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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 17 October 2013, UIHIL, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Equity Transfer Agreement pursuant to which UIHIL agreed to dispose of, and the Purchaser agreed to acquire, the Sale Interest for the consideration of approximately RMB19.0 million (equivalent to approximately HK\$23.9 million). The Sale Interest represents the entire equity interest in U Inns Tonghua whose principal asset is the Hotel Property.

As the applicable percentage ratios (as defined in the Listing Rules) for the Disposal exceeds 5% but is less than 25%, the Disposal 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.

Reference is made to the announcements of the Company dated 24 December 2012 and 15 January 2013 respectively in relation to the Group's proposed disposal of its 100% equity interest in U Inns Tonghua by way of auction. The relevant auction agency agreement was subsequently terminated and the disposal by way of auction did not proceed.

The Board is pleased to announce that after the trading hours of the Stock Exchange on 17 October 2013, UIHIL, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Equity Transfer Agreement pursuant to which UIHIL agreed to dispose of, and the Purchaser agreed to acquire, the Sale Interest. Details of the Equity Transfer Agreement are set out below.

THE EQUITY TRANSFER AGREEMENT

Date

17 October 2013

Parties

- (i) UIHIL; and
- (ii) Mr. Mou Xiaogang, the Purchaser.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is a third party independent of the Company and its connected persons (as defined under the Listing Rules).

Subject asset being disposed of

Pursuant to the Equity Transfer Agreement, UIHIL agreed to dispose of, and the Purchaser agreed to acquire, the Sale Interest. The Sale Interest represents the entire equity interest in U Inns Tonghua.

Consideration

The consideration for the Sale Interest is approximately RMB19.0 million (equivalent to approximately HK\$23.9 million) and shall be payable in cash by the Purchaser to UIHIL by 31 October 2013.

The consideration for the Sale Interest was determined after arm's length negotiations between UIHIL and the Purchaser with reference to the unaudited net asset value of U Inns Tonghua as at 31 July 2013 and the market value of the Hotel Property as at 31 May 2013 of RMB18.9 million (equivalent to approximately HK\$23.8 million) as assessed by an independent professional valuer. The net asset value of U Inns Tonghua as at 31 July 2013 as adjusted by the aforesaid market value of the Hotel Property would amount to approximately RMB15.8 million (equivalent to approximately 19.9 million).

In addition to the consideration for the Sale Interest, the Purchaser shall repay the entire inter-company debt owed by U Inns Tonghua to UIHIL in the amount of approximately RMB3.0 million (equivalent to approximately HK\$3.8 million) on the date of the Equity Transfer Agreement.

Completion

Within seven days from the receipt of the full settlement of the consideration for the Sale Interest, U Inns Tonghua shall handover the Hotel Property to the Purchaser.

The Equity Transfer Agreement is subject to the approval and consent of the relevant government authority in the PRC. In the event that the consent from the relevant government authority on the Disposal is not obtained, the Equity Transfer Agreement shall cease and terminate, and UIHIL shall refund to the Purchaser all sum paid by him to UIHIL under the Equity Transfer Agreement. If the Equity Transfer Agreement is not completed due to the default of UIHIL, UIHIL shall also refund to the Purchaser all sum paid by him to UIHIL under the Equity Transfer Agreement together with 20% of the total sum of the consideration and the inter-company debt for the Sale Interest as compensation. If the Equity Transfer Agreement is not completed due to the default of the Purchaser, the Purchaser shall pay 20% of the consideration for the Sale Interest to UIHIL as compensation plus any direct losses incurred by UIHIL in connection with the default in excess of the aforesaid compensation amount.

Upon completion of the Disposal, the Company will cease to hold any interest in U Inns Tonghua and U Inns Tonghua will cease to be a subsidiary of the Company.

INFORMATION ON U INNS TONGHUA

U Inns Tonghua is principally engaged in hotel investments in the PRC and its principal asset is the Hotel Property located in Tonghua, Jilin Province, the PRC. The Hotel Property has a gross floor area of approximately 5,318 square metres and has not commenced hotel operations. A portion of the Hotel Property with a gross floor area of approximately 274 square metres is leased out to an independent third party for an annual rent of approximately RMB80,000. Such lease will expire in December 2013. Based on the unaudited financial statements of U Inns Tonghua included in the consolidated financial statements of the Group, the net loss (both before and after taxation) of U Inns Tonghua for each of the two financial

years ended 31 March 2012 and 2013 were approximately RMB0.5 million and RMB0.2 million respectively (equivalent to approximately HK\$0.6 million and HK\$0.3 million respectively). The unaudited net asset value of U Inns Tonghua as at 31 July 2013 amounted to approximately RMB12.9 million (equivalent to approximately HK\$16.3 million).

POSSIBLE FINANCIAL EFFECTS OF THE DISPOSAL

Based on the unaudited net asset value of U Inns Tonghua as at 31 July 2013 of approximately RMB12.9 million, it is estimated that the Company will realise a gain from the Disposal of approximately RMB5.5 million (equivalent to approximately HK\$6.9 million), being the difference between the consideration for the Sale Interest and the unaudited net asset value of U Inns Tonghua as at 31 July 2013 after deducting taxes and expenses directly attributable thereto.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is engaged in hotel investment and operations, and property investment. With a view to optimising its hotel investment business, the Group has been restructuring its hotel property portfolio by disposing of its interests in hotel properties which have not yet commenced operations. It is also the Group's strategy to develop its hotel properties into budget hotels or commercial offices for leasing or sales, or, when appropriate, outright sale. The Disposal is in line with such strategy.

The net proceeds from the Disposal, after deducting taxes and expenses directly attributable thereto of approximately RMB0.6 million, are estimated to be approximately RMB18.4 million (equivalent to approximately HK\$23.2 million). The Group intends to apply the net proceeds from the Disposal as its general working capital and/or partial settlement of the shareholder's loan.

Taking into account of the expected gain to be realised and the positive cashflow to be generated from the Disposal, the Directors (including the independent non-executive Directors) consider that the Disposal is on normal commercial terms and is fair and reasonable, and the Disposal is in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined in the Listing Rules) for the Disposal exceeds 5% but is less than 25%, the Disposal 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)
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the entire equity interest in U Inns Tonghua by UIHIL to the Purchaser pursuant to the terms of the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 17 October 2013 entered into between UIHIL and the Purchaser in respect of the Disposal
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hotel Property”	the hotel property located in Tonghua, Jilin Province, the PRC and owned by U Inns Tonghua
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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”	Mr. Mou Xiaogang

“Sale Interest”	the entire equity interest in U Inns Tonghua
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U Inns Tonghua”	你的客棧（通化）酒店管理有限公司（“U” Inns & Hotel (Tonghua) 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 Equity Transfer Agreement
“UIHIL”	“U” Inns & Hotels Investment Limited (你的客棧酒店有限公司), 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

17 October 2013

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
Mr. SOO Ying Pooi

Throughout this announcement, amounts in RMB have been translated, for illustration only, into HK\$ at the exchange rate of RMB1 = HK\$1.26. 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*