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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

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 2011 together with the comparative figures for the six months ended 30 September 2010.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Note	Unaudited Six months ended 30 September	
		2011 HK\$'000	2010 HK\$'000
Turnover	2	2,148	2,195
Other gain		6,911	-
Staff costs		(7,020)	(9,097)
Other operating expenses		(16,296)	(19,679)
Operating loss	3	(14,257)	(26,581)
Finance income		58	88
Finance costs		(24,835)	(19,958)
Loss before taxation		(39,034)	(46,451)
Taxation charge	4	(1)	(1)
Loss for the period		(39,035)	(46,452)
Other comprehensive income / (loss) :			
Movement in financial assets - available-for-sales		(844)	-
Currency translation differences		14,129	8,075
Other comprehensive income for the period		13,285	8,075
Total comprehensive income / (loss) for the period		(25,750)	(38,377)
Loss attributable to equity holders of the Company		(39,035)	(46,452)
Total comprehensive income / (loss) attributable to equity holders of the Company		(25,750)	(38,377)
Basic and diluted earnings / (loss) per ordinary share	5	HK\$ (2.55) cents	HK\$ (3.04) cents

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2011**

		<i>(Unaudited)</i> 30 September 2011 <i>HK\$'000</i>	<i>(Audited)</i> 31 March 2011 <i>HK\$'000</i>
	Note		
Non-current assets			
Property, plant and equipment	6	253,929	255,302
Land use rights	6	79,388	82,762
Construction in progress		13,922	8,549
Available-for-sale financial assets		1,128	33,339
Receivables, prepayments and deposits	7	110,434	106,912
		458,801	486,864
Current assets			
Receivables, prepayments and deposits	7	27,496	28,805
Bank balances and cash		79,426	96,350
Amount due from related companies		-	21
		106,922	125,176
Assets held for sale	8	31,111	19,463
		138,033	144,639
Current liabilities			
Payables and accruals	9	62,556	93,115
Liability component of compound financial instrument	10	18,850	18,850
Borrowings	11	438,171	416,980
		519,577	528,945
Net current liabilities		(381,544)	(384,306)
Total assets less current liabilities		77,257	102,558
Non-current liabilities			
Liability component of compound financial instrument	10	6,334	5,569
Borrowings	11	270	586
		6,604	6,155
Net assets		70,653	96,403
EQUITY			
Share capital		15,296	15,296
Reserves		(68,007)	(42,257)
Total shareholders' deficit		(52,711)	(26,961)
Non-controlling interest		123,364	123,364
Total equity		70,653	96,403

NOTES:

1. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30 September 2011 are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”.

The unaudited condensed consolidated financial information should be read in conjunction with the financial statements for the year ended 31 March 2011, which had been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The unaudited condensed consolidated financial information has been prepared under the historical cost convention, except as modified by the revaluation of the available-for-sale financial assets.

For the six months ended 30 September 2011, the Group had a loss of HK\$39,035,000 (2010: HK\$46,452,000). At 30 September 2011, the Group had net current liabilities of HK\$381,544,000 (31 March 2011: HK\$384,306,000) and shareholders’ deficit of HK\$52,711,000 (31 March 2011: HK\$26,961,000). Its current liabilities mainly consist of short-term borrowings and the outstanding payments for acquisition of budget hotels. Subsequent to the period end, management has obtained agreements from lender to extend the repayment of certain short-term borrowings totaling HK\$386.0 million. Furthermore, the Group 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, 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. Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

The accounting policies used in this unaudited condensed consolidated financial information are consistent with those of the annual financial statements for the year ended 31 March 2011.

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

The Group has adopted the following new/revised HKFRS effective 1 April 2011:

- HKFRSs (Amendment) Improvement to HKFRSs 2010
- HKAS 24 (Revised) Related Party Disclosures
- HK(IFRIC) – Int 14 Prepayments of a Minimum Funding Requirement
- HK(IFRIC) – Int 19 Extinguishing Financial Liabilities with Equity Instruments

The adoption of these new/revised HKFRS has no significant impact on the Group’s financial statements.

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 and (ii) property investment.

The Group’s operating business 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) to (b) above and includes that of the corporate office.

Capital expenditures comprise additions to property, plant and equipment (Note 6) 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,³

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 for the six months ended 30 September 2011 and 2010 are as follows:

	Property investment HK\$'000	Hotel investment & operations HK\$'000	Unallocated HK\$'000	The Group HK\$'000
Six months ended 30 September 2011				
Segment revenue				
Sales to external customers	-	2,148	-	2,148
Segment results				
	(1,681)	(12,968)		(14,649)
Gain on disposal of subsidiary & properties	-	5,734	1,177	6,911
Finance income	-	58	-	58
Unallocated income and expenses (net)				(6,519)
Finance costs	-	(12,931)	(11,904)	(24,835)
Loss before taxation				(39,034)
Taxation				(1)
Loss for the period				(39,035)
Other segment information				
Depreciation and amortization	-	3,510	392	3,902
Capital expenditures				
- Property, plant and equipment	-	359	-	359
- Construction in progress	-	5,373	-	5,373

Six months ended 30 September 2010

	Property investment HK\$'000	Hotel investment & operations HK\$'000	Unallocated HK\$'000	The Group HK\$'000
Segment revenue				
Sales to external customers	-	2,195	-	2,195
	<hr/>			
Segment results	(1,821)	(10,929)		(12,750)
	<hr/>			
Financial income	-	27	61	88
Unallocated income and expenses (net)				(13,831)
Finance costs	(3,536)	(6,647)	(9,775)	(19,958)
Loss before taxation				(46,451)
Taxation				(1)
Loss for the period				(46,452)
	<hr/>			
Other segment information				
Depreciation and amortization	-	3,411	418	3,829
Capital expenditures				
- Property, plant and equipment	-	11,925	222	12,147
- Construction in progress	-	353	-	353
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The segment assets and liabilities as at 30 September 2011 and 31 March 2011 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
As at 30 September 2011					
Segment assets	48,585	459,404	507,989	9,419	517,408
Bank balances and cash	10	60,640	60,650	18,776	79,426
Total assets	48,595	520,044	568,639	28,195	596,834
Segment liabilities	10,920	62,322	73,242	15,391	88,633
Other loans	-	51,520	51,520	-	51,520
Amount due to ultimate holding company	4,009	137,855	141,864	244,164	386,028
Total liabilities	14,929	251,697	266,626	259,555	526,181
As 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

Note : Segment assets grouped in property investment segment including an available for sale financial assets and receivable from such unlisted investment.

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

The Group's businesses operate in Hong Kong and the PRC. The segment revenue for the periods ended 30 September 2011 and 2010 and non-current assets as at 30 September 2011 and 31 March 2011 based on geographical area are as follows:

	Six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
Revenue		
Hong Kong	-	-
PRC	2,148	2,195
	2,148	2,195
	30 September	31 March
	2011	2011
	HK\$'000	HK\$'000
Non-current assets		
Hong Kong	11,583	13,030
PRC	447,218	473,834
	458,801	486,864

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

3. OPERATING LOSS

	Six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
Operating loss is arrived at after (crediting)/charging:		
Depreciation and amortization	3,902	3,829
Gain on disposal of property, plant and equipment and land use rights	(6,911)	-
Exchange loss	1,198	481
Operating leases - land and building	1,984	6,338

4. TAXATION

No provision for Hong Kong profits tax (FY 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 the PRC.

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

	Six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
Current tax	1	1

5. BASIC AND DILUTED EARNINGS / (LOSS) PER ORDINARY SHARE

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

	Six months ended 30 September	
	2011	2010
Loss attributable to the equity holders of the Company, HK\$'000	(39,035)	(46,452)
Weighted average number of ordinary shares in issue	1,529,600,200	1,529,600,200
Basic earnings / (loss) per share, HK cents	(2.55)	(3.04)

Diluted earnings / (loss) 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 / (loss) per ordinary share for the period ended 30 September 2011.

6. PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

	Property, plant and equipment <i>HK\$'000</i>	Land use rights <i>HK\$'000</i>
Six months ended 30 September 2011		
Opening net book value as at 1 April 2011	255,302	82,762
Additions	359	2,016
Disposals	(7,168)	(6,727)
Depreciation and amortization	(2,600)	(1,302)
Exchange difference	8,036	2,639
Closing net book value as at 30 September 2011	253,929	79,388
Six months ended 30 September 2010		
Opening net book value as at 1 April 2010	229,590	79,790
Additions	12,147	-
Reclassified as assets held for sale	(12,070)	(7,713)
Depreciation and amortization	(2,709)	(1,120)
Exchange difference	4,321	1,440
Closing net book value as at 30 September 2010	231,279	72,397

7. RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30 September 2011 <i>HK\$'000</i>	31 March 2011 <i>HK\$'000</i>
Non-current		
Deposits for acquisition of hotel properties	110,434	106,912
	110,434	106,912
Current		
Trade receivables	134	215
Other receivables	20,312	18,894
Other prepayments and deposits	7,050	9,696
	27,496	28,805
Less: provision for impairment	-	-
	27,496	28,805
	137,930	135,717

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

	30 September 2011 <i>HK\$'000</i>	31 March 2011 <i>HK\$'000</i>
Within 1 month	118	103
Between 1 and 3 months	16	112
	134	215

8. ASSETS HELD FOR SALE

On 21 September 2011, Daily Right Limited, a wholly-owned subsidiary of the Company, entered into an agreement with a third party, agreed to dispose its 5% equity interest in Moral High Limited, at a consideration of approximately RMB 43.8 million (equivalent approximately HK\$53.8 million). The said available for sales financial assets will realize on completion, a gain on disposal (before expense) of approximately HK\$22.4 million . The transaction was completed in November 2011.

Since the transactions was completed after the reporting date, the carrying amounts of the available for sales was reclassified as “Assets held for sale” in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”.

	As at 30 September 2011 <i>HK\$'000</i>	As at 31 March 2011 <i>HK\$'000</i>
Property, plant and equipment	-	13,566
Land use right	-	5,897
Available for sale financial assets	31,111	-
	31,111	19,463

9. PAYABLES AND ACCRUALS

	30 September 2011 <i>HK\$'000</i>	31 March 2011 <i>HK\$'000</i>
Trade payables	95	222
Property acquisition cost payable	2,770	2,681
Provision for bonus (Note a)	6,400	6,400
Accrued expenses for transaction of hotel properties	29,200	37,315
Other payables and accruals	24,091	23,202
Tempory receipts for return of properties & sales of properties	-	23,295
	62,556	93,115

Note a : As disclosed in Litigation section below, the Group has made a bonus provision of HK\$6.4 million in respect of the case set out under (i) in same section.

10. ISSUE OF PREFERRED SHARES BY A SUBSIDIARY

On 28 October 2009, “U” Inns & Hotels Holding 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. 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 period.

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 components 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.

	2011
	HK\$'000
Proceeds of issue	145,000
Liability component	<u>(21,636)</u>
Equity component	<u>123,364</u>
Liability component at date of issue	22,525
Interest expenses for the year ended 31 March 2011	1,894
Liability component at 31 March 2011	<u>24,419</u>
Interest expenses for the six months period ended 30 September 2011	765
Liability component at 30 September 2011	<u>25,184</u>

The Group’s liability components of compound financial instruments were repayable as follows:

	30 September 2011	31 March 2011
	HK\$'000	HK\$'000
Within 1 year - current portion	18,850	18,850
Between 1 and 5 years - non-current portion	6,334	5,569
	<u>25,184</u>	<u>24,419</u>

11. BORROWINGS

	30 September 2011 HK\$'000	31 March 2011 HK\$'000
Non-current		
Obligations under finance leases	270	586
	<u>270</u>	<u>586</u>
Current		
Other loans	51,520	49,261
Obligations under finance leases	623	607
Amount due to ultimate holding company	386,028	367,112
	<u>438,171</u>	<u>416,980</u>
	<u>438,441</u>	<u>417,566</u>

The other loans and amount due to ultimate holding company with effective interest rates ranging from 10% to 15% are repayable within one year at reporting date.

Pursuant to the written agreement with the lender entered into subsequent to 30 September, 2011, the repayment period of amounts due to the ultimate holding company of HK\$386.0 million have been deferred for more than one year.

DIRECTORS' COMMENTARIES

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2011 (2010 : NIL).

FINANCIAL PERFORMANCE REVIEW

Turnover

The Group's turnover for the period of HK\$2.2 million (2010: HK\$2.2 million) comprised mainly hotel rental, and food and beverage revenue, contributed by the Group's first operating hotel located in Xiangfan, Hubei Province.

Staff costs

Staff costs have decreased significantly during the period due to continued cost control measures undertaken by the management coupled with a decrease in operating activities in line with the Group's re-positioning of its strategies.

Other operating expenses

A majority of other operating expenses, such as rental and rates, depreciation and utilities, are fixed or semi-fixed. The management will, at appropriate time, implement measures to contain and/or reduce these costs. During this first half year period under review, these costs have decreased from HK\$19.6 million to HK\$16.3 million mainly due to reduced rental fee.

Finance costs

The Group has further loan from the principal shareholder in the period end of year 2010. This has resulted in increased in finance costs from HK\$19.9 million to HK\$24.8 million during the period.

Net loss after tax

The Group recorded a net loss after tax of HK\$39.0 million (2010: HK\$46.4 million), the component changes of which were discussed above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained total bank and cash balances of HK\$79.4 million as of 30 September 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 30 September 2011, the Group had amount due to ultimate holding company and other loans totaling HK\$437.5 million due within one year, and obligations under finance leases of HK\$0.9 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 30 September 2011, the gearing ratio has increased to 508.1% (31 March 2011: 333.2%), The proceeds from the sale of a hotel property in Yilong and Langzhong, Sichuan Province, have been fully received. Moreover, as announced on 22 September, 2011, the net proceeds from disposal of 5% equity holding of Moral High are estimated to be approximately HK\$52.2 million. Together with the continuous financial support from the principal shareholder, the management is confident that the Group is able to meet its obligations.

As of 30 September 2011, the Group's recorded a total shareholders' deficit of HK\$52.7 million. The board of directors is considering various proposals with a view to improving the situation.

SUBSEQUENT EVENTS

On 21 September, 2011, Daily Right Limited, a wholly owned subsidiary of the Group entered into the Sale and Purchase Agreement with Skybird International Limited to sell 5% equity holding of Moral High Limited at a consideration of HK\$53.8 million. The gain of the disposal (before expenses) was approximately of HK\$22.4 million.

On 23 November, 2011, "U" Inns & Hotel (Sichuan) Limited * (你的客棧酒店(四川)有限公司), a wholly owned subsidiary of the Group, entered into the Sales and Purchase agreement with Renshou Jingshengjing Property Development Co., Limited * (仁壽縣景聖景房地產開發有限責任公司) and Sichuan Xiangdongfang Investment Group Co., Limited * (四川省向東方投資集團有限公司) to sell Renshou and Suining property respectively at a total consideration of RMB 33.37 million (equivalent to approximately HK\$40.94 million) . The gain of the disposal was approximately of HK\$1.41 million and HK\$1.84 million for Renshou property and Suining property respectively.

LITIGATION

- (i) On 4 October 2011, the Company received notice that a claim (the “Former CEO Claim”) has been filed in the Labour Tribunal against it by a former chief executive officer of the Company (the “Former CEO”) for a total sum of HK\$30 million, which was the alleged discretionary bonus owed by the Company to the Former CEO. The Company intends to vigorously dispute allegations made in the Former CEO Claim. Further details relating to the Former CEO Claim were disclosed in the announcement of the Company dated 6 October 2011.
- (ii) On 17 May 2011, VXL Management Services Limited (“VXLMSL”), a wholly-owned subsidiary of the Company, as plaintiff issued a writ of summons (the “Writ”) in Hong Kong against Shanghai Huayang Saili Enterprise Development Co., Ltd. * (上海華揚賽利實業發展有限公司) (“Huayang”) in respect of a claim (the “Huayang Claim”) for an overdue loan in the amount of RMB10 million and the interest accrued thereon owed by Huayang to VXLMSL. The Writ was subsequently served on Huayang by the PRC Court on 10 August 2011. On 30 August 2011, the lawyers acting on behalf of Huayang indicated that it intends to contest the proceedings.

BUSINESS REVIEW AND CORPORATE DEVELOPMENT

The Group currently owns a total of 14 properties in its portfolio and maintains its strategies of developing them into budget hotels or commercial offices for leasing or sale, or, when appropriate, outright sale. The Group’s operating hotel which is located in Xiangfan, Hubei Province contributed total revenue of HK\$4.4 million for the year ended 31 March 2011.

The renovation of the Group’s property in Yingkou, Liaoning Province was completed in June 2011, Citic Bank, which is a lessee of several lower floors of the building, soft-opened on 1 July 2011. The remaining floors are being marketed for leasing and sale.

The management has identified another property for conversion into commercial usage and is in the course of finalising its execution plan.

PROSPECTS

The Group will continue to be engaged in property and hotel investments and the Directors believe that such strategies are rightly placed to avail the Group of the developing trend of tourism in the PRC. The Group will also 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 interest in these industries.

OTHER INFORMATION

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

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

The Group has applied the principles and complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting period covered by the six months ended 30 September 2011, with the following 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 five 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 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, the Company has not appointed a CEO. The role of the CEO is also performed by Datuk LIM Chee Wah, Chairman of the Board. The Board believes that vesting the roles of both chairman and CEO in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies. The Board shall nevertheless review the structure from time to time to ensure appropriate move is being taken should suitable circumstances arise.

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 2011.

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 unaudited interim results for the six months ended 30 September 2011 have been reviewed by the Audit Committee.

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

Hong Kong, 30 November, 2011

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

Executive Directors:

Datuk LIM Chee Wah
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

* For identification purpose only.