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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 2010

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 2010 ("FY2010") together with the comparative figures for the year ended 31 March 2009 ("FY2009") as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2010

	Note	**2010** HK$'000	2009 HK$'000
Turnover	2	**2,329**	(10,105)
Other operating income		**-**	1,888
Other gain/(loss), net	3	**5,252**	47,731
Staff costs		**(28,893)**	(62,443)
Write off of goodwill upon disposal of an investment property		**-**	(18,314)
Gain on disposal of subsidiaries		**-**	54,393
Other operating expenses		**(41,602)**	(94,987)
Operating loss	4	**(62,914)**	(81,837)
Finance income		**6,334**	181
Finance costs		**(97,665)**	(98,411)
Share of losses of associates		**(33)**	(96)
Loss before taxation		**(154,278)**	(180,163)
Taxation (charge)/credit	5	**(3)**	29,087
Loss for the year		**(154,281)**	(151,076)
Other comprehensive income:			
Release of exchange reserve on disposal of subsidiaries		**-**	(50,283)
Currency translation differences		**1,228**	15,857
Other comprehensive income for the year, net of tax		**1,228**	(34,426)
Total comprehensive income for the year		**(153,053)**	(185,502)
Loss for the year attributable to:			
- equity holders of the Company		**(154,281)**	(150,407)
- minority interest		**-**	(669)
		(154,281)	(151,076)
Total comprehensive income for the year attributable to:			
- equity holders of the Company		**(153,053)**	(184,833)
- minority interest		**-**	(669)
		(153,053)	(185,502)
Basic and diluted earnings per ordinary share for loss for the year attributable to equity holders of the Company	6	**HK (10.09) cents**	HK (9.83) cents

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	7	**229,590**	161,308
Land use rights	8	**79,790**	63,338
Construction in progress		**4,302**	11,416
Interests in associates		**96**	129
Available-for-sale financial assets		**2,111**	2,111
Receivables, prepayments and deposits	9	**130,399**	157,368
		446,288	395,670
Current assets			
Financial assets at fair value through profit or loss		**31,111**	33,075
Receivables, prepayments and deposits	9	**76,700**	81,118
Restricted cash		**-**	4,043
Bank balances and cash		**35,659**	7,835
		143,470	126,071
Current liabilities			
Payables and accruals	10	**95,056**	97,417
Liability component of compound financial instrument	11	**10,150**	-
Other borrowings	12	**325,511**	167,377
		430,717	264,794
Net current liabilities		**(287,247)**	(138,723)
Total assets less current liabilities		**159,041**	256,947
Non-current liabilities			
Liability component of compound financial instrument	11	**12,375**	-
Convertible notes		**-**	80,398
Other borrowings	12	**1,193**	1,769
		13,568	82,167
Net assets		**145,473**	174,780
EQUITY			
Share capital		**15,296**	15,296
Reserves		**6,813**	159,484
Total shareholders' fund		**22,109**	174,780
Minority interest	11	**123,364**	-
Total equity		**145,473**	174,780

NOTES:

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA"). They 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 instruments) at fair value through profit or loss.

At 31 March 2010, the Group had net current liabilities of HK$287,247,000. It mainly consists of the outstanding payments for acquisition of budget hotels and short-term borrowings. Subsequent to the year end, the management has obtained agreements by the lenders to extend the repayment of certain short-term borrowings totaling HK$324.9 million. As disclosed in the Company's announcement on 25 June 2010, the Group has also terminated the acquisition of 10 hotel properties, which has reduced the Group's capital commitment in relation to acquisition of hotel properties from RMB 43.1 million (equivalent to approximately HK$49.1 million) to RMB 12.1 million (equivalent to approximately HK$13.7 million), and the deposits of RMB48.4 million (equivalent to approximately HK$55.0 million) paid by the Group would be refunded by the China Post Group after deducting the respective penalties. In addition, the Group has disposed of a hotel properties located in Daying, Sichuan province for a consideration of RMB22.0 million (equivalent to approximately HK$25.0 million). The management is confident that with such expected cash inflows, 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) *The following new and revised standards, amendments and interpretations have been effective for the first time for the current year's financial statements.*

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 (Amendment) 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 39 (Amendment) and HK(IFRIC) – Int 9	HKAS 39 (Amendment), "Financial Instruments: Recognition and Measurement" and HK(IFRIC) – Int 9, "Reassessment of Embedded Derivatives"
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate

HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers (effective for transfers of assets from customers received on or after 1 July 2009)
Annual improvements to HKFRSs 2008*	Amendments to a number of HKFRSs

* The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary", which is effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of the HKAS 1 (Revised), HKFRS 7 (Amendment) and HKFRS 8, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

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

- HKFRS 7 (Amendment), "Financial Instruments: Disclosures". The Group has adopted this Standard on 1 April 2009 and has disclosed the fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share; and

- HKFRS 8, "Operating Segments". The Group has adopted this Standard on 1 April 2009 that segment information is presented on the same basis as that used for internal reporting purpose. Details of the segment information are presented in Note 2.

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

		Effective for accounting periods beginning on or after
HKAS 24 (Revised)	Related Party Disclosures	1 January 2011
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKAS 32 (Amendment)	Classification of Rights Issues	1 February 2010
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedged Items	1 July 2009
HKFRS 1 (Revised)	First-time Adoption of HKFRS	1 July 2009

		Effective for accounting periods beginning on or after
HKFRS 1 (Amendment)	First-time Adoption of HKFRS – Additional Exemptions for First-time Adopters	1 January 2010
HKFRS 2 (Amendment)	Share-based Payment – Group Cash-settled Share-based Payment Transactions	1 January 2010
HKFRS 3 (Revised)	Business Combination	1 July 2009
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
HKFRS 9	Financial Instruments	1 January 2013
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners	1 July 2009
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
Annual improvements to HKFRSs 2009	Amendments to a number of HKFRSs	1 January 2010
Annual improvements to HKFRSs 2010	Amendments to a number of HKFRSs	1 January 2011

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

In addition, HKICPA also published a number of amendments for the existing Standards under its annual improvement projects issued in October 2008 and May 2009, certain of which has not yet become effective in 2009. These amendments have not been early adopted by the Group and are not expected to have a significant financial impact on the results and financial position of the Group.

2. TURNOVER AND SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are principally engaged in (i) hotel investment and operations, (ii) property investment, and (iii) securities trading and investment.

	2010	2009
	HK$'000	HK$'000
Hotel room rental and other fee income	**1,908**	-
Other rental income	**-**	2,211
Net realized income/(loss) from trading securities	**421**	(12,316)
	2,329	(10,105)

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit which is subject to risks and returns that are different from those of other business segments. Summarized details of the business segments are as follows:

a) the hotel investment and operations segment is engaged in hotel investment and hotel operations;

b) the property investment segment is engaged in investment in properties . The Group will continue to look for quality properties for future investment;

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.

Capital expenditures comprise additions to investment properties, property, plant and equipment (Note 7), land use rights (Note 8) and construction in progress. Segment assets consist primarily of property, plant and equipment, land use rights, construction in progress, investments and receivables. Segment liabilities comprise 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 and capital expenditures based on reportable segments for the years ended 31 March 2010 and 2009 are as follows:

	Property investment HK$'000	Hotel investment & operations HK$'000	Securities trading & investment HK$'000	Total for reportable segments HK$'000	Unallocated HK$'000	The Group HK$'000
For the year ended 31 March 2010						
Segment revenue:						
Sales to external customers	-	1,908	421	2,329	-	2,329
Segment results	736	(34,901)	415	(33,750)	(34,416)	(68,166)
Change in fair value of the embedded derivatives component of convertible notes (Note 3)	-	2,626	-	2,626	2,626	5,252
Finance income	6,304	24	-	6,328	6	6,334
Finance costs	(5,782)	(44,415)	-	(50,197)	(47,468)	(97,665)
Share of losses of associates	-	-	-	-	(33)	(33)
Loss before taxation	1,258	(76,666)	415	(74,993)	(79,285)	(154,278)
Taxation	-	(3)	-	(3)	-	(3)
Loss for the year	1,258	(76,669)	415	(74,996)	(79,285)	(154,281)
Other segment information						
Depreciation and amortization	-	4,942	-	4,942	797	5,739
Capital expenditures				-		-
- Property, plant and equipment	-	56,537	-	56,537	46	56,583
- Land use rights	-	25,092	-	25,092	-	25,092
- Construction in progress	-	10,014	-	10,014	-	10,014

	Property investment HK$'000	Hotel investment & operations HK$'000	Securities trading & investment HK$'000	Total for reportable segments HK$'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)	-	(10,105)
Segment results	(41,216)	(33,825)	(15,655)	(90,696)	(76,949)	(167,645)
Write off of goodwill upon disposal of an investment property	(18,314)	-	-	(18,314)	-	(18,314)
Gain on disposal of subsidiaries	54,071	322	-	54,393	-	54,393
Change in fair value of the embedded derivatives component of convertible notes (Note 3)	-	11,218	-	11,218	11,218	22,436
Change in fair value of derivative financial instruments (Note 3)	-	13,646	-	13,646	13,647	27,293
Finance income	28	138	-	166	15	181
Finance costs	(29,668)	(12,573)	(6)	(42,247)	(56,164)	(98,411)
Share of losses of associates	-	-	-	-	(96)	(96)
Loss before taxation	(35,099)	(21,074)	(15,661)	(71,834)	(108,329)	(180,163)
Taxation	29,087	-	-	29,087	-	29,087
Loss for the year	(6,012)	(21,074)	(15,661)	(42,747)	(108,329)	(151,076)
Other segment information						
Change in fair value on investment properties (Note 3)	(379)	-	-	(379)	-	(379)
Depreciation and amortization	142	6,824	-	6,966	1,059	8,025
Capital expenditures						
- Investment properties	116,463	-	-	116,463	-	116,463
- Property, plant and equipment	23	21,554	-	21,577	3,014	24,591
- Land use rights	-	26,752	-	26,752	-	26,752
- Construction in progress	-	11,413	-	11,413	-	11,413

The segment assets and liabilities based on reportable segments as at 31 March 2010 and 2009 are as follows:

	Property investment HK$'000	Hotel investment & operations HK$'000	Securities trading & investment HK$'000	Total for reportable segments HK$'000	Unallocated HK$'000	The Group HK$'000
At 31 March 2010						
Segment assets	**48,445**	**497,468**	**6**	**545,919**	**8,084**	**554,003**
Interests in associates	**-**	**-**	**-**	**-**	**96**	**96**
Bank balances and cash	**9**	**11,923**	**-**	**11,932**	**23,727**	**35,659**
				-		
Total assets	**48,454**	**509,391**	**6**	**557,851**	**31,907**	**589,758**
Segment liabilities	**23,296**	**59,934**	**-**	**83,230**	**36,120**	**119,350**
Other loans	**46,304**	**-**	**-**	**46,304**	**-**	**46,304**
Amount due to ultimate holding company	**4,009**	**93,295**	**-**	**97,304**	**181,327**	**278,631**
Total liabilities	**73,609**	**153,229**	**-**	**226,838**	**217,447**	**444,285**
At 31 March 2009						
Segment assets	134,271	364,650	1,977	500,898	8,836	509,734
Interests in associates	-	-	-	-	129	129
Restricted cash	-	2,022	-	2,022	2,021	4,043
Bank balances and cash	7	5,543	-	5,550	2,285	7,835
Total assets	134,278	372,215	1,977	508,470	13,271	521,741
Segment liabilities	25,697	38,933	-	64,630	40,863	105,493
Other loans and convertible notes	57,970	87,512	-	145,482	37,573	183,055
Amount due to ultimate holding company	-	-	-	-	58,413	58,413
Total liabilities	83,667	126,445	-	210,112	136,849	346,961

The Group's businesses operate in Hong Kong and the PRC. The segment revenue for the years ended 31 March 2010 and 2009 and non-current assets as at 31 March 2010 and 2009 based on geographical area are as follows:

	2010	2009
	HK$'000	HK$'000
Revenue		
Hong Kong	**421**	(10,192)
PRC	**1,908**	87
	2,329	(10,105)
Non-current assets		
Hong Kong	**13,492**	5,261
PRC	**432,796**	390,409
	446,288	395,670

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

3. OTHER GAIN/(LOSS), NET

	2010	2009
	HK$'000	HK$'000
Change in fair value on investment properties	**-**	(379)
Unrealized loss on financial assets at fair value through profit or loss	**-**	(1,619)
Change in fair value of the embedded derivatives component of convertible notes	**5,252**	22,436
Change in fair value of derivative financial instruments	**-**	27,293
	5,252	47,731

4. OPERATING LOSS

	2010	2009
	HK$'000	HK$'000
Operating loss is arrived at after charging/(crediting):		
Legal and professional fee	**724**	8,096
Consultancy fee	**44**	4,791
Rental income from investment properties	**-**	(2,124)
Direct outgoings for investment properties	**-**	574
Depreciation and amortization	**5,739**	8,025
Provision for impairment of receivables, prepayments and deposits	**5,427**	-
Provision for impairment of property, plant and equipment	**50**	8
Gain on disposal of property, plant and equipment	**(467)**	(433)
Auditors' remuneration		
- audit	**587**	990
- non-audit	**278**	664
Net exchange loss/(gain)	**564**	(1,241)
Operating leases - land and buildings	**13,483**	13,668

5. TAXATION

Hong Kong profits tax is assessed at the statutory rate of 16.5% (year ended 31 March 2009: 16.5%) 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 charged/(credited) to the consolidated statement of comprehensive income represents:

	2010	2009
	HK$'000	HK$'000
Current tax	**3**	1
Deferred tax	**-**	(29,088)
	3	(29,087)

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

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

	2010	2009
Loss for the year attributable to equity holders of the Company, HK$'000	**(154,281)**	(150,407)
Weighted average number of ordinary shares in issue	**1,529,600,200**	1,529,600,200
Basic earnings per share, HK cents	**(10.09)**	(9.83)

(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 and warrants outstanding at 31 March 2010, and the conversion of all potential ordinary shares arising from share options would have an anti-dilutive effect on the earnings per ordinary share for the year ended 31 March 2010.

7. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties HK$'000	Furniture and fixtures HK$'000	Office equipment and machinery HK$'000	Computer and related equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 April 2009	**154,892**	**12,420**	**7,232**	**2,029**	**4,330**	**180,903**
Additions	**56,010**	**490**	**10**	**73**	**-**	**56,583**
Transfer from Construction in Progress	**13,552**	**3,601**	**-**	**-**	**-**	**17,153**
Disposals	**(2,585)**	**-**	**-**	**-**	**-**	**(2,585)**
Exchange difference	**597**	**29**	**23**	**4**	**3**	**656**
At 31 March 2010	**222,466**	**16,540**	**7,265**	**2,106**	**4,333**	**252,710**
Accumulated depreciation						
At 1 April 2009	**4,693**	**11,585**	**1,673**	**779**	**865**	**19,595**
Charge for the year	**322**	**691**	**1,355**	**276**	**847**	**3,491**
Disposals	**(61)**	**-**	**-**	**-**	**-**	**(61)**
Provision for impairment	**-**	**50**	**-**	**-**	**-**	**50**
Exchange difference	**15**	**21**	**7**	**1**	**1**	**45**
At 31 March 2010	**4,969**	**12,347**	**3,035**	**1,056**	**1,713**	**23,120**
Net book value						
At 31 March 2010	**217,497**	**4,193**	**4,230**	**1,050**	**2,620**	**229,590**
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

8. 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:

	2010	2009
	HK$'000	HK$'000
Cost:		
At 1 April	**65,186**	37,582
Additions	**25,092**	26,752
Disposals	**(6,818)**	-
Exchange difference	**236**	852
At 31 March	**83,696**	65,186
Accumulated amortization:		
At 1 April	**1,848**	203
Charge for the year	**2,248**	1,640
Disposals	**(199)**	-
Exchange difference	**9**	5
At 31 March	**3,906**	1,848
Net book value		
At 31 March	**79,790**	63,338

9. RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2010	2009
	HK$'000	HK$'000
Non-current		
Receivable from a former subsidiary	**-**	54,929
Deposits for acquisition of hotel properties	**130,399**	102,439
	130,399	157,368
Current		
Trade receivables	**98**	-
Other receivables	**13,611**	13,583
Deposits for acquisition of hotel properties	**55,006**	22,624
Receivable from a former subsidiary	**-**	34,012
Other prepayments and deposits	**13,420**	10,899
	82,135	81,118
Less: provision for impairment	**(5,435)**	-
	76,700	81,118
	207,099	238,486

As at 31 March 2010, the trade receivables age within one month and are not past due.

10. PAYABLES AND ACCRUALS

	2010	2009
	HK$'000	HK$'000
Trade payables (note a)	**59**	-
Property acquisition cost payable	**3,050**	7,732
Other payables and accruals	**91,947**	89,685
	95,056	97,417

(a) As at 31 March 2010, trade payables of HK$45,000 and HK$14,000 (2009: HK$Nil and HK$Nil) were aged within one month and between one and three months respectively.

11. ISSUE OF PREFERRED SHARES BY A SUBSIDIARY

On 28 October 2009, “U” Inns & Hotels Holdings Limited (“UIHHL”) has entered into a subscription agreement where UIHHL agreed to issue and the subscriber, an independent third party, agreed to subscribe for 2,590 Series A preferred shares (“Preferred Shares”) at a total subscription price of HK$145.0 million based on a subscription price of HK$55,984.55 per Preferred Share. The subscription price was partially set off against the loans by the subscriber to the Group of HK$70.0 million, and the remaining HK$75.0 million was settled in cash.

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. Holders of the Preferred Shares are entitled to a preferred return of 6% per annum prior to the conversion of the Preferred Shares. Holders of the Preferred Shares shall convert the Preferred Shares into common shares (“Common Shares”) at the ratio of one Preferred Share to one Common Share at the latest three years from the date of issue of the Preferred Shares.

Details of the issuance of Preferred Shares can be referred to the Company’s announcements dated 27 October 2009 and 29 October 2009. No conversion has been made during the year.

The Preferred Shares are compound financial instrument which is separated into two components: a liability component and an equity component. The liability component was recognized as the discounted value of the preferred return payable during the three years period from the issuance of Preferred Shares until the last date of conversion into Common Shares. Interest expense was calculated using the effective interest method by applying the effective interest rate of 10% to the liability component. The equity component was residual value of the proceeds from the issuance of Preferred Shares less the liability component.

The liability component is presented as "Liability component of compound financial instrument" in the consolidated balance sheet. The equity component is presented as "Minority interest" in the statement of changes in equity.

	2010 HK$'000
Proceeds of issue	**145,000**
Liability component	**(21,636)**
Equity component	**123,364**
Liability component at date of issue	**21,636**
Interest expenses	**889**
Liability component at 31 March 2010	**22,525**

At 31 March 2010, the Group's liability component of compound financial instrument were repayable as follows:

	2010 HK$'000
Within 1 year - current portion	**10,150**
Between 1 and 5 years - non-current portion	**12,375**
	22,525

12. OTHER BORROWINGS

	2010 HK$'000	2009 HK$'000
Non-current		
Obligations under finance leases	**1,193**	1,769
	1,193	1,769
Current		
Other loans	**46,304**	107,909
Obligations under finance leases	**576**	1,055
Amount due to ultimate holding company	**278,631**	58,413
	325,511	167,377
	326,704	169,146

DIRECTORS' COMMENTARIES

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the year ended 31 March 2010 (2009: Nil).

FINANCIAL PERFORMANCE REVIEW

Turnover

The Group's turnover for the year in the amount of HK$2.3 million (year ended 31 March 2009: negative turnover of HK$10.1 million) mainly represented hotel rental and other income of HK$1.9 million (year ended 31 March 2009: HK$Nil) and trading gain on securities of HK$0.4 million (year ended 31 March 2009: loss of HK$12.3 million).

The hotel rental and other income was contributed by the Group's first operating hotel located in Xiangfan, Hubei province, which was opened in September 2009. Therefore there was no such income in the last financial year.

There was also rental income of HK$2.2 million in the last financial year, contributed from the Group's service apartment, 112 Apartments, which was disposed of in June 2008.

Other gain

Other gain represented the change in fair value gain of the convertible notes. The convertible notes have been fully redeemed during the year.

Staff costs

Staff costs decreased compared to the previous financial year, mainly due to cost control measures undertaken by management.

Other operating expenses

The other operating expenses decreased significantly from HK$95.0 million to HK$41.6 million, which was mainly resulted from the disposal of Changshou Properties in the last financial year. Included in other operating expenses during the year ended 31 March 2009 were HK$40.7 million of legal, property management, agency and professional fees, and, property tax related to Changshou Properties. In addition, corporate expenses such as legal and professional fees also decreased during the year mainly because fewer transactions had taken place in the current year as compared to the previous financial year, when the issuance of convertible notes and disposal of subsidiaries took place.

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. Other recurring operating expenses have remained largely the same in the current year as compared to the previous year.

Finance costs

The finance costs have remained steady at HK$97.7 million. However, with the early redemption of convertible notes by replacing with shareholder's loan, which carries a lower interest rate, in March 2010 and the expected reduction in total borrowings by the cashflow from disposal of hotel properties and refund of deposits from China Post on terminated acquisition of hotel properties, finance costs are expected to decrease significantly in FY 2011 as compared to the current financial year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained total bank and cash balances of HK$35.7 million as of 31 March 2010. Cash deposits have been placed with major banks in Hong Kong and the PRC in the form of United States dollar, Hong Kong dollar and Renminbi deposits mainly.

As of 31 March 2010, the Group had amount due to ultimate holding company and other loans totalling HK$324.9 million due within one year, and obligations under finance leases of HK$1.8 million maturing within 3 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 (including minority interest). As of 31 March 2010, the gearing ratio was 190.7% (31 March 2009: 136.0%). The increase in the gearing ratio over the two financial years was due to additional loans from ultimate holding company used to early redeem the convertible notes and settle payments to the China Post Group for the acquisition of hotel properties.

Subsequent to the year end, the management has obtained agreements by the lenders to extend the repayment of certain short-term borrowings totalling HK$324.9 million. As disclosed in the Company's announcement on 25 June 2010, the Group has also terminated the acquisition of 10 hotel properties, and the deposits paid by the Group would be refunded by the China Post Group. In addition, on 7 June 2010, the Group has disposed of a hotel property located in Daying, Sichuan province for a consideration of RMB22.0 million. Together with the continuous financial support from the Principal Shareholder, the management is confident that by executing its plans the Group is able to meet its obligations.

BUSINESS REVIEW AND CORPORATE DEVELOPMENT

Consequent to the 2008/09 financial tsunami, the Group had during FY 2010 re-positioned its strategies to face the financial and economic climates under which its businesses have to operate. In realising its hotel properties' potential, the Group has also looked into alternative uses for its hotel properties.

Budget Hotels in the PRC

As reflected in our interim report, the Group has further re-organised its portfolio of hotel properties. As elaborated in our recent announcement, out of the total of 29 hotel properties that the Group had committed to acquire, due to unsuitability arising from location and size area, the commitment on 6 hotel properties had been terminated and the Group is in the process of negotiating the termination of another 4 hotel properties. For similar reason, 2 acquired hotel properties, one in Jinchang, Gansu and another in Daying, Sichuan, were disposed of in May 2009 and June 2010 respectively.

As an alternative to self-operating our hotel properties, the Group has begun looking into different uses for its hotel properties which include leasing out and redevelopment. The leasing route would target budget hotel operators with similar approach as us. Leasing would make the leased property self-sustained while allowing us to retain the potential capital appreciation. Redevelopment route is considered because certain properties allow for higher plot ratio, hence this would bring in higher returns from redevelopment potentials. Our hotel properties portfolio, recorded at historical cost convention, has enjoyed asset appreciation along with the PRC economic growth. Depending on the then prevailing circumstances, further disposals or termination of commitment may also be considered.

The Group will continue its efforts in seeking joint venture or partnership with hotel management companies and property developers where their expertise will be beneficial to our Group.

Redemption of Convertible Notes

The Convertible Notes (the "Notes") in the amount of US$15.0 million (approximately HK$117.1 million) were issued on 9 September 2008. In accordance with the Agreement, the maturity date of the Notes was 9 September 2010, and the Noteholder has an option to request for an early redemption for the Notes starting from 9 March 2010.

The Noteholder has had exercised its right under the Agreement to require the Company to early redeem the Notes at the Redemption Amount of US$18,849,832 on 9 March 2010. The Company has fully redeemed the Notes on 9 March 2010, and the Notes have since been cancelled.

PROSPECTS

The impact of the 2008/09 financial tsunami continues to unfold around the globe with the notable exception of China. The economy of the PRC has grown by 8.7% in 2009 and is projected to grow by 9.6% in 2010. Our Group maintains a focus on investing in the PRC, in the hospitality and tourism industry attached with property related investments.

OTHER INFORMATION

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

During the year ended 31 March 2010, 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 2010, 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.

Pursuant to Code E.1.2 of the CG Code, the Chairman of the Board should attend the Annual General Meeting ("AGM"). Datuk Lim, the Chairman of the Board, was unable to attend the 2009 AGM due to unexpected re-scheduling of other important business engagements. The majority of the Board members (including the Chairman of each of the Audit Committee, the Remuneration, Quality and Nomination Committee) attended the 2009 AGM to answer the questions from shareholders.

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 2010.

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 2010. The Internal Auditors have completed their review and concluded that the internal control system of the Company was adequate. The Internal Auditors also made certain recommendations in their support for the Company's consideration to improve its internal control and efficiency.

The Board has reviewed the results of the internal control 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 2010 have been agreed by the Group's external auditor, PricewaterhouseCoopers Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers Hong Kong 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 Hong Kong on the preliminary announcement.

Audit Committee

The Audit Committee comprises all the Independent Non-executive Directors of the Company, 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 2010 have been reviewed by the Audit Committee.

ANNUAL GENERAL MEETING

The AGM of the Company will be held at Suite 2707-8, One Exchange Square, 8 Connaught Place, Central, Hong Kong on Friday, 10 September 2010 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, 21 July 2010

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