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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

The Board is pleased to announce that after the trading hours of the Stock Exchange on 31 May 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 RMB24.9 million (equivalent to approximately HK\$31.4 million). The Sale Interest represents the entire equity interest in U-Inn Xiangfan 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.

After the trading hours of the Stock Exchange on 31 May 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

31 May 2013

Parties

- (i) UIHIL; and
- (ii) Mr. Liao Jianyong, 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-Inn Xiangfan.

Consideration

The consideration for the Sale Interest is approximately RMB24.9 million (equivalent to approximately HK\$31.4 million) and shall be payable by the Purchaser in accordance with the following schedule:

- (i) 50% of the consideration for the Sale Interest (i.e. approximately RMB12.5 million (equivalent to approximately HK\$15.8 million)) has been paid by the Purchaser to UIHIL on the date of the Equity Transfer Agreement;
- (ii) 40% of the consideration for the Sale Interest (i.e. approximately RMB10.0 million (equivalent to approximately HK\$12.6 million)) shall be payable by the Purchaser to UIHIL upon receipt of the consent from the relevant government authority on the Disposal; and
- (iii) the remaining 10% of the consideration for the Sale Interest (i.e. approximately RMB2.5 million (equivalent to approximately HK\$3.2 million)) shall be payable by the Purchaser to UIHIL upon receipt of the notice of acceptance of registration for change in shareholding from the relevant Administration for Industry and Commerce.

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-Inn Xiangfan as at 31 March 2013 as revalued by the indication of the market value of the Hotel Property in May 2013 by an independent valuer, which amounted to approximately RMB23.9 million (equivalent to approximately HK\$30.1 million).

In addition to the consideration for the Sale Interest, the Purchaser shall repay the entire inter-company debt owed by U-Inn Xiangfan to UIHIL in the amount of approximately RMB12.1 million (equivalent to approximately HK\$15.2 million) on the date of the Equity Transfer Agreement.

Completion

Completion of the Equity Transfer Agreement shall take place after the consideration for the Sale Interest has been fully settled by the Purchaser.

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 consideration 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-Inn Xiangfan and U-Inn Xiangfan will cease to be a subsidiary of the Company.

INFORMATION ON U-INN XIANGFAN

U-Inn Xiangfan is principally engaged in hotel investments in the PRC and its principal asset is the Hotel Property located in Xiangfan, Hubei Province, the PRC. The Hotel Property has a gross floor area of approximately 9,983 square metres, and is managed and operated as a budget hotel by the Group. Based on the unaudited accounts of U-Inn Xiangfan included in the consolidated accounts of the Group, the net loss (both before and after taxation) of U-Inn

Xiangfan for each of the two financial years ended 31 March 2012 and 2013 were approximately RMB2.0 million and RMB2.0 million respectively (equivalent to approximately HK\$2.5 million and HK\$2.5 million respectively). The unaudited net asset value of U-Inn Xiangfan as at 31 March 2013 amounted to approximately RMB10.7 million (equivalent to approximately HK\$13.5 million).

POSSIBLE FINANCIAL EFFECTS OF DISPOSAL

Based on the unaudited net asset value of U-Inn Xiangfan of approximately RMB10.7 million as shown in the management accounts of U-Inn Xiangfan as at 31 March 2013, it is estimated that the Company will realise a gain (before expenses and taxes) from the Disposal of approximately RMB14.2 million (equivalent to approximately HK\$17.9 million), being the difference between the consideration for the Sale Interest and the unaudited net asset value of U-Inn Xiangfan as at 31 March 2013.

REASONS FOR AND BENEFITS OF THE TRANSFER

The Group is engaged in hotel investment and management, property investment, securities trading and investment. The Group currently owns a total of 10 properties in the PRC in its portfolio. The Disposal is in line with the stated strategy of the Group to develop the property portfolio into budget hotels or commercial offices for leasing or sale, or, when appropriate, outright sale as stated in the interim report of the Company for the six months ended 30 September 2012. As disclosed in a separate announcement of the Company dated 31 May 2013, the Company also entered into an agreement to dispose of its entire equity interest in a subsidiary whose principal asset is a hotel property located in Buerjin County, Xinjiang Uygur Autonomous Region, the PRC.

The net proceeds from the Disposal, after deducting the expenses directly attributable thereto of approximately RMB4.0 million, are estimated to be approximately RMB33.0 million (equivalent to approximately HK\$41.6 million). The Group intends to apply the net proceeds from the Disposal as its general working capital.

Taking into account 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-Inn Xiangfan by UIHIL to the Purchaser pursuant to the terms of the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 31 May 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 Xiangfan, Hubei Province, the PRC and owned by U-Inn Xiangfan
“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. Liao Jianyong

“Sale Interest”	the entire equity interest in U-Inn Xiangfan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U-Inn Xiangfan”	你的客棧（襄樊）酒店管理有限公司（“U” Inns & Hotel (Xiangfan) 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

31 May 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*