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 2011

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 2011 ("FY 2011") together with the comparative figures for the year ended 31 March 2010 ("FY 2010") as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2011

	Note	**2011 HK$'000**	2010 HK$'000
Turnover	2	**4,401**	2,329
Other gain, net	3	**4,274**	5,719
Staff costs	4	**6,365**	(28,893)
Depreciation and amortization		**(7,044)**	(5,739)
Other operating expenses		**(33,279)**	(36,330)
Operating loss	5	**(25,283)**	(62,914)
Finance income		**218**	6,334
Finance costs		**(41,349)**	(97,665)
Share of losses of associates		**-**	(33)
Loss before taxation		**(66,414)**	(154,278)
Taxation charge	6	**(3)**	(3)
Loss for the year		**(66,417)**	(154,281)
Other comprehensive income:			
Movement in financial assets - available for sale		**117**	-
Currency translation differences		**17,488**	1,228
Other comprehensive income for the year, net of tax		**17,605**	1,228
Total comprehensive income for the year		**(48,812)**	(153,053)
Loss for the year attributable to equity holders of the Company		**(66,417)**	(154,281)
Total comprehensive income for the year attributable to equity holders of the Company		**(48,812)**	(153,053)
Basic and diluted earnings per ordinary share for loss for the year attributable to equity holders of the Company	7	**HK (4.34) cents**	HK (10.09) cents

CONSOLDIATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	8	**255,302**	229,590
Land use rights	9	**82,762**	79,790
Construction in progress		**8,549**	4,302
Interests in associates		**-**	96
Available-for-sale financial assets		**33,339**	2,111
Receivables, prepayments and deposits	10	**106,912**	130,399
		486,864	446,288
Current assets			
Financial assets at fair value through profit or loss		**-**	31,111
Receivables, prepayments and deposits	10	**28,805**	76,700
Bank balances and cash		**96,350**	35,659
Amount due from related companies		**21**	-
		125,176	143,470
Assets held for sale	11	**19,463**	-
		144,639	143,470
Current liabilities			
Payables and accruals	12	**93,115**	95,056
Liability component of compound financial instrument	13	**18,850**	10,150
Borrowings	14	**416,980**	325,511
		528,945	430,717
Net current liabilities		**(384,306)**	(287,247)
Total assets less current liabilities		**102,558**	159,041
Non-current liabilities			
Liability component of compound financial instrument	13	**5,569**	12,375
Borrowings	14	**586**	1,193
		6,155	13,568
Net assets		**96,403**	145,473
EQUITY			
Share capital		**15,296**	15,296
Reserves		**(42,257)**	6,813
Total shareholders' (deficit)/fund		**(26,961)**	22,109
Non-controlling interest	13	**123,364**	123,364
Total equity		**96,403**	145,473

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 Accountants ("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. These financial statements are presented in HK Dollar thousands, unless otherwise stated.

At 31 March 2011, the Group had net current liabilities of HK$384,306,000 and a shareholders' deficit of HK$26,961,000. The current liabilities mainly consists of the outstanding payments for acquisition of budget hotels and short-term borrowings. Subsequent to the year end, management has obtained agreements from lenders to extend the repayment of certain short-term borrowings totaling HK$416.4 million. The Group will also develop its properties into budget hotels or commercial offices for leasing or sale, or, when appropriate, outright sales. Based on the cash flow projections, certain budget hotels will be in operation in the coming year and will contribute cash inflow. In addition , the Group has disposed of hotel properties located in the cities of Daying, Yilong and Lanzhong, Sichuan province for a consideration of RMB22.0 million (equivalent to approximately HK$26.1 million), RMB11.7 million (equivalent to approximately HK$13.9 million) and RMB9.8 million (equivalent to approximately HK$11.6 million) respectively. The Group has already received RMB 22.0 million (equivalent to approximately HK$26.1 million) for dispose of Daying hotel property and deposit of RMB 11.3 million (equivalent to approximately HK$ 13.4 million) for dispose of Yilong and Langzhong hotel properties before the reporting date. Residual balance of RMB10.2 million (equivalent to approximately HK$12.1 million) will be received in the coming year. Moreover, the ultimate holding company of the Company, VXL Capital Partners Corporation Limited ("VXLCPL"), has confirmed its intention to provide continuous 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 businesses for the foreseeable future. Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

(a) New and amended standards and interpretations by the Group

The following new and revised standards, amendments and interpretations are mandatory for the first time for the financial year beginning 1 April 2010.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 17 (Amendment)	Leases
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HKAS 1 (Amendment)	Presentation of Financial Statements - Current/Non-current Classification of Convertible Instruments
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 36 (Amendment)	Impairment of Assets
HKAS 39 (Amendment)	Eligible Hedge Items
HKFRS 1 (Revised)	First – Time Adoption of HKFRS
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfers of Assets from Customers

Other than as further explained below regarding the impact of the HKAS 17 (Amendment), 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 17 (Amendment), "Leases". The amendment deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. The Group has adopted this Standard retrospectively for annual periods beginning 1 April 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has assessed the classification of land use rights as at 1 April 2010 on the basis of statements existing at the inception of those leases, and recognised all its leasehold land as operating leases and be classified as prepaid premium for land leases, which was disclosed consistently same as year ended 31 March 2010.

(b) *New and amended standards and interpretations, those are not yet effective and have not been early adopted by the Group*

		Effective for accounting periods beginning on or after
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
HKAS 24 (Revised)	Related Party Disclosures	1 January 2011
HKFRS 9	Financial Instruments	1 January 2013
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement	1 January 2011
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 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 May 2010, certain of which has not yet become effective for the financial periods beginning on 1 April 2010. Those amended standards relevant to the Group is :

		Effective for accounting periods beginning on or after
HKAS 1	Presentation of Financial Statements Clarification of Statement of Changes in Equity	1 January 2011

This amendment has not been early adopted by the Group and is 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 chief operating decision-maker, namely 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.

	2011	2010
	HK$'000	HK$'000
Hotel room rental and other fee income	**4,401**	1,908
Net realized income from trading securities	**-**	421
	4,401	2,329

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 investment in properties and;

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

Capital expenditures comprise additions to property, plant and equipment (Note 8), land use rights (Note 9) and construction in progress. Segment assets consist primarily of property, plant and equipment, land use rights, construction in progress and receivables. Segment liabilities comprise borrowings and 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 corporate borrowings.

The segment results, depreciation and amortization, and capital expenditures based on reportable segments for the years ended 31 March 2011 and 2010 are as follows:

	Property investment HK$'000	Hotel investment & operations HK$'000	Total for reportable segments HK$'000	Unallocated HK$'000	The Group HK$'000
For the year ended 31 March 2011					
Segment revenue:					
Sales to external customers	-	4,401	4,401	-	4,401
Segment results	(4,473)	(18,525)	(22,998)	(2,285)	(25,283)
Finance income	-	108	108	110	218
Finance costs	-	(20,941)	(20,941)	(20,408)	(41,349)
Loss before taxation	(4,473)	(39,358)	(43,831)	(22,583)	(66,414)
Taxation	-	(3)	(3)	-	(3)
Loss for the year	(4,473)	(39,361)	(43,834)	(22,583)	(66,417)
Other segment information					
Depreciation and amortization	-	6,206	6,206	838	7,044
Capital expenditures					
- Property, plant and equipment	-	45,395	45,395	422	45,817
- Land use rights	-	15,096	15,096	-	15,096
- Construction in progress	-	4,617	4,617	-	4,617

	Property investment HK$'000	Hotel investment & operations HK$'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	1,908	421	2,329
Segment results	736	(34,901)	(34,165)	(34,001)	(68,166)
Change in fair value of the embedded derivatives component of convertible notes	-	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)	(75,408)	(78,870)	(154,278)
Taxation	-	(3)	(3)	-	(3)
Loss for the year	1,258	(76,669)	(75,411)	(78,870)	(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

The segment assets and liabilities based on reportable segments as at 31 March 2011 and 2010 are as follows:

	Property investment HK$'000	Hotel investment & operations HK$'000	Total for reportable segments HK$'000	Unallocated HK$'000	The Group HK$'000
At 31 March 2011					
Segment assets	**48,547**	**473,867**	**522,414**	**12,739**	**535,153**
Bank balances and cash	**10**	**72,371**	**72,381**	**23,969**	**96,350**
Total assets	**48,557**	**546,238**	**594,795**	**36,708**	**631,503**
Segment liabilities	**9,243**	**93,405**	**102,648**	**16,079**	**118,727**
Other loans	**-**	**49,261**	**49,261**	**-**	**49,261**
Amount due to ultimate holding company	**4,009**	**131,489**	**135,498**	**231,614**	**367,112**
Total liabilities	**13,252**	**274,155**	**287,407**	**247,693**	**535,100**
At 31 March 2010					
Segment assets	48,445	497,468	545,913	8,090	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	557,845	31,913	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	27,305	199,533	226,838	217,447	444,285

The Group's businesses operate in Hong Kong and the Peoples' Republic of China ("PRC"). The Group's revenue for the years ended 31 March 2011 and 2010 and non-current assets as at 31 March 2011 and 2010 based on geographical area are as follows:

	2011	2010
	HK$'000	HK$'000
Revenue		
Hong Kong	**-**	421
PRC	**4,401**	1,908
	4,401	2,329
Non-current assets		
Hong Kong	**13,030**	13,492
PRC	**473,834**	432,796
	486,864	446,288

Revenue is categorised based on the jurisdiction in which the customers are located, Non-current assets are categorized based on where the assets are located.

3. OTHER GAIN, NET

	2011	2010
	HK$' 000	HK$' 000
Change in fair value of the embedded derivates component of convertible notes	**-**	5,252
Gain on disposal of property, plant and equipment	**4,250**	467
Other gain	**24**	-
	4,274	5,719

4. STAFF COSTS

The staff costs disclosed below are for all employees and include all Directors' emoluments.

	2011	2010
	HK$'000	HK$'000
Directors' fees	**1,190**	1,241
Salaries and other short-term employee benefits	**15,319**	25,233
(Write back) / provsion of of unutilized annual leave	**(518)**	337
Employee share option benefits	**(258)**	382
Pension costs - MPF	**125**	165
Social security costs	**1,377**	1,535
Reversal of bonus provision	**(23,600)**	-
	(6,365)	28,893

The Group had in the year ended 31 March 2009 made a bonus provision of HK$30.0 million on the basis of estimated net profits of certain projects. The management has been re-assessing the bonus provision and given the actualization of a substantial number of factors affecting the estimated net profits, the Group had in FY 2011 adjusted the bonus provision downwards from HK$30.0 million to HK$6.4 million.

5. OPERATING LOSS

	2011	2010
	HK$'000	HK$'000
Operating loss is arrived at after charging/(crediting):		
Legal and professional fee	**2,886**	724
Consultancy fee	**127**	44
Depreciation and amortization	**7,044**	5,739
Provision for impairment of receivables, prepayments and deposits	**-**	5,427
Provision for impairment of property, plant and equipment	**-**	50
Loss on dissolution of associated company	**5**	-
Auditors' remuneration		
- audit	**638**	587
- non-audit	**264**	278
Net exchange loss	**128**	564
Operating leases - land and buildings	**12,361**	13,483

6. TAXATION

No provision for Hong Kong profits tax (2010: Nil) has been made for the year as the Group has no assessable profit for the year. Taxation on PRC profits has been calculated on the estimated assessable profit for the year at the rates of taxation in PRC jurisdiction.

The amount of taxation charged to the consolidated statement of comprehensive income represents:

	2011	2010
	HK$'000	HK$'000
Current tax - PRC	**3**	3
	3	3

7. 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 respective holders of the Company by the weighted average number of ordinary shares in issue during the years.

	2011	2010
Loss for the year attributable to equity holders of the Company, HK$'000	**(66,417)**	(154,281)
Weighted average number of ordinary shares in issue	**1,529,600,200**	1,529,600,200
Basic earnings per share, HK cents	**(4.34)**	(10.09)

(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 would have an anti-dilutive effect on the earnings per ordinary share for the years ended 31 March 2011 and 2010.

(c) The preference shares issued to the non-controlling interest for the subsidiary have no potentially dilutive effect to the ordinary shares of the Group for financial years ended 31 March 2011 and 2010 and as such no diluted earnings per ordinary share is presented.

8. 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 2010	**222,466**	**16,540**	**7,265**	**2,106**	**4,333**	**252,710**
Additions	**41,480**	**199**	**431**	**3,707**	**-**	**45,817**
Disposals	**(11,494)**	**(156)**	**(1,825)**	**-**	**(26)**	**(13,501)**
Reclassified as held for sale	**(14,067)**	**-**	**-**	**-**	**-**	**(14,067)**
Exchange difference	**10,451**	**422**	**266**	**145**	**38**	**11,322**
At 31 March 2011	**248,836**	**17,005**	**6,137**	**5,958**	**4,345**	**282,281**
Accumulated depreciation						
At 1 April 2010	**4,969**	**12,347**	**3,035**	**1,056**	**1,713**	**23,120**
Charge for the year	**1,608**	**1,128**	**1,088**	**380**	**828**	**5,032**
Disposals	**(410)**	**(62)**	**(839)**	**-**	**(25)**	**(1,336)**
Reclassified as held for sale	**(501)**	**-**	**-**	**-**	**-**	**(501)**
Exchange difference	**246**	**180**	**186**	**29**	**23**	**664**
At 31 March 2011	**5,912**	**13,593**	**3,470**	**1,465**	**2,539**	**26,979**
Net book value						
At 31 March 2011	**242,924**	**3,412**	**2,667**	**4,493**	**1,806**	**255,302**
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

9. LAND USE RIGHTS

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

	2011	2010
	HK$'000	HK$'000
Cost:		
At 1 April	**83,696**	65,186
Additions	**15,096**	25,092
Disposals	**(8,268)**	(6,818)
Reclassification as held for sale	**(6,363)**	-
Exchange difference	**3,818**	236
At 31 March	**87,979**	83,696
Accumulated amortization:		
At 1 April	**3,906**	1,848
Charge for the year	**2,012**	2,248
Disposals	**(555)**	(199)
Reclassification as held for sale	**(466)**	-
Exchange difference	**320**	9
At 31 March	**5,217**	3,906
Net book value		
At 31 March	**82,762**	79,790

10. RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2011	2010
	HK$'000	HK$'000
Non-current		
Deposits for acquisition of hotel properties	**106,912**	130,399
	106,912	130,399
Current		
Trade receivables	**215**	98
Other receivables	**18,894**	13,611
Deposits for acquisition of hotel properties	**-**	55,006
Other prepayments and deposits	**9,696**	13,420
	28,805	82,135
Less: provision for impairment	**-**	(5,435)
	28,805	76,700
	135,717	207,099

A significant part of the Group's sales is by credit cards or against payment of deposits. The remaining amounts are with general credit term of 0 to 90 days. As at 31 March 2011, the trade receivables aged within two months are not past due. Management is of the opinion that no impairment provision is made to other receivables as there is no indication of impairment noted for the year.

The carrying amounts of receivables, prepayments and deposits approximate their fair value due to that the effect of discounting is not material. Long term deposits are expected to be matured in short period of time. As at 31 March 2011, none of the receivables, prepayments and deposits was impaired. (2010: Provision of impairment of HK$5,435,000 was made for the deposits for acquisition of hotel properties).

11. ASSETS HELD FOR SALE

On 27 January 2011, the U Inns & Hotel (Si Chuan) Limited (part of the hotel investment of operations segment), an indirect wholly-owned subsidiary of the Company, entered into an agreement with a third party to dispose of the hotel properties located in the cities of Yilong and Langzhong, Sichuan province at a consideration of RMB11.7 million (equivalent to approximately HK$13.9 million) and RMB9.8 million (equivalent to approximately HK$11.6 million) respectively. The said subsidiary will realize, on completion, a gain on disposal of HK$4.1 million. The completion date for the transaction is expected by July 2011.

Since the agreement was signed on 27 January, 2011, the carrying amounts of the hotel properties, land use right were reclassified as "Assets held for sale" in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discounted Operations".

	2011	2010
	HK$'000	HK$'000
Property, plant and equipment	**13,566**	-
Land use right	**5,897**	-
	19,463	-

The above properties were not in operation during the year.

12. PAYABLES AND ACCRUALS

	2011	2010
	HK$'000	HK$'000
Trade payables	**222**	59
Property acquisition cost payable	**2,681**	3,050
Accrued bonus	**6,400**	30,450
Accrued expenses for transaction of hotel properties	**37,315**	26,089
Other payables and accruals	**23,202**	35,408
Temporary receipt for return of properties & sales of properties	**23,295**	-
	93,115	95,056

As at 31 March 2011, trade payables of HK$210,000 and HK$12,000 (2010: HK$45,000 and HK$14,000) were aged within one month and between one and three months respectively.

13. ISSUE OF PREFERRED SHARES BY A SUBSIDIARY

On 28 October 2009, "U" Inns & Hotels Holdings Limited ("UIHHL") 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. Subscription was completed on 1 November 2009.

The Preferred Shares are convertible into 2,590 common shares ("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 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 recognised 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 statement of financial position. The equity component is presented as "Non-controlling interest" in the statement of changes in equity.

	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 for the year anded 31 March 2010	889
Liability component at 31 March 2010	**22,525**
Interest expenses for the year ended 31 March 2011	**1,894**
Liability component at 31 March 2011	**24,419**

The Group's liability components of compound financial instrument were repayable as follows:

	2011	2010
	HK$'000	HK'000
Within 1 year - current portion	**18,850**	10,150
Between 1 and 5 years - non-current portion	**5,569**	12,375
	24,419	22,525

14. BORROWINGS

	2011	2010
	HK$'000	HK$'000
Non-current		
Obligations under finance leases	**586**	1,193
	586	1,193
Current		
Other loans	**49,261**	46,304
Obligations under finance leases	**607**	576
Amount due to ultimate holding company	**367,112**	278,631
	416,980	325,511
	417,566	326,704

15. COMPARATIVE FIGURES

The Group previously included “Gain on disposal of fixed assets” in “Other operating expense”. Management believes that their inclusion in “Other gain, net” is a fairer representation of the Group's activities.

DIRECTORS' COMMENTARIES

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the year ended 31 March 2011 (2010: Nil).

FINANCIAL PERFORMANCE REVIEW

Turnover

The Group recorded a turnover for the year in the amount of HK$4.4 million (FY 2010: HK$2.3 million). Current year turnover comprised hotel rental income, and food and beverage (F&B) revenue of HK$4.0 million and HK$0.4 million, respectively. For FY 2010, where the hotel operations commenced in the middle of the year, hotel rental income and F&B revenue were HK$1.8 million and HK$0.1 million, respectively.

Other gain

The Group recorded a net gain on disposal of fixed assets of HK$4.2 million (FY 2010: HK$0.5 million). In FY 2010, other gain comprised HK$5.2 million of change in fair value of the convertible notes which were fully redeemed in that year, and HK$0.5 million of net gain on disposal of fixed assets.

Staff costs

Staff costs decreased significantly during the year due to cost control measures undertaken by the management and a write back of a provision for bonus of HK$23.6 million, coupled with a decrease in operating activities in line with the Group's re-positioning of its strategies.

Depreciation and amortization

In the last quarter of FY 2010 and during FY 2011 there were several completions of hotel property transfers which resulted in additions of fixed assets. The increased fixed assets base contributed to higher depreciation charge during FY 2011.

Other operating expenses

Other operating expenses which are of recurring nature comprise mainly office rentals, and other corporate expenses related to on-going corporate activities. Other operating expenses have decreased from HK$36.3 million last year to HK$33.3 million this year due mainly to reduction in non-recurring costs relating to certain hotel properties acquisitions, offset by increase in legal and professional fees.

Finance costs

Towards the end of the last financial year, the Group redeemed the convertible notes through a lower interest bearing shareholder's loan. This has resulted in a significant reduction in finance costs from HK$97.7 million to HK$41.3 million in current year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained total bank and cash balances of HK$96.4 million as of 31 March 2011. 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.

As of 31 March 2011, the Group had amount due to ultimate holding company and other loans totaling HK$416.4 million due within one year, and obligations under finance leases of HK$1.1 million maturing within 2 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 non-controlling interest). As of 31 March 2011, the gearing ratio was 333.2% (2010: 200.1%). The increase in the gearing ratio over the two financial years was mainly due to a smaller total equity base coupled with additional loans from the ultimate holding company.

Subsequent to the year end, the management has obtained agreements from the lenders to extend the repayment of certain short-term borrowings totaling HK$416.4 million. As previously reported, certain acquisitions of properties have been terminated of which some of the deposits totally RMB43.6 million (equivalent to HK$51.8 million) were received during current year. The consideration from disposal of a hotel property in the city of Daying, Sichuan Province of RMB22.0 million (equivalent to HK$26.1 million) has been fully received. Furthermore, the Group received RMB11.3 million (equivalent to HK$13.4 million) of deposit from the contacts to sell the hotel properties in the cities of Yilong and Langzhong, Sichuan province.

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. The Group, taking into account of its activities and assets in China, is considering various plans to address the shareholders' deficit, which at the financial year ended 31 March 2011 stood at HK$27.0 million. The management will continue its efforts to resolve this issue.

EVENTS AFTER THE REPORTING PERIOD

As announced on 13 April, 2011, the Company entered into the sale and purchase agreement with VXLCPL which is wholly and beneficially owned by Datuk Lim Chee Wah, the Chairman, and Executive Director, the Group President and the Group Chief Executive Officer of the Company. The Company agreed to sell and VXLCPL agreed to purchase the entire issued share capital together with the sale loan of Hart Industries (Far East) Limited, a wholly-owned subsidiary of the Company at a consideration of HK$1.5 million. This transaction constituted a connected transaction for the Company under the Listing Rules and the transaction was completed on 18 April 2011.

BUSINESS REVIEW AND CORPORATE DEVELOPMENT

The Group maintains its strategies of developing its properties into budget hotels or commercial offices for leasing or sale, or, when appropriate, outright sale. The Group will continue its efforts to add value to its assets by seeking appropriate joint ventures or partnership with companies in the hospitality, tourism and property industries or companies with investment interests in these industries.

Budget Hotels in the PRC

As noted above, two properties were disposed of in the second half of the financial year and will record a gain on disposal of HK$4.1 million in FY 2012.

As reported last November, the Group had commenced the renovation of our property in Yingkou, Liaoning province. The lower floors will be leased to Citic Bank, while the upper floors are reserved for leasing and/or for sale. Completion of renovation, targeted for April 2011, is now delayed by a couple of months due to harsher winter season and additional renovation works. When the entire property is leased out and on full occupancy, the expected steady rental income is anticipated to be approximately HK$4.8 million per annum.

PROSPECTS

China's continued economic growth and urbanisation trend will continue to demand for more accommodation facilities to cater for travelers, domestic and inbound, and for office spaces for growing businesses. A major task in China's current 12th Five-Year-Plan is to transfer its economy from high resource-consuming to environmental friendly industries, of which tourism falls within. The importance of tourism has recently seen the establishment of China's National Tourism Day, which falls on 19 May. The Group believes that its current focus on budget hotels and commercial offices for leasing or sale is rightly placed to avail itself of these developing trends in China.

OTHER INFORMATION

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

During the year ended 31 March 2011, 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 the maintenance of 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 2011, with minor deviations as stated below.

Under the Code A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. After the resignation of Mr. Percy Archambaud-Chao as Group Chief Executive Officer effective from 7 August 2010, Datuk Lim Chee Wah, Chairman of the Board, has been appointed also as the Group Chief Executive Officer. The Board considers that this is a transitional arrangement to cater for a smooth handover. If candidate with suitable knowledge, skills and experience is identified, the Company will make appointment to the post of Group Chief Executive Officer as appropriate.

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 five 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 2011.

Internal Audit

The Company has appointed an independent audit firm ("Internal Auditor") to provide internal audit services to the Group for the financial year ended 31 March 2011. The Internal Auditor have completed their review and concluded that the internal control system of the Company was adequate. The Internal Auditor 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 Auditor 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 Auditor 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 2011 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 2011 have been reviewed by the Audit Committee.

ANNUAL GENERAL MEETING ("AGM")

The AGM of the Company will be held at Executive Boardroom in Business Centre, Level 7, Island Shangri-La, Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong on Monday, 19 September 2011 at 11:30 a.m. and the Notice of AGM will be published and dispatched to the shareholders in the manner as required by the Listing Rules in due course.

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, 22 June 2011

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. XIAO Huan Wei	Dr. Allen LEE Peng Fei, J.P.
	Mr. David YU Hon To