below.

Pursuant to Code A.4.1 of the CG Code, non-executive directors shall be appointed for a specific term, subject to re-election. All the Non-executive Directors of the Company, other than Mr. Alan Howard SMITH, J.P., are appointed for specific term. Pursuant to Code A.4.2 of the CG Code, each director shall retire by rotation at least once every three years. In accordance with the Company’s Articles of Association, one-third of the directors are subject to retirement by rotation and subject to re-election at each annual general meeting. The Board therefore considers that as the Board consists of six directors and each of them retires in every three years, this effectively achieves the same objective as set out in the CG Code.

Model Code For Securities Transactions by Directors

The Board has adopted its own code of conduct regarding securities transactions by Directors (the “Model Code”) on terms no less exacting than the required standard set out in the “Model Code for Securities Transactions by Directors of Listed Issuers” of the Listing Rules. Having made specific enquiries with all Directors, the Directors have complied with the Model Code in their securities transactions during the year ended 31 March 2009.

Internal Audit

The Company has appointed an independent audit firm (“Internal Auditors”) to provide internal audit services to the Group for the financial year ended 31 March 2009. The Internal Auditors have completed their review and concluded that the internal control system of the Company was adequate and no significant risks were identified. The Internal Auditors also made certain recommendations in their report for the Company’s consideration to improve its internal controls and efficiency.

The Board has reviewed the results of the internal controls reviewed 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 recommendations of the Internal Auditors and the prevailing regulatory requirements.

Review of Preliminary Announcement

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 March 2009 have been agreed by the Group’s external auditors, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

Audit Committee

The Audit Committee comprises all the Independent Non-executive Directors who possess appropriate business, legal, engineering and financial experience and skills to undertake review of financial statements in accordance with good practice of financial reporting. The Audit Committee is chaired by Mr. David YU Hon To and the other two members are Mr. Alan Howard SMITH, J.P. and Dr. Allen LEE Peng Fei, J.P.. The financial results for the year ended 31 March 2009 have been reviewed by the Audit Committee.

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 Monday, 24 August 2009 at 2:30 p.m. The Notice of AGM will be posted in the websites of The Stock Exchange of Hong Kong Limited and the Company and dispatched to shareholders as soon as practicable.

ACKNOWLEDGEMENT

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

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

Hong Kong, 24 July 2009

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

Executive Directors:

Datuk LIM Chee Wah
Mr. Percy ARCHAMBAUD-CHAO
Mr. XIAO Huan Wei

Independent Non-executive Directors:

Mr. Alan Howard SMITH, J.P.
Dr. Allen LEE Peng Fei, J.P.
Mr. David YU Hon To