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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)

DISCLOSEABLE TRANSACTION

After the trading hours of the Stock Exchange on 24 October 2012, UIHIL, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Transfer Agreement pursuant to which UIHIL agreed to dispose of and the Purchaser agreed to acquire a 100% equity interest in U-Inn (W) for the Consideration of RMB24,084,000 (equivalent to approximately HK\$29.5 million). The Purchaser shall also be responsible for repaying the inter-company debts owed by U-Inn (W) to the Group in the amount of RMB14,084,000 (equivalent to approximately HK\$17.2 million).

As the applicable percentage ratios (as defined in the Listing Rules) for the Transfer exceeds 5% but is less than 25%, the Transfer constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the notification and announcement requirements under the Listing Rules.

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THE TRANSFER AGREEMENT

Date

24 October 2012

Parties

- (i) UIHIL; and
- (ii) the Purchaser, the principal activities of which include the operation of shopping malls and property investment in the PRC.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Subject assets being disposed of

Pursuant to the Transfer Agreement, the Purchaser agreed to acquire, and UIHIL agreed to dispose of, a 100% equity interest in U-Inn (W).

Consideration

The Consideration for the 100% equity interest in U-Inn (W) is RMB24,084,000 (equivalent to approximately HK\$29.5 million), which shall be payable by the Purchaser within 60 days from the signing of the Transfer Agreement and was arrived at after arm's length negotiations between UIHIL and the Purchaser with reference to the valuation of the net assets of U-Inn (W) prepared by an independent valuer in the PRC of approximately RMB22.94 million (equivalent to approximately HK\$28.06 million) as at 28 August 2012.

In addition, the Purchaser shall be responsible for repaying the inter-company debt owed by U-Inn (W) to the Group in the amount of RMB14,084,000 (equivalent to approximately HK\$17.2 million), as to RMB6,000,000 (equivalent to approximately HK\$7.3 million) within 60 days from the date of the Transfer Agreement and as to the balance of RMB8,084,000 (equivalent to approximately HK\$9.9 million) on or before 31 December 2012.

Completion

Completion of the Transfer Agreement shall take place after (i) the Consideration has been fully settled by the Purchaser; and (ii) the Purchaser having obtained all the relevant approvals of the Transfer and title transfer approval certificate for the equity interest in U-Inn (W) in the PRC.

Upon completion of the Transfer, the Group shall cease to hold any interest in U Inn (W) and U-Inn (W) shall cease to be a subsidiary of the Company.

Expenses

The Purchaser agreed to bear the expenses relating to audit and valuation (if any), and charges and taxes payable to the relevant PRC government authorities in relation to the Transfer up to an amount of RMB2.0 million (equivalent to approximately HK\$2.4 million). Any expenses in excess thereof shall be borne by UIHIL.

Termination

The Transfer Agreement may be terminated by mutual agreement between the parties before the title transfer approval certificate for the equity interest in U-Inn (W) is issued by the relevant PRC authorities. If the Consideration is overdue by 30 days, UIHIL shall have the right to terminate the Transfer Agreement.

INFORMATION ON U-INN (W)

U-Inn (W) is principally engaged in hotel investments in the PRC. It operates a budget hotel, 遼寧瓦房店郵政賓館 (Liaoning Wafangdian Post Hotel*), situated in Liaoning Province, the PRC. The hotel has a gross floor area of approximately 9,738 square metres and has not commenced operations. Based on the unaudited management accounts of U-Inn (W), the net asset value of U-Inn (W) as at 30 September 2012 was approximately RMB21.5 million (equivalent to approximately HK\$26.3 million). Based on the unaudited accounts of U-Inn (W) included in the audited consolidated accounts of the Group, the net loss of U-Inn (W) (both before and after tax) were approximately RMB0.14 million (equivalent to approximately HK\$0.17 million) for the year ended 31 December 2010 and approximately RMB0.88 million (equivalent to approximately HK\$1.07 million) for the year ended 31 December 2011.

REASONS FOR AND BENEFITS OF THE TRANSFER

The Company is an investment holding company and its subsidiaries are engaged in hotel investment and management, property investment, securities trading and investment.

As stated in the Company's annual report for the year ended 31 March 2012, 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 Transfer is consistent with the aforesaid development strategy of the Group and serves to enhance the overall quality of the property portfolio of the Group.

Based on the net asset value of U-Inn (W) of approximately RMB21.5 million (equivalent to approximately HK\$26.3 million) as at 30 September 2012 and the Consideration, it is estimated that the Group will realise a gain from the Transfer of approximately RMB2.6 million (equivalent to approximately HK\$3.2 million) before taxes and expenses. Taking into account the expected gain to be realised and the positive cashflow to be generated from the Transfer, the Directors consider that the terms of the Transfer Agreement are on normal commercial terms and are fair and reasonable, and the Transfer is in the interests of the Company and its shareholders as a whole.

The proceeds from the Transfer, after deducting taxes and expenses directly attributable thereto, is estimated to be approximately RMB23.9 (equivalent to approximately HK\$29.2 million). The Group intends to apply the net proceeds from the Transfer towards repayment of debts of the Group.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined in the Listing Rules) for the Transfer exceeds 5% but is less than 25%, the Transfer constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the notification and announcement requirements under the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings as set out below:

“Board”	the board of Directors
“Company”	VXL Capital Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 727)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of RMB24,084,000 (equalvent to approximately HK\$29.5 million) for the Transfer payable by the Purchaser
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	瓦房店嘉泰購物廣場有限責任公司 (Wafangdian Jiatai Shopping Mall Co. Limited*), a company incorporated under the laws of the PRC with limited liability
“Transfer”	the proposed transfer of the entire equity interest in U-Inn (W) by UIHIL to the Purchaser pursuant to the terms of the Transfer Agreement
“Transfer Agreement”	the share transfer agreement dated 24 October 2012 entered into between UIHIL and the Purchaser relating to the Transfer
“U-Inn (W)”	你的客棧（瓦房店）酒店管理有限公司 (“U” Inns (Wafangdian) Hotel Management Co. Limited*), a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of UIHIL as at the date of the Transfer Agreement
“UIHIL”	你的客棧酒店有限公司 (“U” Inns & Hotels Investment Limited*), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

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

24 October 2012

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.
Mr. David YU Hon To

Throughout this announcement, amounts in RMB have been translated, for illustration only, into HK\$ at the exchange rate of RMB1.0 = HK\$1.223. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.

** for identification purpose only*