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 2009

The board of directors (the "Board") of VXL Capital Limited (the "Company") presents the unaudited condensed consolidated financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2009 together with the comparative figures for the six months ended 30 September 2008.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

		Six months ended 30 September	
		2009	2008
	Note	***HK$'000***	*HK$'000*
Turnover	2	**662**	2,163
Other operating income		**-**	1,880
Other gain/(loss), net	3	**4,887**	1,456
Staff costs		**(15,141)**	(14,964)
Write off of goodwill upon disposal of an investment property		**-**	(18,314)
Other operating expenses		**(15,295)**	(42,006)
Operating loss	4	**(24,887)**	(69,785)
Finance income		**12**	78
Finance costs		**(35,300)**	(56,106)
Share of losses of associates		**(16)**	(85)
Loss before taxation		**(60,191)**	(125,898)
Taxation (charge)/credit	5	**(2)**	30,825
Loss for the period		**(60,193)**	(95,073)
Other comprehensive income:			
Currency translation differences		**346**	19,725
Other comprehensive income for the period		**346**	19,725
Total comprehensive income for the period		**(59,847)**	(75,348)
Loss attributable to:			
- equity holders of the Company		**(60,193)**	(94,215)
- minority interest		**-**	(858)
		(60,193)	(95,073)
Total comprehensive income attributable to:			
- equity holders of the Company		**(59,847)**	(74,490)
- minority interest		**-**	(858)
		(59,847)	(75,348)
Basic and diluted earnings per ordinary share for loss attributable to equity holders of the Company	6	**HK (3.94) cents**	HK (6.16) cents

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 SEPTEMBER 2009

	Note	***(Unaudited)*** **30 September 2009** ***HK$'000***	*(Audited)* 31 March 2009 *HK$'000*
Non-current assets			
Property, plant and equipment	7	**233,159**	161,308
Land use rights	7	**78,680**	63,338
Construction in progress		**3,671**	11,416
Interests in associates		**113**	129
Available-for-sale financial assets		**2,111**	2,111
Receivables, prepayments and deposits	8	**30,903**	157,368
		348,637	395,670
Current assets			
Financial assets at fair value through profit or loss		**31,111**	33,075
Receivables, prepayments and deposits	8	**111,533**	81,118
Restricted cash		**3,476**	4,043
Bank balances and cash		**6,484**	7,835
		152,604	126,071
Current liabilities			
Payables and accruals	9	**108,396**	97,417
Convertible notes		**97,399**	-
Borrowings		**178,679**	167,377
		384,474	264,794
Net current liabilities		**(231,870)**	(138,723)
Total assets less current liabilities		**116,767**	256,947
Non-current liabilities			
Convertible notes		**-**	80,398
Borrowings		**1,484**	1,769
		1,484	82,167
Net assets		**115,283**	174,780
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**15,296**	15,296
Reserves		**99,987**	159,484
Total equity		**115,283**	174,780

NOTES:

1. Basis of preparation and principal accounting policies

These unaudited condensed consolidated financial information for the six months ended 30 September 2009 are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting".

These condensed consolidated financial information should be read in conjunction with the financial statements for the year ended 31 March 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The condensed consolidated financial information have been prepared under the historical cost convention, except as modified by the revaluation of the available-for-sale financial assets, and the financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, which are carried at fair value.

For the six months ended 30 September 2009, the Group had a loss of HK$60,193,000 (2008: HK$95,073,000). At 30 September 2009, the Group had net current liabilities of HK$231,870,000 (31 March 2009: HK$138,723,000). Its current liabilities mainly consist of the outstanding payments for acquisition of budget hotels, short-term borrowings and convertible notes. Subsequent to the period ended 30 September 2009, the management has procured a lender of the Company to subscribe preferred shares in "U" Inns & Hotels Holdings Limited ("UIHHL"), a wholly-owned subsidiary of the Company, at a total subscription price of HK$145.0 million. The total subscription price was paid in the form of cash payment of HK$75.0 million and settlement of the outstanding loans from this lender of HK$70.0 million. Furthermore, the Group has managed to early recover some of its receivables, and has been working for 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. Subsequent to the period ended 30 September 2009, VXLCPL and the Company have entered into a shareholder's loan agreement whereby VXLCPL will lend a short-term loan of up to HK$273.0 million to the Group. As at the date of this report, HK$106.0 million has been drawn down. 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.

The accounting policies used in these condensed consolidated financial information are consistent with those of the annual financial statements for the year ended 31 March 2009.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2009.

- HKAS 1 (Revised), "Presentation of Financial Statements". The Group has elected to present a statement of comprehensive income. The interim financial information have been prepared under the revised disclosure requirements;

- HKAS 23 (Revised), "Borrowing Costs". The Group has adopted this Standard on 1 April 2009 and has capitalized borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset;

- HKFRS 7 (Amendment), "Financial Instruments: Disclosures". The Group will make additional relevant disclosures in its annual financial statements ending 31 March 2010; and

- HKFRS 8, "Operating Segments". The Group has adopted this Standard on 1 April 2009. Details of the segment information are presented in Note 2.

The following amendments to standards and interpretations are mandatory for the first time for financial year beginning 1 April 2009 but are not currently relevant for the Group:

HKAS 7 (Amendment)	Statement of Cash Flows
HKAS 16 (Amendment)	Property, Plant and Equipment
HKAS 19 (Amendment)	Employee Benefits
HKAS 20 (Amendment)	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
HKAS 28 (Amendment)	Investments in Associates
HKAS 29 (Amendment)	Financial Reporting in Hyperinflationary Economies
HKAS 31 (Amendment)	Interest in Joint Venture
Amendments to HKAS 32 and HKAS 1	HKAS 32 (Amendment), "Financial Instruments: Presentation", and HKAS 1 (Amendment), "Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation"
HKAS 36 (Amendment)	Impairment of Assets
HKAS 38 (Amendment)	Intangible Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement
Amendments to HKAS 39 and HK(IFRIC) – Int 9	HKAS 39 (Amendment), "Financial Instruments: Recognition and Measurement" and HK(IFRIC) – Int 9, "Reassessment of Embedded Derivatives"
HKAS 40 (Amendment)	Investment Property
HKAS 41 (Amendment)	Agriculture
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

The following amendments to standards and interpretations have been issued, but not effective for the financial year beginning 1 April 2009 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements	1 January 2010
HKAS 7 (Amendment)	Statement of Cash Flows	1 January 2010
HKAS 17 (Amendment)	Leases	1 January 2010
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKAS 36 (Amendment)	Impairment of Assets	1 January 2010
HKAS 38 (Amendment)	Intangible Assets	1 July 2009
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedged Items	1 July 2009
HKFRS 2 (Amendment)	Share-based Payments	1 July 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
HKFRS 8 (Amendment)	Operating Segments	1 January 2010
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives	1 July 2009
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation	1 July 2009
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 amendments to standards and interpretations on the consolidated financial statements. 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.

In addition, the Hong Kong Institute of Certified Public Accountants also published a number of amendments to existing standards under its annual improvement project. These amendments are not expected to have a significant financial impact on the interim results and financial position of the Group.

2. TURNOVER AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board of Directors. Management determines the operating segments based on the Group's internal reports, which are then submitted to the Board of Directors for performance assessment and resources allocation.

The Board of Directors identifies the following reportable operating segments by business perspective:

a) the property investment segment is engaged in operation of the investment properties;
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 income from trading of securities; 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 (Note 7), land use rights (Note 7), construction in progress and investment properties. Segment assets consist primarily of property, plant and equipment, land use rights, investment properties, investments and receivables. Segment liabilities comprise operating liabilities (Note 9), borrowings and convertible notes. 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. Segment liabilities exclude items such as amount due to ultimate holding company.

The segment results, depreciation and amortization, and capital expenditures for the six months ended 30 September 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*
Six months ended 30 September 2009					
Segment revenue					
Sales to external customers	-	241	421	-	662
Segment results	16	(13,098)	417		(12,665)
Change in fair value of the embedded derivatives component of convertible notes (Note 3)	-	2,443	-	2,444	4,887
Unallocated operating income and expenses, net					(17,109)
Finance income					12
Finance costs	(2,937)	(16,352)	-	(16,011)	(35,300)
Share of losses of associates					(16)
Loss before taxation					(60,191)
Taxation					(2)
Loss for the period					(60,193)
Other segment information					
Depreciation and amortization	-	2,168	-	432	2,600
Capital expenditures					
- Property, plant and equipment	-	7,358	-	-	7,358
- Land use rights	-	6,165	-	-	6,165
- Construction in progress	-	5,786	-	-	5,786

	Property investment *HK$'000*	Hotel investment & management *HK$'000*	Securities trading & investment *HK$'000*	Unallocated *HK$'000*	The Group *HK$'000*
Six months ended 30 September 2008					
Segment revenue					
Sales to external customers	2,124	62	(23)	-	2,163
Segment results	(26,398)	(14,697)	(10,573)		(51,668)
Write off of goodwill upon disposal of an investment property	(18,314)	-	-	-	(18,314)
Change in fair value of derivative financial instruments (Note 3)	-	5,533	-	5,532	11,065
Change in fair value of the embedded derivatives component of convertible notes (Note 3)	-	5,354	-	5,355	10,709
Unallocated operating income and expenses, net					(21,577)
Finance income					78
Finance costs	(22,521)	(1,076)	-	(32,509)	(56,106)
Share of losses of associates					(85)
Loss before taxation					(125,898)
Taxation					30,825
Loss for the period					(95,073)
Other segment information					
Fair value loss on investment properties (Note 3)	8,190	-	-	-	8,190
Depreciation and amortization	122	5,211	-	578	5,911
Capital expenditures					
- Investment properties	124,223	-	-	-	124,223
- Property, plant and equipment	22	19,730	-	3,004	22,756
- Land use rights	-	22,424	-	-	22,424

The segment assets and liabilities as at 30 September 2009 and 31 March 2009 are as follows:

	Property investment *HK$'000*	Hotel investment & management *HK$'000*	Securities trading & investment *HK$'000*	Unallocated *HK$'000*	The Group *HK$'000*
As at 30 September 2009					
Segment assets	108,529	373,852	6	8,781	491,168
Interests in associates					113
Restricted cash					3,476
Bank balances and cash					6,484
Total assets					501,241
Segment liabilities	29,557	43,027	-	38,112	110,696
Other loans and convertible notes	47,347	118,638	-	48,700	214,685
Amount due to ultimate holding company					60,577
Total liabilities					385,958
As 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

Additional disclosures on segment information by geographical location are shown below:

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 2009 and 2008 are as follows:

	Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
Revenue		
Hong Kong	**421**	2,101
PRC	**241**	62
	662	2,163
Capital expenditures		
Hong Kong	**-**	3,004
PRC	**19,309**	166,399
	19,309	169,403

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 2009 and 31 March 2009 are as follows:

	30 September 2009	31 March 2009
	HK$'000	*HK$'000*
Total assets		
Hong Kong	**42,009**	33,979
PRC	**459,232**	487,762
	501,241	521,741

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

3. OTHER GAIN/(LOSS), NET

	Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
Unrealized loss on financial assets at fair value through profit or loss	**-**	(12,128)
Change in fair value of derivative financial instruments	**-**	11,065
Change in fair value of the embedded derivatives component of convertible notes	**4,887**	10,709
Fair value loss on investment properties	**-**	(8,190)
	4,887	1,456

4. OPERATING LOSS

	Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
Operating loss is arrived at after (crediting)/charging:		
Depreciation and amortization	**2,600**	5,911
(Gain)/loss on disposal of property, plant and equipment and land use rights	**(467)**	207
Exchange loss/(gain)	**17**	(589)
Operating leases - land and building	**6,745**	6,577

5. TAXATION

Hong Kong profits tax is assessed at the statutory rate of 16.5% (2008: 16.5%) 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 jurisdictions in which the Group operates.

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

	Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
Current tax	**2**	2
Deferred tax	**-**	(30,827)
	2	(30,825)

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

Basic earnings per ordinary share are calculated by dividing the Group's loss attributable to equity holders by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 September	
	2009	2008
Loss attributable to the equity holders of the Company, HK$'000	**(60,193)**	(94,215)
Weighted average number of ordinary shares in issue	**1,529,600,200**	1,529,600,200
Basic earnings per share, HK cents	**(3.94)**	(6.16)

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 and convertible notes would have an anti-dilutive effect on the earnings per ordinary share for the period ended 30 September 2009. The conversion of all potential ordinary shares arising from share options, warrants and convertible notes would have an anti-dilutive effect on the earnings per ordinary share for the period ended 30 September 2008.

7. PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

	Property, plant and equipment	**Land use rights**
	HK$'000	***HK$'000***
Six months ended 30 September 2009		
Opening net book value as at 1 April 2009	**161,308**	**63,338**
Additions	**62,126**	**23,027**
Transfer from construction in progress	**13,541**	**-**
Disposals	**(2,522)**	**(6,614)**
Depreciation and amortization	**(1,463)**	**(1,137)**
Exchange difference	**169**	**66**
Closing net book value as at 30 September 2009	**233,159**	**78,680**
Six months ended 30 September 2008		
Opening net book value as at 1 April 2008	141,825	37,379
Additions	22,757	22,424
Disposals	(824)	-
Reclassified as held for sale	(980)	-
Depreciation and amortization	(4,914)	(997)
Exchange difference	4,156	1,232
Closing net book value as at 30 September 2008	162,020	60,038

8. RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30 September 2009	31 March 2009
	HK$'000	*HK$'000*
Non-current		
Receivable from a former subsidiary	**-**	54,929
Deposits for acquisition of hotel properties	**30,903**	102,439
	30,903	157,368
Current		
Trade receivables (Note)	**60**	-
Other receivables	**13,761**	13,583
Deposits for acquisition of hotel properties	**23,127**	22,624
Receivable from a former subsidiary	**54,985**	34,012
Other prepayments and deposits	**19,600**	10,899
	111,533	81,118
	142,436	238,486

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

	30 September 2009	31 March 2009
	HK$'000	*HK$'000*
Within 1 month	**47**	-
Between 1 and 3 months	**13**	-
	60	-

9. PAYABLES AND ACCRUALS

	30 September 2009	31 March 2009
	HK$'000	*HK$'000*
Property acquisition cost payable	**3,044**	7,732
Other payables and accruals	**105,352**	89,685
	108,396	97,417

DIRECTORS' COMMENTARIES

FINANCIAL PERFORMANCE REVIEW

Turnover

Since 2007, the Group has acquired and committed to acquire a portfolio of budget hotels from the China Post Group. The initiative is to build a hospitality chain for the Group under the brand of U-Inn Hotels in provincial capitals and other fast-growing cities in the PRC. During the six months, the Group has opened its first U-Inn Hotel in the city of Xiangfan, Hubei province. This budget hotel has started to generate revenue for the Group since its opening in September 2009.

Staff Costs and Other Operating Expenses

Staff costs and other operating expenses for the period under review amounted to HK$30.4 million (2008: HK$57.0 million). The decrease was mainly due to the disposal of Changshou Properties in November 2008.

In the six months ended 30 September 2008, a total cost of HK$19.5 million including property management fee, consultancy fee and property tax were incurred on Changshou Properties. These costs were not incurred in the current period.

Other than the above, the staff costs and other operating expenses of the Group are comparable to the corresponding period in 2008.

Net loss after tax

The Group recorded a net loss after tax of HK$60.2 million (2008: HK$95.1 million). This was mainly a result of reduction in operating expenses and finance costs. The decrease in finance costs for the six months by 37.1% from HK$56.1 million to HK$35.3 million was mainly due to the disposal of Changshou Properties and consequential reduction in borrowings.

Liquidity, Financial Resources and Capital Structure

The Group maintained a total bank and cash balances of HK$10.0 million as of 30 September 2009, of which HK$3.5 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 30 September 2009, the Group had other loans and amount due to ultimate holding company totaling HK$177.9 million due within one year, 2-year convertible notes of HK$97.4 million, and obligations under finance leases of HK$2.3 million maturing within 5 years.

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 30 September 2009, the gearing ratio was 232.1% (31 March 2009: 136.0%).

In October 2009, UIHHL, which holds the Group's investments in the budget hotel chain in the PRC and is a wholly-owned subsidiary of the Company, has entered into a share subscription agreement pursuant to which UIHHL has issued, and the subscriber has subscribed for, 2,590 preferred shares of UIHHL at a total subscription price of HK$145.0 million. Pursuant to the terms and conditions of the share subscription agreement, the preferred shares are convertible into 2,590 common shares, representing 25.9% of the issued common shares of UIHHL upon conversion of the preferred shares. Upon full conversion of the preferred shares into common shares, the shareholding interest of the Company in UIHHL will decrease from 100% to 74.1%. The Group has settled other loans of HK$70.0 million and obtained cash reserve of HK$75.0 million from the proceeds of UIHHL's issuance of preferred shares.

In December 2009, the Company has obtained an unsecured loan facility of HK$273.0 million from its ultimate holding company, VXLCPL. As at the date of this announcement, HK$106.0 million has been drawn down.

The management will continue to closely monitor the Group's funding requirements and explore opportunities in potential bank and equity financing, strategic partnerships, or strategic joint ventures.

BUSINESS REVIEW AND OUTLOOK

During the period under review, China's tourism and hotel industries continue to face challenges resulting from the financial tsunami, however, the general sentiment in the market has shown improved confidence in the ultimate recovery. As tourism arrivals and business activities from abroad begin to rebound, the upper tier hotels in most markets in China are beginning to recover from low occupancies and soft room rates experienced during the last review period. Further, as China's massive stimulus packages begin to trickle through the economy, we are seeing positive signs of recovery, most notably the recent surge in both transaction volume and prices in almost all real estate sectors. The Group is taking advantage of these rising opportunities in China with a focus on propitious investments, particularly in the tourism related real-estate investment.

Budget Hotels in the PRC

Budget hotels remain one of the main focuses of the Group's business development. In terms of budget hotel network expansion, as at 30 September 2009, the Group acquired and committed to 20 budget hotels spreading across various vibrant cities throughout the PRC. During our internal review process, the Group has decided to forego several budget hotels in the original portfolio that no longer suit our overall development strategies.

As previously reported in the Annual Report 2008-2009, the Group had started the refurbishment and re-branding of some budget hotel properties and we are pleased to announce the grand opening of our first U-Inn Hotel in Xiangfan, Hubei province at the end of September. This budget hotel has 183 guest rooms, one meeting room and a small restaurant. It has been well received in the local market and is building up business at a brisk pace. While the Group evaluates the results and experiences from this first budget hotel, we are carefully planning the next properties to renovate.

During May of 2009, the Group disposed of one asset in Jinchang, Gansu province. This was an opportunistic disposal to one of the local developers in the city. The disposal demonstrated that these assets, albeit in un-renovated conditions, maintain a healthy level of liquidity in the market.

The setting up of management teams, operations teams in the asset acquisition group, hotel management group and the IT group has built up a strong base to re-brand and upgrade the acquired budget hotels to a quality portfolio under the U-Inn Hotels brand. The overall refurbishment of U-Inn Hotels has commenced during the third and fourth quarter of 2009 and beyond and will continue to progress according to schedule. Since the U-Inn Hotels group is still in the development stage, even with the opening of our first budget hotel, the Group does not expect any material contribution to the Group's performance from the U-Inn Hotels in the near future.

Prospects

The impact of the 2008-2009 financial turmoil in the global investment markets was extensive. The global investment market is still volatile and vulnerable. The uncertainty in markets worldwide continue to place a significant credit squeeze across all businesses. Operating under these circumstances, the management will carefully assess, and 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. The investment in these budget 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. As mentioned in prior reports, the Group is still exploring opportunities in joint venture or partnership with hotel management companies to enhance our hotel management team as well as to further promote our business.

The business conditions will generally remain challenging in 2010. However, the outlook for the budget hotel sector is optimistic as more travellers and tourists trade down their accommodation choices from star-rated hotels to budget hotels. Some of similar budget hotel chains are reporting material rebound in business volume.

In this challenging environment, the Group will continue to focus its priorities on budget hotel refurbishments, keep costs under control, and continue to secure new opportunities while enhancing the brand and services delivery.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2009 (2008: Nil).

OTHER INFORMATION

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

During the six months ended 30 September 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 Listing Rules throughout the accounting period covered by the six months ended 30 September 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 six months ended 30 September 2009.

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 2009 have been reviewed by the Audit Committee.

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

Hong Kong, 24 December 2009

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

Executive Directors:	*Independent Non-executive Directors:*
Datuk LIM Chee Wah	Mr. Alan Howard SMITH, J.P
Mr. Percy ARCHAMBAUD-CHAO	Dr. Allen LEE Peng Fei, J.P.
Mr. XIAO Huan Wei	Mr. David YU Hon To